

ALPHA & OMEGA SEMICONDUCTOR Ltd  
Form DEF 14A  
October 06, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

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

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

Alpha and Omega Semiconductor Limited  
(Name of Registrant as Specified In Its Charter)

N/A  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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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:
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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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Alpha and Omega Semiconductor Limited  
Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

NOTICE OF 2014 ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD AT 9:00 A.M. ON NOVEMBER 11, 2014 TAIWAN LOCAL TIME  
(AT 5:00 P.M. ON NOVEMBER 10, 2014 U.S. PACIFIC STANDARD TIME)

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of Shareholders (the “Annual Meeting”) of Alpha and Omega Semiconductor Limited, a Bermuda exempted limited liability company (“we,” “our,” “us,” or the “Company”), will be held at 9:00 a.m. on Tuesday, November 11, 2014 Taiwan local time (at 5:00 p.m. on November 10, 2014, U.S. Pacific Standard Time), at the Sheraton Hsinchu Hotel located at No. 265, Dong Sec 1, Guangming 6th Road, Zhubei, Hsinchu County, Taiwan, or any other adjournments or postponements thereof, for the following purposes:

1. To elect six (6) nominees to serve as directors on our Board of Directors until the next annual general meeting of shareholders or until their successors are duly elected and qualified;
2. To approve and ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm, and to authorize our Board of Directors, acting through our Audit Committee, to determine the remuneration of such accounting firm, for the fiscal year ending June 30, 2015;
3. To approve, on an advisory basis, the compensation of the Company's named executive officers, as described in this proxy statement; and
4. To consider and act upon such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only holders of common shares of record at the close of business on September 26, 2014 will be entitled to vote at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, in order to ensure that your shares will be voted in accordance with your wishes and that a quorum at the Annual Meeting may be achieved, please promptly complete, sign, date and return the enclosed proxy card in the enclosed envelope. The proxy card must be properly dated, signed and returned in order to be counted. You can also submit your proxy to vote your shares via the Internet by following the instructions set forth on the enclosed proxy card and the accompanying proxy statement.

By order of the Board of Directors,

Mike F. Chang  
Chairman of the Board of Directors  
Dated October 6, 2014

Important Notice Regarding the Availability of Proxy Materials  
For the Annual Meeting to be Held on November 11, 2014 Taiwan Local Time  
(November 10, 2014 U.S. Pacific Standard Time):  
The Proxy Statement, Proxy Card and Annual Report on Form 10-K for fiscal year 2014 are available at:

<http://investor.aosmd.com/annuals.cfm>

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Alpha and Omega Semiconductor Limited  
Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

PROXY STATEMENT

FOR THE 2014 ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD AT 9:00AM ON NOVEMBER 11, 2014 TAIWAN LOCAL TIME (AT 5:00PM ON NOVEMBER 10,  
2014 U.S. PACIFIC STANDARD TIME)

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Alpha and Omega Semiconductor Limited  
Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

## PROXY STATEMENT

FOR THE 2014 ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD AT 9:00AM ON NOVEMBER 11, 2014 TAIWAN LOCAL TIME  
(AT 5:00PM ON NOVEMBER 10, 2014 U.S. PACIFIC STANDARD TIME)

## INFORMATION REGARDING THE ANNUAL GENERAL MEETING

### General

This proxy statement (“Proxy Statement”) has information about the 2014 Annual General Meeting of Shareholders (the “Annual Meeting”) and was prepared by our management for the Board of Directors of Alpha and Omega Semiconductor Limited, an exempted limited liability company organized under the laws of Bermuda. The Notices of the Annual Meeting and the Proxy Statement are being mailed to our shareholders on or about October 10, 2014. Our Board of Directors supports each proposal for which your vote is solicited.

Our Board of Directors asks you to appoint Mike F. Chang, our Chairman and Chief Executive Officer, and Yifan Liang, our Chief Financial Officer and Corporate Secretary, as your proxy holders to vote your shares at the Annual Meeting. You make this appointment by properly completing the enclosed proxy as described below. If appointed by you, your shares represented by a properly completed proxy received by us will be voted at the Annual Meeting in the manner specified in the proxy card or, if no instructions are marked on the proxy, your shares will be voted as described below. Although management does not know of any other matter to be acted upon at the Annual Meeting, unless contrary instructions are given, shares represented by valid proxies will be voted by the persons named on the accompanying proxy card in the manner the proxy holders deem appropriate for any other matters that may properly come before the Annual Meeting.

We maintain our registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Our telephone number in the United States is (408) 830-9742. The mailing address of our business offices in the United States is 475 Oakmead Parkway, Sunnyvale, CA 94085.

### Record Date and Shares Outstanding

The record date for the Annual Meeting has been set as the close of business on September 26, 2014. Only shareholders of record as of such date will be entitled to notice of and to vote at the meeting. On the record date, there were 26,446,158 issued and outstanding common shares, par value \$0.002 per share (“common shares” or “shares”). Each issued common share is entitled to one vote on the proposals to be voted on at the Annual Meeting. Shares held as of the record date include common shares that are held directly in your name as the shareholder of record and those shares held for you as a beneficial owner through a broker, bank, trust or other nominee.

## QUESTIONS AND ANSWERS RELATING TO THE ANNUAL MEETING

Why did I receive these materials?

Only our shareholders as of the close of business on September 26, 2014, which we refer to as the “Record Date,” are entitled to vote at the Annual Meeting, which will be held at 9:00 a.m., Tuesday on November 11, 2014 Taiwan local time (at 5:00 p.m. on November 10, 2014 U.S. Pacific Standard Time) at the Sheraton Hsinchu Hotel located at No. 265, Dong Sec 1, Guangming 6th Road, Zhubei, Hsinchu County, Taiwan. As a shareholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in the Proxy Statement. We distribute the Proxy Statement and related materials to our shareholders of record on the Record Date.

The Proxy Statement provides notice of the Annual Meeting, describes the proposals presented for shareholder actions and includes information about the proposals, information concerning our management, corporate governance, principal shareholders and other relevant information. The accompanying proxy card also enables shareholders to vote on the matters without having to attend the Annual Meeting in person.

What is a proxy?

A proxy is your legal designation of another person to vote on your behalf. By completing and returning the enclosed proxy card, you are providing each of our Chief Executive Officer and the Chief Financial Officer with the authority to vote your shares in the manner you indicate on your proxy card.

What are the proposals to be considered at the Annual Meeting and what vote is required to approve each proposal?

The Board of Directors is submitting the following three (3) proposals for shareholder actions at the Annual Meeting:

Proposal 1 - the election of six (6) nominees to serve as directors on our Board of Directors until the next annual general meeting of shareholders or until their successors are duly elected and qualified. The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. “Plurality” means that the individuals who receive the highest number of votes are elected as directors, up to the number of directors to be chosen at the meeting. A properly executed proxy marked “withhold authority” with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Broker non-votes will have no effect on the outcome of the election of directors.

Proposal 2 - the approval and ratification of the appointment of Grant Thornton LLP (“Grant Thornton”) as our independent registered public accounting firm, and the authorization for our Board of Directors to determine the remuneration of the accounting firm, for the fiscal year ending June 30, 2015. The affirmative vote of holders of a majority of the votes cast in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve this proposal. A properly executed proxy marked “abstain” with respect to Proposal 2 will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have no effect on the outcome of this proposal.

Proposal 3 - the approval of an advisory and non-binding resolution regarding the compensation of our named executive officers as described in the Proxy Statement, or the “say-on-pay” vote. The affirmative vote of holders of a majority of the votes cast in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve this proposal. However, Proposal 3 represents only an advisory vote of the shareholders and is not binding on the Board of Directors. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

How are votes counted and how will a broker non-vote be treated and counted?

For Proposal 1 with respect to the election of directors, you may vote "FOR" all or some of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. You may not cumulate your votes for the election of directors.

For Proposal 2 with respect to the appointment of the independent registered public accounting firm, you may vote "FOR," "AGAINST" or "ABSTAIN." Abstentions will have no effect on the outcome of the votes.

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For Proposal 3 with respect to the compensation of our named executive officers, you may vote “FOR,” “AGAINST” or “ABSTAIN.” Abstentions will have no effect on the outcome of the votes.

As the “street name” holder or beneficial owner, you have the right to direct your broker, bank, trust or other nominee on how to vote your shares at the Annual Meeting. The broker, bank, trust or other nominee that is the shareholder of record for your shares is obligated to provide you with a voting instruction card for you to use for this purpose. If you hold your shares in a brokerage account but you fail to return your voting instruction card to your broker, your shares may constitute “broker non-votes.” Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. If you are a beneficial owner and your broker, bank, trust or other nominee holds your shares in its name, it is not permitted for the broker, bank, trust or other nominees to vote your shares on the election of directors (Proposal 1) and the “say-on-pay vote” (proposal 3). The broker, bank, trust or other nominees are permitted to vote for the approval and ratification of the appointment of Grant Thornton LLP (Proposal 2), therefore we do not expect any broker non-votes for Proposal 2. Broker non-votes are counted for purposes of establishing a quorum.

Who is entitled to vote at the Annual Meeting?

Only shareholders of record at the close of business on the Record Date are entitled to receive notice of and to participate and vote in the Annual Meeting. If you were a shareholder of record on the Record Date, you will be entitled to vote all of the shares that you held on that date at the Annual Meeting.

How many votes do I have?

You will be entitled to one vote for each outstanding share of our common shares you own as of the Record Date. As of the Record Date, there were 26,446,158 shares of our common shares outstanding and eligible to vote at the Annual Meeting.

What is the difference between a “shareholder of record” and a “street name” holder or a beneficial owner?

These terms describe how your shares are held. If your shares are registered directly in your name with Computershare, our transfer agent, you are considered a “shareholder of record.” As the shareholder of record, you have the right to grant your voting proxy directly to our management or to vote in person at the Annual Meeting. If your shares are held in a brokerage, bank, trust or other nominee, you are considered the beneficial owner of shares held in “street name.” As the beneficial owner, you have the right to direct your broker, bank, trust or nominee how to vote and are also invited to attend the Annual Meeting.

How can I vote my shares at the Annual Meeting?

If you are a shareholder of record, you may vote by mailing a completed and mailing proxy card or via the Internet. Instructions for voting via the Internet are described in the proxy card attached to the Proxy Statement. To vote by mailing a proxy card, sign and return the enclosed proxy card in the enclosed prepaid and addressed envelope and your shares will be voted at the Annual Meeting in the manner you directed. You may also vote in person at the Annual Meeting.

If you are a beneficial owner, your broker, bank, trust or nominee should have provided voting instructions for you to use in directing them how to vote your shares. You may be eligible to vote your shares over the Internet rather than by mailing a completed voting instruction card provided by the broker, bank, trust or nominee. Please check the voting instructions card provided by your bank or brokerage house for instructions. You may also vote in person at the Annual Meeting. To do so, you must obtain a legal proxy from the broker, bank, trust or other nominee that holds your

shares giving you the right to vote the shares. Please contact that organization for instructions regarding obtaining a legal proxy.

Can I vote electronically through the Internet?

If you are a shareholder of record, you may vote electronically through the Internet at [www.investorvote.com/aosl](http://www.investorvote.com/aosl). The instructions are included in your proxy card.

If your shares are held in "street name," please check your proxy card or contact your broker, bank, trust or other nominee to determine whether you will be able to vote electronically through the Internet and the deadline for such voting.

Can I change my vote after I return my proxy card?

Yes. If you are a shareholder of record and submitted your proxy through the mail or Internet, you may revoke your

proxy before the vote is taken at the Annual Meeting by any of the following ways:

granting a proxy through the Internet after the date of your original proxy and before the deadlines for voting included on your proxy card;

submitting a later-dated proxy by mail before your earlier-dated proxy is voted at the Annual Meeting;

giving written notice of the revocation of your proxy to our Corporate Secretary at the address shown above that is actually received by our Corporate Secretary prior to the Annual Meeting; and

voting in person at the Annual Meeting.

If you are a “street name” holder, you may change your vote by submitting new voting instructions to your broker, bank, trust or other nominee or, if you have obtained a legal proxy from your broker, bank, trust or other nominee giving you the right to vote your shares, by attending the Annual Meeting and voting in person. In either case, the powers of the proxy holders will be suspended if you attend the Annual Meeting in person and so request, although attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

How many shares must be present or represented to conduct business at the Annual Meeting?

The presence at the Annual Meeting of at least two shareholders, in person or by proxy and entitled to vote, representing not less than 50% of the aggregate voting power of the Company's common shares outstanding on the Record Date, will constitute a quorum, permitting the conduct of business at the Annual Meeting.

Proxies received but marked as abstentions, votes withheld and broker non-votes (as described below) will be included in the calculation of the number of shares present at the Annual Meeting for quorum purposes.

Who can attend the Annual Meeting?

All shareholders of record as of the close of business on September 26, 2014 may attend the meeting. To attend the Annual Meeting, please follow these instructions:

If you are a shareholder of record, bring proof of ownership of your shares and a form of identification; or

If you are a “street name” holder, bring proof of ownership of your shares through your broker, bank, trust or nominee, and a form of identification. You must have obtained a “legal proxy” from your broker, bank, trust or nominee to vote at the Annual Meeting.

What are the Board of Directors' recommendations?

Unless you give other instructions on your proxy card, the person named as proxy holder on the proxy card will vote in accordance with the recommendations of the Board of Directors. After careful consideration, the Board of Directors recommends the following vote for proposals:

Proposals	Recommendation of the Board of Directors
1 Election of Directors	For all Nominees
2	For

Approval and Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm and authorization for the board to determine its remuneration for the fiscal year ending June 30, 2015

- 3 Approval on an advisory basis of the compensation of our named executive officers For

Will shareholders be asked to vote on any other matters?

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To the knowledge of the Company and its management, shareholders will vote only on the matters described in the Proxy Statement. However, if any other matters properly come before the Annual Meeting, the persons named as proxies for shareholders will vote on those matters in the manner they consider appropriate.

What should I do if I receive more than one set of voting materials?

You may receive more than one set of voting materials, including multiple copies of the Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a shareholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

How can I find out the results of the voting at the 2014 Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a Current Report on Form 8-K filed with the Securities and Exchange Commission at the website, [www.sec.gov](http://www.sec.gov), within four business days after the Annual Meeting.

Who bears the costs of proxy solicitation?

The Company will bear the entire cost of this solicitation of proxies, including the preparation, assembly, printing, and mailing of this proxy statement, the proxy, and any additional solicitation materials that the Company may provide to shareholders. Copies of solicitation materials will be provided to brokerage firms, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward the solicitation materials to such beneficial owners. The Company will reimburse the brokerage firms, fiduciaries and custodians holding shares in their names for reasonable expenses incurred by them in sending solicitation materials to its beneficial shareholders. The solicitation of proxies will be made by various methods, including by mail, electronic mail, telephone, facsimile, or personally by directors, officers and employees of the Company who will receive no extra compensation for such services.

PROPOSAL NO. 1  
ELECTION OF DIRECTORS

The Company's directors are elected annually to serve until the next annual general meeting of shareholders or until their successors are duly elected and qualified. Upon recommendation from our Nominating and Corporate Governance Committee, our Board of Directors has nominated each of the six director nominees named below for election to the board at the Annual Meeting. Unless otherwise directed by shareholders, the proxy holders will vote all shares represented by proxies held by them for the election of such nominees.

On January 25, 2014, Messrs. Howard M. Bailey and Thomas W. Steipp resigned their positions as members of our Board of Directors. On January 29, 2014 and upon recommendation from the Nominating and Corporate Governance Committee, the Board of Directors appointed Mr. Michael L. Pfeiffer to serve as a member of the Board of Directors and the chairman of the Audit Committee. For more information about the resignations and appointment, see the Company's Current Reports on Form 8-K filed on January 30, 2014.

Director Nominees

Information concerning the director nominees as of September 26, 2014 is set forth below:

Name	Age	Position
Mike F. Chang, Ph.D.	69	Chairman of the Board and Chief Executive Officer
Yueh-Se Ho, Ph.D.	62	Director and Chief Operating Officer
Robert I. Chen (1)(2)(3)	67	Director
King Owyang, Ph.D. (2)(3)	68	Director
Michael L. Pfeiffer (1)	62	Director
Michael J. Salameh (1)(2)	60	Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating and Corporate Governance Committee

Mike F. Chang, Ph.D., is the founder of our company and has served as our Chairman of the Board and Chief Executive Officer since the incorporation of our company. Dr. Chang has extensive experience in both technology development and business operations in the power semiconductor industry. Prior to establishing our company, Dr. Chang served as the Executive Vice President at Siliconix Incorporated, a subsidiary of Vishay Intertechnology Inc., a global manufacturer and supplier of discrete and other power semiconductors, or Siliconix, from 1998 to 2000. Dr. Chang also held various management positions at Siliconix from 1987 to 1998. Earlier in his career, Dr. Chang focused on product research and development in various management positions at General Electric Company from 1974 to 1987. Dr. Chang received his B.S. in electrical engineering from National Cheng Kung University, Taiwan, and M.S. and Ph.D. in electrical engineering from the University of Missouri. Dr. Chang's extensive technological expertise and business experiences in the power semiconductor industry and his knowledge of our day-to-day operations and long-term strategic initiatives provide our Board of Directors with valuable insights and in-depth understanding of our Company.

Yueh-Se Ho, Ph.D., is a co-founder of our company and has served as our Chief Operating Officer since January 2006 and our director since March 2006. Dr. Ho has held various operational management positions in our company since our inception, including the Vice President of Worldwide Operations from 2003 to 2006 and the Vice President of Back End Operations from 2000 to 2003. Prior to co-founding our company, Dr. Ho served as the Director of Packaging Development and Foundry Transfer at Siliconix from 1998 to 2000. Dr. Ho received his B.S. in chemistry from Tamkang University, Taiwan, and Ph.D. in chemistry from the University of Pittsburgh. Dr. Ho's extensive operating experience in the power semiconductor industry and his scientific and technical expertise in various aspects of the design and development of power semiconductor solutions make Dr. Ho a valuable contributor to our Board of Directors.

Robert I. Chen has been a director of our company since November 2013. Mr. Chen founded several technology companies, including RAE Systems, Inc., a provider of rapidly deployable connected, intelligent gas and radiation detection systems, where Mr. Chen served as Chairman, President and Chief Executive Officer from its inception in 1991 until it was acquired by Honeywell, Inc. in June 2013. Prior to founding RAE Systems, Mr. Chen founded Applied Optoelectronic Technology, a manufacturer of computer-aided test systems. He served as Chairman, President and Chief Executive Officer at

Applied Optoelectronic Technology from 1981 to 1991. In 1991, Applied Optoelectronic Technology was acquired by Hewlett Packard. Mr. Chen served as Division General Manager at Hewlett Packard from 1991 to 1993. Prior to founding Applied Optoelectronic Technology, Mr. Chen held various engineering and management positions at General Motors, General Electric, Tektronix and Fairchild Semiconductor. Mr. Chen received a B.S.E.E. from Taiwan National Cheng Kung University, an M.S.E.E. from South Dakota School of Mines and Technology and an Advanced Engineering degree from Syracuse University. He also completed the Owner/President Management Program at the Harvard School of Business. Mr. Chen's extensive experience and background in establishing and managing technology-based public companies, as well as his experience in leading strategic transactions by major technology companies, provide the Board with valuable insight and expertise.

King Owyang, Ph.D., has been a director of our company since April 2013. He is the Chief Executive Officer and Executive Director of Computime Group Limited, a Hong Kong listed company and a leading global provider of electronic control technologies. Prior to joining Computime, Dr. Owyang held various positions at Siliconix Inc., a U.S. semiconductor company, for over 21 years, including the President and Chief Executive Officer. He was instrumental in leading Siliconix to become a highly profitable company with industry leading products. Under his leadership and management, Siliconix established itself as the world leader in power switching and management products and its sales grew to a record level in 2008. Prior to joining Siliconix, Dr. Owyang held various technical and managerial positions at General Electric Company, where he was responsible for developing many enabling semiconductor technologies. Dr. Owyang is a recognized leader in the power semiconductor industry. He has published over 20 technical papers and has been awarded more than 25 patents. Dr. Owyang's broad experience in the power semiconductor industry, including his background in leadership positions at major technology companies, as well as his knowledge in the technical and operational aspects of semiconductor companies, provide the Board with an in-depth understanding of our business and operations.

Michael L. Pfeiffer has been a director of our company since January 2014. Mr. Pfeiffer currently serves on the board of directors of Razer, Inc., a computer peripherals company. From 2008 to 2013, Mr. Pfeiffer served as a member of the board of directors of BCD Semiconductor Manufacturing Limited, a company listed on NASDAQ until it was acquired in 2013. From 2009 to 2014, Mr. Pfeiffer served as a member of the board of directors of Integrated Memory Logic, Ltd., a semiconductor company listed on the Taiwan Stock Exchange until it was acquired in 2014. Mr. Pfeiffer is a certified public accountant in California and Oregon, and he has extensive experience in public accounting, having worked for PricewaterhouseCoopers LLP for over 30 years, including 18 years as an audit partner of high technology companies in the Silicon Valley. Mr. Pfeiffer received an MBA from the University of Oregon and a BA from Eckerd College in Florida. Mr. Pfeiffer's extensive experience and expertise in the area of finance, accounting and auditing of publicly traded companies in the semiconductor industry, and his knowledge and background in working with companies with international operations, make him a valuable member of our Board, particularly in its role of exercising oversight and risk management of the Company's financial reporting process.

Michael J. Salameh has been a director of our company since November 2013. Mr. Salameh co-founded PLX Technology, Inc., a semiconductor company (PLXT), in May 1986 and served as its Chief Executive Officer until 2008. Mr. Salameh also served as a member of the Board of Directors of PLXT since its inception until it was acquired in August 2014. During his tenure at PLXT, Mr. Salameh personally participated in many of the key company functions including sales, marketing, engineering, accounting, and operations. From 1980 through 1986, Mr. Salameh was employed in various marketing management positions with Hewlett-Packard Company. Mr. Salameh currently performs management consulting for private technology companies. Mr. Salameh received a B.S. in Engineering and Applied Science from Yale University and an M.B.A. from Harvard Business School. Mr. Salameh's chief executive and marketing experience in the semiconductor industry, and his knowledge of the semiconductor business landscape, including customers, markets, suppliers and competition, provide the Board with critical understanding of our business and operations.

The Board of Directors recommends that shareholders vote “FOR” each of the above mentioned nominees.

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## BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

### Board of Directors

Our bye-laws provide that our Board of Directors shall consist of not less than two directors. Our Board of Directors currently consists of six directors. Our Board of Directors is the decision-making body responsible for, among other things, determining policies and guidelines for our business. Our Board of Directors also supervises our executive officers and monitors their implementation of policies and guidelines established from time to time by our Board of Directors.

No shareholder has the contractual right to designate persons to be elected to our Board of Directors, and our bye-laws provide that directors be elected upon a resolution passed at a duly convened shareholders meeting, to hold office for such term as the shareholders may determine or until their successors are appointed or elected in accordance with our bye-laws. There is no minimum share ownership or age limit requirement for qualification to serve as a member of our Board of Directors.

We have determined that each of our directors, except for Dr. Mike F. Chang and Dr. Yueh-Se Ho, is an “independent director” under the current rules of The NASDAQ Stock Market.

### Board Meetings and Committees; Annual Meeting Attendance

Our Board of Directors met a total of 17 times during the fiscal year ended June 30, 2014, including regular scheduled meetings and special meetings called in connection with reviewing time-sensitive matters. During the fiscal year ended June 30, 2014, each current director attended or participated in 100% of the aggregate of (i) the total number of meetings of the Board of Directors during the period for which he has been a director and (ii) the total number of meetings held by all committees of the Board on which the director served during fiscal year 2014. Five Board members attended our 2013 annual general meeting of shareholders.

### Committees of the Board of Directors

We have three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. We believe that the composition of these committees meets the criteria for independence, and the functioning of these committees complies with, the applicable requirements of the Sarbanes-Oxley Act of 2002, as amended, the current rules of The NASDAQ Stock Market and applicable SEC rules and regulations. The written charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are available at the Investor Relations section of our website at <http://investor.aosmd.com/>. The contents of this website are not a part of the Proxy Statement.

Each committee has the composition and responsibilities described below:

#### Audit Committee

Our Audit Committee currently consists of Michael L. Pfeiffer, Robert I. Chen and Michael J. Salameh. The Audit Committee is chaired by Mr. Pfeiffer. Our Board of Directors has determined that Mr. Pfeiffer is an Audit Committee financial expert, as defined by the rules promulgated by the SEC. Our Audit Committee held seven meetings during fiscal year 2014. From July 1, 2013 to the 2013 Annual General Meeting of Shareholders on November 11, 2013 (the “2013 Annual Meeting”), the Audit Committee consisted of Howard M. Bailey, who served as the chairman, Thomas W. Steipp and Richard W. Sevcik. Mr. Sevcik did not stand for reelection at the 2013 Annual Meeting, and Messrs. Bailey and Steipp resigned from the Board on January 25, 2014. The Audit Committee's responsibilities include:

• assisting our Board of Directors in its oversight of the integrity of our financial statements, risk management and internal control over financial reporting;

• retaining and setting compensation of our independent registered public accounting firm (“independent auditors”), evaluating and monitoring its performance, and as appropriate, discharging our independent auditors;

• reviewing and approving all audit and non-audit services of our independent auditors;

• reviewing and discussing with management and our independent auditors our financial statements included in public filings;

• discussing with our independent auditors significant financial reporting issues in connection with the preparation of our financial statements;

• resolving any disagreements between management and our independent auditors regarding financial reporting;

• overseeing our disclosure controls and procedures; and

• reviewing and approving related party transactions.

#### Compensation Committee

Our Compensation Committee currently consists of Michael J. Salameh, Robert I. Chen and Dr. King Owyang. Our Compensation Committee is currently chaired by Mr. Salameh. From July 1, 2013 to the 2013 Annual Meeting, our Compensation Committee consisted of Chung Te Chang, Dr. Owyang and Richard W. Sevcik. Messrs. Chang and Sevcik did not stand for reelection at the 2013 Annual Meeting. Our Compensation Committee held two meetings during fiscal year 2014. The Compensation Committee's responsibilities include:

• establishing compensation arrangements and incentive goals for executive officers;

• evaluating the performance of executive officers and awarding incentive compensation and adjusting compensation arrangements as appropriate;

• reviewing and recommending actions to the Board of Directors with respect to the compensation of all directors;

• administering our incentive and equity-based plans and programs and otherwise exercising the authority of the Board with respect to such plans and programs; and

• reviewing and approving and, when appropriate, recommending to the Board for approval, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the Chief Executive Officer and other executive officers.

The Compensation Committee is authorized to engage independent compensation consultants and other professionals to assist in the design, formulation, analysis and implementation of compensation programs for the Company's executive officers and other key employees. In March 2014, the Compensation Committee retained the services of Compensia, Inc., a national compensation consulting firm ("Compensia") to provide advice and recommendations regarding the compensation of the Company's executive officers and other senior officers. From October 2012 until March 2014, Compensia was retained by management to provide advice on the compensation for executive and other senior officers, including advice relating to compensation for fiscal year 2014. Compensia also provided analysis and recommendation to management on the compensation of our non-employee directors. Compensia did not perform any other services on behalf of management or the Company.

The Compensation Committee has determined that Compensia is independent and that Compensia's work did not raise any conflict of interest. The Compensation Committee made such determination primarily on the basis of the six factors for assessing independence and identifying potential conflicts of interest that are set forth in Rule 10C-1(b)(4) under the Securities Exchange Act of 1934, as amended.

#### Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee currently consists of Dr. King Owyang and Robert I. Chen. The Nominating and Corporate Governance Committee is chaired by Dr. King Owyang. From July 1, 2013 to January 25, 2014, the Nominating and Corporate Governance Committee consisted of Dr. Owyang and Mr. Steipp. Following Mr. Steipp's resignation on January 25, 2014, Mr. Chen was appointed to the committee to replace Mr. Steipp. Our Nominating and Corporate Governance Committee held two meetings during fiscal year 2014. The Nominating and Corporate Governance Committee's responsibilities include:

- recommending to the board of directors the composition and operations of the board;

identifying individuals qualified to serve as members of the board, and identifying and recommending that the board select the director nominees for the next annual meeting of shareholders and fill vacancies on the board;

recommending to the board the responsibilities of each board committee, the composition and operation of each board committee and the director nominees for assignment to each board committee; and

review with the Board the Company's management succession plans.

#### Leadership Structure of the Board

Our Board of Directors currently combines the positions of Chief Executive Officer and Chairman of the Board of Directors. We believe that combining these two positions provides the most effective and efficient leadership structure. Our Chief Executive Officer, Dr. Mike F. Chang, has extensive knowledge of the power semiconductor industry and an in-depth understanding of our strategic initiatives and day-to-day operations, which make him well suited to set the agenda and lead the discussions at board meetings. This structure also facilitates communications between the Board and management by ensuring a regular flow of information, thereby enhancing the Board's ability to make informed decisions on critical issues facing our company. In addition, combining the two positions allows us to establish a clear chain of command and speak in a single voice by reducing the potential for a divided leadership.

To ensure a strong independent Board of Directors, four (4) out of the total six (6) members of our Board are non-employee and independent directors. The Board of Directors holds executive sessions where only independent directors attend, and these executive sessions provide an effective method to perform oversight and advisory functions of the Board. In addition, our Audit, Compensation and Nominating and Corporate Governance Committees consist of solely independent directors. Given the composition of the Board with a strong slate of independent directors, the Board does not believe that it is necessary to formally designate a lead independent director at this time, although it may consider appointing a lead independent director if circumstances change. We believe that the board leadership described above is the best structure to lead us in the achievement of our goals and objectives and establishes an effective balance between management leadership and appropriate oversight by independent directors.

#### Oversight of Risk Management by the Board

One of the key functions of our Board of Directors is informed oversight of our risk management process. The Board administers this oversight function directly through the Board of Directors as a whole, as well as through various standing committees of the Board that address risks inherent in their respective areas of oversight. In particular, our Board of Directors is responsible for monitoring and assessing strategic and operational risk exposure, including risks associated with acquisition of significant assets, changes in business models, major corporate transactions and market conditions in the semiconductor industry. Our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines and is primarily responsible for assessing the risks associated with corporate governance practices, the independence of our directors, and management succession plans.

#### Nominations for Election of Directors

#### Director Qualifications

The Nominating and Corporate Governance Committee utilizes a variety of criteria to evaluate the qualifications and skills necessary to serve as members of our Board of Directors. The Nominating and Corporate Governance Committee may assess character, judgment, business acumen, scientific expertise, familiarity with issues affecting the semiconductor industry and other backgrounds and attributes that are needed to help strengthen and balance the Board of Directors. Other qualifications will be determined on a case-by-case basis, depending on whether the Nominating and Corporate Governance Committee desires to fill a vacant seat or increase the size of the Board to add new directors. In addition, while the Nominating and Corporate Governance Committee does not prescribe specific diversity standards, as a matter of practice, the Committee considers diversity in the context of the Board as a whole and takes into account the personal characteristics and experiences of current and prospective directors that reflect a broad range of perspectives in the Board's decision making process.

Identification and Evaluation of Nominees for Directors

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The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating and Corporate Governance Committee assesses the appropriate size of the Board of Directors, and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Corporate Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current members of the Board of Directors, executive officers, professional search firms, shareholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee, and may be considered at any point during the year. The Nominating and Corporate Governance Committee recommends the director nominees to our Board of Directors for approval for election at each annual general meeting of shareholders. Under our bye-Laws, any director appointed by our Board of Directors is subject to re-election by shareholders at our next annual general meeting of shareholders. The nominees for election at this annual general meeting were recommended and approved unanimously by members of our Nominating and Corporate Governance Committee and Board of Directors, respectively.

A shareholder seeking to recommend a prospective nominee for the Nominating and Corporate Governance Committee's consideration should submit the candidate's name and qualifications to our Corporate Secretary at our business office in the United States at 475 Oakmead Parkway, Sunnyvale, California 94085. The Nominating and Corporate Governance Committee will consider a properly submitted shareholder nomination that meets the requirements under our bye-laws and applicable U.S. federal securities laws. Our bye-laws require, among other things, an advance written notice of the nomination in writing of not less than sixty (60) nor more than one hundred and eighty (180) days from the date of the annual general meeting. This notice must also include certain information relating to the nominee and the nominating shareholders, as described in more detail below in "Future Shareholder Proposals and Nominations for the 2015 Annual General Meeting."

#### Shareholder Communication with our Board of Directors

Although we do not have a formal policy regarding communications with the Board of Directors, shareholders may communicate with the Board of Directors, including the independent directors, by sending a letter to Alpha and Omega Semiconductor Limited, Board of Directors, c/o Investor Relations, Alpha and Omega Semiconductor, Inc., 475 Oakmead Parkway, Sunnyvale, CA 94085. Shareholders may also direct their submission to a particular member of the Board of Directors.

#### Code of Ethics

Our Board of Directors has adopted the Code of Business Conduct and Ethics that applies to members of senior management, including the Chief Executive Officer and Chief Financial Officer, as well as all other employees of the Company. Our Code of Business Conduct and Ethics is publicly available on our website at <http://investor.aosmd.com/governance.cfm>. In the event that we make any amendments to or grant any waivers of, a provision of the Code of Ethics that applies to the principal executive officer, principal financial officer, or principal accounting officer that requires disclosure under applicable SEC rules, we intend to disclose such amendment or waiver and the reasons therefore, on our website at [www.aosmd.com](http://www.aosmd.com), in the Investors section.

#### COMPENSATION OF NON-EMPLOYEE DIRECTORS

Our non-employee director compensation policy as in effect at the beginning of fiscal year 2014 provided for the following cash and equity compensation:

Cash Retainer and Fees: Each non-employee director serving as a member of our Board of Directors at the beginning of the Company's fiscal year was eligible to receive an annual retainer of \$5,000 (prorated for a partial year of service). In addition, each non-employee director was eligible to receive the following fees for meetings attended: (i) \$2,000 for each Board meeting attended in person, (ii) \$1,000 for each Board meeting attended via teleconference and (iii) \$1,000 for each meeting of a committee of the Board, whether attended in person or via teleconference.

Equity Grants: Each individual elected by the Company's shareholders to serve as a non-employee director at the Company's Annual Shareholders Meeting and each individual who was to continue to serve as a non-employee director following such meeting whether or not that individual was standing for re-election at that meeting, was granted on the date of such meeting, an option to purchase 7,500 common shares pursuant to the Automatic Grant Program in effect under the 2009 Share Option/Share Issuance Plan (the "Plan"). The option will vest upon the earlier of (i) the individual's completion of one year of Board service following the grant date or (ii) the next subsequent Annual Shareholders Meeting. New non-employee director elected or appointed to the Board on a date other than at the Company's Annual Shareholders Meeting, were eligible

for a pro-rated amount of the annual option grant based on the period from the date of appointment or election to the date of the next Annual Shareholders Meeting.

In March, 2014, we amended our non-employee director compensation policy to align it more closely with that of comparable public companies and adequately compensate Board members for their services. The revised policy was based on an analysis and review of competitive data and a proposal provided by Compensia, Inc. and is in general effective with fiscal year 2015. In connection with this amendment, each non-employee director was granted an award of restricted stock units ("RSUs") covering 2,000 shares which will vest in full on the date of the 2014 Annual Shareholders Meeting. In addition, the cash retainer for the period from January 1, 2014 to June 30, 2014 was increased to the amount that would be payable under the revised policy effective with the 2015 fiscal year (as described below); no meeting attendance fees were paid for this period.

The non-employee director compensation policy effective with fiscal year 2015 is as follows:

**Cash Retainer and Fees:** Each non-employee director serving as a member of the Board at the beginning of the Company's fiscal year will be eligible to receive an annual retainer of \$40,000 (prorated for a partial year of service). In addition, each non-employee director serving as the chairperson of a committee of the Board will be eligible to receive an additional retainer as follows: Audit Committee - \$25,000; Compensation Committee - \$15,000; and Nominating and Governance Committee - \$15,000. Each non-employee director serving as a member of a committee of the Board will be eligible to receive an additional retainer as follows: Audit Committee - \$12,000; Compensation Committee - \$7,500; and Nominating and Governance Committee - \$5,000. Non-employee directors will not receive any additional compensation for attending regular Board or committee meetings. However, with respect to special meetings of the Board or a committee, the Board shall determine whether such meetings will be eligible for payment of special fees, and if so, each non-employee director will receive \$2,000 for a meeting attended in person and \$1,000 for a meeting attended via teleconference.

**Equity Grants:** Each individual who is elected by the Company's shareholders to serve as a non-employee director at the Company's Annual Shareholders Meeting (starting with the 2014 Annual Shareholders Meeting) and each individual who is to continue to serve as a non-employee director following such meeting whether or not that individual is standing for re-election at that meeting, will be granted on the date of such meeting, an award of restricted stock units under the Automatic Grant Program of the Plan. The number of shares subject to each such annual award will be determined by dividing \$42,000 by the Average Per Share Price, up to a maximum of 10,000 shares. The Average Per Share Price for an award means the average closing price per common share over the 90 day-period immediately prior to the date of grant of the award. The award will vest in four (4) equal quarterly installments upon the non-employee director's completion of each quarter of Board service following the grant date; provided, however, that if the Company's Annual Shareholders Meeting for the year following the year of grant occurs prior to the end of the one-year period measured from the grant date, the last quarterly installment will become vested upon the date of such subsequent Annual Shareholders Meeting, provided, the Non-Employee Director continues in Board service until such date. The award (to the extent outstanding) will vest in full (i) upon the non-employee director's termination of Board service by reason of death or permanent disability (as defined in the Plan) and (ii) immediately prior to the consummation of a Change in Control (as defined in the Plan). Shares that vest under a restricted stock unit award will be issued on the earlier of (i) the date of the Annual Shareholders Meeting that is coincident with or next following the applicable vesting date or (ii) the date of the non-employee director's termination of Board service. Shares that vest upon a Change in Control will be issued as soon as practicable following the Change in Control.

**Reimbursements:** All non-employee directors receive reimbursement from the Company for their reasonable expenses of travel (including airfare and ground transportation) to and from meetings of the Board, and reasonable lodging and meal expenses.

Director Compensation for Fiscal Year 2014

The following table sets forth certain information regarding the compensation of each individual who served as a non-employee member of our Board of Directors during fiscal year 2014.

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Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$(3)	All Other Compensation \$(4)	Total (\$)
Robert I. Chen	35,250	15,260	28,005	—	78,515
King Owyang	45,750	15,260	28,005	—	89,015
Michael L. Pfeiffer	32,500	15,260	23,573	—	71,333
Michael J. Salameh	36,500	15,260	28,005	—	79,765
Howard Bailey (5)	14,500	—	28,005	—	42,505
Chung Te Chang (6)	9,500	—	—	—	9,500
Richard W. Sevcik (6)	13,500	—	—	—	13,500
Thomas Steipp (5)	14,500	—	28,005	2,500	45,005

(1) The amounts represent (i) for the period from July 1, 2013 to December 31, 2013, the \$2,500 annual retainer plus fees for attending Board and committee meetings during that period and (ii) for the period from January 1, 2014 to June 30, 2014, the \$20,000 annual retainer plus the additional retainer for serving as chairpersons or members of committees during that period (pro rated for the period of service).

(2) On March 24, 2014, each non-employee director was granted an award of restricted stock units covering 2,000 common shares. The dollar value shown represents the grant date fair value of the awards determined in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“FASB ASC Topic 718”), without taking into account any estimated forfeitures related to service vesting conditions. The valuation assumptions used in determining such amounts are described in Note 8 to the consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014, as filed with the Securities and Exchange Commission on August 29, 2014. Individuals who served as our non-employee directors during fiscal year 2014 held the following outstanding restricted stock units on June 30, 2014:

Name	Number of Shares Subject to RSUs
Robert I. Chen	2,000
King Owyang	2,000
Michael L. Pfeiffer	2,000
Michael J. Salameh	2,000
Howard Bailey	—
Chung Te Chang	—
Richard W. Sevcik	—
Thomas Steipp	—

(3) Pursuant to the Automatic Grant Program in effect under the Plan, each non-employee director (other than Mr. Pfeiffer) was granted an option to acquire 7,500 common shares on November 11, 2013 with an exercise price per share equal to \$7.56. Mr. Pfeiffer was granted an option to acquire 6,875 common shares on January 29, 2014 with an exercise per share equal to \$7.21. The dollar value shown represents the grant date fair value of the options determined in accordance FASB ASC Topic 718, without taking into account any estimated forfeitures related to service vesting conditions. The valuation assumptions used in determining such amounts are described in Note 8 to the consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014, as filed with the Securities and Exchange Commission on August 29, 2014. Individuals who served as our non-employee directors during fiscal year 2014 held the following outstanding options on June 30, 2014:

Name	Number of Shares Subject to Options
Robert I. Chen	7,500
King Owyang	12,500
Michael L. Pfeiffer	6,875
Michael J. Salameh	7,500
Howard Bailey	45,000
Chung Te Chang	37,500
Richard W. Sevcik	26,000
Thomas Steipp	45,000

(4) Reflects reimbursement of expenses incurred in connection with Mr. Steipp's professional director certification.

(5) Messrs. Bailey and Steipp resigned as directors on January 25, 2014.

- (6) Messrs. Chang and Sevcik did not stand for reelection at the 2013 Annual Meeting on November 11, 2013.

#### EXECUTIVE COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee for fiscal 2014 consisted of Chung Te Chang, Dr. King Owyang and Richard W. Sevcik for the period from July 1, 2013 to the date of the 2013 Annual Meeting and Michael J. Salameh, Robert I. Chen and Dr. King Owyang thereafter. None of the members of the Compensation Committee who served during fiscal 2014 is a current or former officer or employee of ours or our subsidiaries, or had any relationship with us not otherwise disclosed herein under applicable SEC rules. In addition, to our knowledge, there are no Compensation Committee interlocks between us and other entities, involving our executive officers or directors who serve as executive officers or directors of such other entities.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The following is a discussion and analysis of the compensation arrangements that were in effect for the fiscal year ended June 30, 2014 for the named executive officers identified in the Summary Compensation Table that follows. This discussion should be read together with that table and the other compensation tables and related disclosures that follow.

#### Compensation Philosophy and Objectives

Our philosophy is to provide our named executive officers with compensation that will motivate and retain them, provide them with meaningful incentives to achieve and exceed short-term and long-term corporate objectives set by our Compensation Committee, and align their long-term interests with those of our shareholders.

Based on this philosophy, the compensation programs for our named executive officers are designed to achieve the following primary objectives:

- establish a compensation structure that is competitive enough to attract, retain and motivate outstanding executive talent;
- ensure that any cash incentive compensation programs for our named executive officers are aligned with our corporate strategies and business objectives by tying the potential payouts under such programs to the achievement of key strategic, financial and operational goals; and
- utilize long-term equity awards to align interests between our named executive officers and shareholders.

#### Impact of 2011 Say-on-Pay Vote

The most recent shareholder advisory vote on executive officer compensation required under the federal securities laws was held on November 18, 2011. Approximately 99.9% of the total votes cast on such proposal were in favor of the compensation of the named executive officers, as that compensation was disclosed in the Compensation Discussion and Analysis and the various compensation tables and narrative that appeared in the Company's proxy statement dated October 18, 2011. Based on that high level of shareholder approval, the Compensation Committee decided not to make any material changes to the Company's compensation philosophies, policies and practices for the 2014 fiscal year compensation of the named executive officers. Based on the voting preference of the Company's shareholders, advisory votes on executive officer compensation will be conducted every three years; accordingly, the next advisory vote will be conducted in this 2014 Annual Meeting. The Compensation Committee will continue to take into account each such advisory vote and other relevant market developments affecting executive compensation in order to determine whether any subsequent changes to the Company's executive compensation programs and policies would be warranted to reflect any shareholder concerns reflected in those advisory votes or to address market developments.

#### Compensation Decision-Making Process

The Compensation Committee meets on a regular schedule throughout the year to manage our compensation program. The Compensation Committee reviews the principle components of compensation for our executive officers on an annual basis, typically before the beginning of the fiscal year. As part of that review process, the Compensation Committee reviews and may adjust the base salaries of our named executive officers for the fiscal year. The

Compensation Committee also establishes the cash bonus plan for that fiscal year and determines the cash bonuses payable to our named executive officers for the preceding fiscal year based on achievement of the pre-specified performance goals for that prior year. The Compensation Committee then meets again mid-year at which time the Compensation Committee may grant additional equity awards to our named executive officers to ensure their interests are aligned with shareholders and for retention. The Compensation Committee also reviews and may revise compensation decisions at this time.

In setting executive compensation, the Compensation Committee takes into account a number of factors, including the nature and scope of the named executive officer's responsibilities, his or her individual performance level and contribution to the achievement of our corporate objectives, the experience level of the executive, the recommendations of our Chief Executive Officer for each individual's compensation package (other than his own) and the compensation trends in the industry.

In October 2012, the Company retained Compensia to (i) identify a peer group of companies, (ii) provide management with compensation data based on the peer group companies (for our chief executive officers and chief financial officer) and Radford 2012 survey data for companies with revenues in the range of \$200 million to \$500 million (for our other officers), and (iii) recommend adjustments to the compensation of our executive officers to reflect the market trend and practice. Management presented the results of Compensia's study and recommendations to the Compensation Committee. Our Compensation Committee reviewed and considered such data but relied on its own judgment and experience in establishing and adjusting executive compensation for fiscal year 2014.

For a discussion of the specific responsibilities of our Compensation Committee, see "Board of Directors and Committees of the Board - Committees of the Board of Directors - Compensation Committee" above.

**Role of Management.** Our Chief Executive Officer, with input from our Vice President of Human Resources, provides our Compensation Committee with his recommendations as to the base salary, cash bonus potential and long-term equity incentive award for each of our named executive officers other than himself based on that officer's level of responsibility, individual performance and contribution to the attainment of our strategic corporate objectives and market data. Our Compensation Committee takes the Chief Executive Officer's recommendations into consideration in setting named executive officer compensation, but retains complete discretionary authority to make all compensation-related decisions for our named executive officers. Our Compensation Committee makes its compensation decisions with respect to the Chief Executive Officer on the basis of relevant market data furnished by the Vice President of Human Resources and its subjective assessment of his individual performance and contributions to our overall corporate performance. Any decisions regarding our Chief Executive Officer's compensation are made without him present.

## Compensation Structure

### Elements of Compensation

We utilize three main components in structuring compensation programs for our named executive officers:

- Base salary, which is the only fixed compensation element in our executive compensation program and is primarily used to recruit and retain executive talent and provide an element of economic security from year to year;

- Performance-based cash bonuses that are primarily designed to reward achievement of financial and operational goals; and

- Equity incentive awards designed to ensure long-term retention of our executive talent and align their interests with those of our shareholders.

We view each component of compensation as related but distinct. It is the practice of our Compensation Committee to allocate a substantial portion of each named executive officer's total compensation to performance and long-term incentive compensation as a result of the philosophy described above. There is no pre-established policy for the allocation of compensation between cash and non-cash components or between short-term and long-term components, and there are no pre-established ratios between the compensation of our Chief Executive Officer and that of the other named executive officers. Instead, our Compensation Committee determines the compensation of each named executive officer based on its review of the market data provided by the Vice President of Human Resources, its subjective analysis of that individual's performance and contribution to our financial performance and the other factors identified in the Compensation Decision-Making Process section above to determine the appropriate level and balance of total compensation. We believe that this approach allows us to tailor compensation for each named executive officer to attract, retain and motivate that executive officer within the parameters of our compensation philosophy.

## Base Salaries

Base salaries are set at levels that are intended to recognize the experience, skills, knowledge and responsibilities required of all our named executive officers. Each named executive officer's base salary level is typically reviewed on an annual basis and adjustments may be made to the individual's base salary on the basis of his or her level of performance, the overall performance of the Company and the various compensation trends in our industry.

In June 2013, the Compensation Committee reviewed the base salaries of the named executive officers for fiscal 2014 and increased the base salaries of the Chief Executive Officer and the other named executive officers by 3% and an additional 7% for Mr. Grizelj in recognition of his significant efforts and contribution to the handling of certain significant projects.

The base salaries for the named executive officers effective July 1, 2013 as so adjusted were as follows:

	Annual Base Salary
Mike F. Chang	\$403,142
Mary L. Dotz *	\$288,400
Yifan Liang	\$212,180
Yueh-Se Ho	\$275,834
Hamza Yilmaz	\$275,834
Tony Grizelj	\$237,930

\* Ms. Dotz resigned as Chief Financial Officer effective November 11, 2013.

In October 2013, in order to reduce the monthly cash expenditures of the Company, the Compensation Committee approved a temporary 10% reduction in the base salary of each named executive officer effective for the period from October 17, 2013 until December 31, 2013; a similar reduction was effected for certain other employees. The base salaries were reinstated to their prior rates effective January 1, 2014. In addition, Mr. Grizelj's base salary was increased to \$254,616 effective January 1, 2014 in recognition of the additional duties and responsibilities he had taken on in his role as Vice President of Sales.

#### Performance-Based and Other Cash Bonuses

Our named executive officers are eligible to receive a bonus under our annual Executive Incentive Plan. Each year, our Compensation Committee establishes the performance objectives to be attained and the target bonuses payable based on the level of attainment of the specified goals. Historically, we have paid a portion of the bonus following the end of the first six months of each fiscal year based on achievement of performance goals for that period. The bonus payable based on a full fiscal year performance is then reduced by the amounts paid out for the first six-month period.

For fiscal year 2014 there were two performance goals weighted as follows: (1) revenue goal weighted 50% and (2) operating income goal weighted 50%. A minimum of 80% of the target goal had to be achieved for the payout under that goal. In addition, no bonus was payable under either performance goal if a minimum of 80% of the operating income target was not achieved. The actual bonus payable to an executive officer depended on the level of attainment of the performance goals with threshold amount payable upon attainment of 80% of the target goal and maximum amount payable upon attainment of at least 115% of the goal.

The threshold, target and maximum bonuses payable to each of our named executive officers for fiscal year 2014 based on level of attainment of the performance goals are as follows:

Named Executive Officer	Threshold Bonus % of Base Salary	Target Bonus % of Base Salary	Maximum Bonus % of Base Salary
Mike F. Chang	40 %	100 %	200 %
Mary L. Dotz *	20 %	60%	120%
Yifan Liang	20 %	40 %	100 %
Yueh-Se Ho	20 %	60%	120 %
Hamza Yilmaz	20 %	60%	120 %
Tony Grizelj	20 %	60%	120 %

\* Ms. Dotz resigned as Chief Financial Officer effective November 11, 2013.

The operating income target for the period July 1, 2013 to December 31, 2013 and fiscal year 2014 were not attained and accordingly no bonus was payable on the basis of the performance for fiscal year 2014.

On May 9, 2013, the Compensation Committee recommended and the independent members of the Board approved a special retention bonus for Ms. Dotz in the aggregate amount of \$200,000 payable as follows: \$100,000 payable on August 9, 2013, provided she continued her employment as the Chief Financial Officer of the Company through such date; the remaining

\$100,000 payable in three (3) equal monthly installments upon her completion of each month of employment as the Chief Financial Officer over the subsequent three (3) months period from September 2013 to November 2013. The bonus was subject to earlier payment upon a termination of Ms. Dotz's employment by the Company without cause prior to November 10, 2013. The Compensation Committee approved the special bonus after careful consideration of various factors, including the financial conditions of the Company at that time which was negatively impacted by the declining PC markets, and the critical role that the Chief Financial Officer would play over this time period in the Company's strategy to mitigate this trend and to return the Company to sustained profitability and financial stability.

In connection with Mr. Liang's appointment as Interim Chief Financial Officer on November 12, 2013, the independent members of the Board approved a cash bonus for Mr. Liang in the amount of \$5,000 per month payable each month starting on November 2013 for so long as Mr. Liang remains as Interim Chief Financial Officer (pro-rated for any partial month of service).

#### Equity Compensation Plans

Our equity award program is the primary vehicle for offering long-term incentives to our named executive officers and providing an inducement for long-term retention. Equity compensation represents a significant component of the total compensation