

DIODES INC /DEL/  
Form DEF 14A  
April 07, 2006

**DIODES INCORPORATED**

**Notice of Annual Meeting of Stockholders**

**To Be Held May 17, 2006**

**Notice is hereby given that the annual meeting (the "Meeting") of the stockholders of Diodes Incorporated (the "Company") will be held at Renaissance Hotel, 30100 Agoura Road, Agoura Hills, California 91301, on Wednesday, May 17, 2006 at 9:00 a.m. (California time) for the following purposes:**

- 1. Election of Directors.** To elect seven persons to the Board of Directors of the Company, each to serve until the next annual meeting of stockholders and until their respective successors have been elected and qualified. The Board of Directors' nominees are: C.H. Chen, Michael R. Giordano, Keh-Shew Lu, M.K. Lu, Shing Mao, Raymond Soong and John M. Stich.
- 2. Ratification of Executive Stock Grant.** To approve the restricted grant to Dr. Keh-Shew Lu of 180,000 shares (270,000 shares split adjusted on December 1, 2005) of Common Stock.
- 3. Amendment of Certificate of Incorporation.** To approve a proposed amendment of the Company's Certificate of Incorporation to increase the authorized number of shares of Common Stock from 30,000,000 to 70,000,000.
- 4. Amendment of 2001 Omnibus Equity Incentive Plan.** To approve various proposed amendments of the 2001 Omnibus Equity Incentive Plan, including the increase by 2,200,000 in the number of shares of Common Stock which may be subject to awards granted thereunder.
- 5. Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the year ended December 31, 2006.
- 6. Other Business.** To transact such other business as properly may come before the Meeting or any continuation, adjournment or postponement thereof.

Only persons who are stockholders of record (the "Stockholders") at the close of business on March 24, 2006 are entitled to notice of and to vote, in person or by proxy, at the Meeting or any continuation, adjournment or postponement thereof.

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

As set forth in the enclosed Proxy Statement, proxies are being solicited by and on behalf of the Board of Directors of the Company. All proposals set forth above are proposals of the Board of Directors. It is expected that these materials first will be mailed to Stockholders on or about April 14, 2006.

**Whether or not you plan to attend the Meeting, please mark, date and sign the enclosed proxy and return it promptly in the enclosed, postage-paid envelope to be sure that your shares are voted. Your vote is important, whether you own a few shares or many. If you attend the Meeting, you may revoke your proxy and vote your shares in person. You may revoke your proxy at any time prior to its exercise at the Meeting.**

Dated at Westlake Village, California, this fourth day of April 2006.

By Order of the Board of Directors,

DIODES INCORPORATED

/s/ Carl C. Wertz  
Carl C. Wertz,  
Secretary

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**Diodes Incorporated**  
**3050 East Hillcrest Drive**  
**Westlake Village, California 91362**  
**(805) 446-4800**

**Proxy Statement**

**Annual Meeting: May 17, 2006**

**GENERAL INFORMATION**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Diodes Incorporated (the "Company") for use at the annual meeting (the Meeting") of the stockholders of the Company to be held on Wednesday, May 17, 2006, at Renaissance Hotel, 30100 Agoura Road, Agoura Hills, California 91301, at 9:00 a.m. (California time), and at any adjournment or postponement thereof. Only stockholders of record (the "Stockholders") at the close of business on March 24, 2006 (the "Record Date") are entitled to notice of and to vote, in person or by proxy, at the Meeting or any adjournment or postponement thereof. The Notice of Annual Meeting of Stockholders, this Proxy Statement and the enclosed proxy card first will be mailed to Stockholders on or about April 14, 2006.

**Matters to be Considered:**

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

- 1. Election of Directors.** To elect seven persons to the Board, each to serve until the next annual meeting of stockholders and until their respective successors have been elected and qualified. The Board's nominees are: C.H. Chen, Michael R. Giordano, Keh-Shew Lu, M.K. Lu, Shing Mao, Raymond Soong and John M. Stich.
- 2. Ratification of Executive Stock Grant.** To approve the restricted grant to Dr. Keh-Shew Lu of 180,000 shares (270,000 shares split adjusted on December 1, 2005) of Common Stock.
- 3. Amendment of Certificate of Incorporation.** To approve a proposed amendment of the Company's Certificate of Incorporation to increase the authorized number of shares of Common Stock from 30,000,000 to 70,000,000.
- 4. Amendment of 2001 Omnibus Equity Incentive Plan.** To approve various proposed amendments of the 2001 Omnibus Equity Incentive Plan, including the increase by 2,200,000 in the number of shares of Common Stock which may be subject to awards granted thereunder.
- 5. Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the year ended December 31, 2006.
- 6. Other Business.** To transact such other business as properly may come before the Meeting or any continuation, adjournment or postponement thereof.

**Method of Voting**

Stockholders can vote by proxy or by attending the Meeting and voting in person. A proxy card (the "Proxy") is enclosed. If you vote by means of the Proxy, the Proxy must be completed, signed and dated by you or your authorized representative. The completed Proxy may be returned in the postage-paid envelope provided, or by facsimile to the Inspector of Elections at (805) 374-1255. Dr. Keh-Shew Lu and Carl C. Wertz, the designated

proxyholders (the “Proxyholders”), are members of the Company’s management. If you hold Common Stock in “street name,” you must either instruct your broker or nominee as to how to vote such shares or obtain a proxy, executed in your favor by your broker or nominee, to be able to vote at the Meeting.

If a Proxy is properly signed, dated and returned and is not revoked, the Proxy will be voted at the Meeting in accordance with the Stockholder's instructions indicated on the Proxy. If no instructions are indicated on the Proxy, the Proxy will be voted "FOR" the election of the Board's nominees, "FOR" ratification of the executive stock grant, "FOR" the proposed amendment of the Certificate of Incorporation, "FOR" the proposed amendment of the 2001 Omnibus Equity Incentive Plan, "FOR" ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006 and in accordance with the recommendations of the Board as to any other matter that may properly be brought before the Meeting or any adjournment or postponement thereof.

### **Revocation of Proxies**

You may revoke a Proxy at any time before it is exercised by filing a written revocation, or a duly executed proxy bearing a later date, with the Company's Secretary at our principal executive offices located at 3050 East Hillcrest Drive, Westlake Village, California 91362 prior to the commencement of the Meeting. You may also revoke a Proxy by attending the Meeting and voting in person. Stockholders whose shares are held in "street name" should consult with their broker or nominee concerning the method for revoking their proxy.

### **Voting Rights**

The authorized capital of the Company consists of (i) 30,000,000 shares of common stock, par value \$0.66-2/3 per share ("Common Stock"), of which 25,509,213 shares were issued and outstanding on the Record Date and (ii) 1,000,000 shares of Class A Preferred Stock, \$1.00 par value ("Class A Preferred Stock"), none of which were issued and outstanding on the Record Date. The Common Stock and the Class A Preferred Stock are collectively referred to as the "Stock."

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

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

In the election of directors, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected. The approval of the proposed amendment of the Certificate of Incorporation requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote on the proposal at the Meeting. Each proposal described in this Proxy Statement, other than the election of director and the proposed amendment of the Certificate of Incorporation, requires that affirmative vote of the holders of a majority of the outstanding shares of Common Stock present, in person or by proxy, and entitled to vote on the proposal at the Meeting. Abstentions and broker non-votes will have no effect with respect to the election of directors, but will have the same effect as votes "AGAINST" the proposed amendment of the Certificate of Incorporation. With respect to all other proposals submitted to the Stockholders, abstentions will be included in the number of votes present and entitled to vote on that proposal and, accordingly, will have the effect of a vote "AGAINST" the proposal. However, broker non-votes with respect to any proposal submitted to the Stockholders will not be counted as shares present and entitled

to vote on that proposal and, accordingly, will not have any effect with respect to the approval of that proposal (other than to reduce the number of affirmative votes required to approve the proposal).

Of the shares of Common Stock outstanding on the Record Date, 5,777,187 (or approximately 22.6%) (the “Shares”) were held in the name of Lite-On Semiconductor Corporation (“LSC”), formerly named Lite-On Power Semiconductor (“LPSC”). See “General Information - Security Ownership of Certain Beneficial Owners and Management” and “Proposal One - Election of Directors - Certain Relationships and Related Transactions” for a discussion of the relationship between LPSC, LSC and the Company. An additional 536,037 shares (or approximately 2.1%) were owned by directors and executive officers of the Company on the Record Date. LSC and each director and executive officer has informed the Company that they will vote “FOR” the election of the nominees to the Board identified herein, “FOR” the ratification of the executive stock grant, “FOR” the proposed amendment of the Certificate of Incorporation, “FOR” the proposed amendment of the 2001 Omnibus Equity Incentive Plan, and “FOR” the appointment of Moss Adams LLP as the Company’s independent registered public accounting firm.

Brokers holding Common Stock in “street name” who are members of a stock exchange are required by the rules of the exchange to transmit this Proxy Statement to the beneficial owner of the Common Stock and to solicit voting instructions with respect to the matters submitted to the Stockholders. If the broker has not received instructions from the beneficial owner by the date specified in the statement accompanying such material, the broker may give or authorize the giving of a Proxy to vote the Common Stock in his discretion as to some matters, but not as to certain other proposals without specific instructions from the beneficial owner. When a broker or nominee is unable to vote a client’s shares on proposals, the missing votes are referred to as “broker non-votes.” If you hold Common Stock in “street name” and you fail to instruct your broker or nominee as to how to vote such Common Stock, your broker or nominee may, in its discretion, vote such Common Stock “FOR” the election of the Board’s nominees, “FOR” the ratification of the executive stock grant, and “FOR” ratification of the appointment of Moss Adams LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2006, but not with respect to the proposed amendment of the Certificate of Incorporation or the proposed amendments of the 2001 Omnibus Equity Incentive Plan.

### **Cost of Solicitation of Proxies**

This Proxy solicitation is made by the Board of the Company, and the Company will bear the costs of this solicitation, including the expense of preparing, assembling, printing and mailing this Proxy Statement and any other material used in this solicitation of Proxies. If it should appear desirable to do so to ensure adequate representation at the Meeting, officers and regular employees may communicate with Stockholders, beneficial owners, banks, brokerage houses, custodians, nominees and others, by telephone, facsimile transmissions, telegraph, e-mail or in person to request that Proxies be furnished. No additional compensation will be paid for these services to officers or employees of the Company. The Company will reimburse banks, brokerage houses, and other custodians, nominees and fiduciaries, for their reasonable expenses in forwarding proxy materials to their principals. The total estimated cost for the printing and solicitation of Proxies is \$12,000.

### **Other Business**

As of the date of this Proxy Statement, the Board knows of no business to be presented for consideration at the Meeting other than as stated in the Notice of Annual Meeting of Stockholders. However, if any other matters properly come before the Meeting, including a motion to adjourn the Meeting to another time or place to solicit additional Proxies in favor of the recommendation of the Board, the Proxyholders will vote the shares represented by the Proxies on such matters in accordance with the recommendation of the Board, and authority to do so is included in the Proxy. Such authorization includes authority to appoint a substitute nominee or nominees to the Board’s nominees identified herein where death, illness or other circumstances arise which prevent any such nominee for directors from serving in such position and to vote such Proxy for such substitute nominee.



**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth the beneficial ownership of Common Stock as of the Record Date by (i) each person known to the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock (other than depositories), (ii) each executive officer, director and nominee for director of the Company, and (iii) all directors and executive officers as a group.

Name and Address of Beneficial Owner <sup>(1)</sup>	Amount and Nature of Beneficial Ownership <sup>(2)</sup>	Percent of Class <sup>(3)</sup>
Lite-On Semiconductor Corporation (“LSC”)	5,777,187 <sup>(4)</sup>	22.6%
Munder Capital Management	1,438,350	5.6%
Raymond Soong	403,650 <sup>(5)</sup>	1.6%
C.H. Chen	288,750 <sup>(5) (6)</sup>	1.1%
Michael R. Giordano	153,280 <sup>(5) (7)</sup>	*
Keh-Shew Lu	381,750 <sup>(5) (6)</sup>	1.5%
M.K. Lu	34,500 <sup>(5)</sup>	*
Shing Mao	177,250 <sup>(5)</sup>	*
John M. Stich	54,750 <sup>(5)(8)</sup>	*
Joseph Liu	353,466 <sup>(5)</sup>	1.4%
Mark A. King	121,500 <sup>(5)</sup>	*
Carl C. Wertz	216,421 <sup>(5)</sup>	*
Steven Ho	75,562 <sup>(5)</sup>	*
All directors, nominees and executive officers as a group (11 persons)	2,260,878 <sup>(9)</sup>	8.3%

\* Less than 1%.

- (1) The address of LSC is 9F. No. 233-2, Pao-Chiao Road, Hsin-Tien, Taipei-hsien 23115, Taiwan, R.O.C. The address of Munder Capital Management is 480 Pierce Street Birmingham, MI 48009-6063. The address of each director and executive officer of the Company is 3050 East Hillcrest Drive, Westlake Village, California 91362.
- (2) The named stockholder has sole voting power and investment power with respect to the shares listed, except as indicated and subject to community property laws where applicable.
- (3) Under Rule 13d-3 of the Securities and Exchange Act of 1934 (the “Exchange Act”), certain shares may be deemed to be beneficially owned by more than one person (if, for example, a person shares the power to vote or the power to dispose of the shares). In addition, under Rule 13d-3(d)(1) of the Exchange Act, shares which the person (or group) has the right to acquire within 60 days after the Record Date are deemed to be outstanding in calculating the beneficial ownership and the percentage ownership of the person (or group) but are not deemed to be outstanding as to any other person or group. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person’s actual ownership of voting power with respect to the number of shares of Common Stock actually outstanding at the Record Date.
- (4) LSC is a public company listed on the Taiwan Stock Exchange Corporation (“TSEC”) and a member of The Lite-On Group of companies. See “Proposal One – Election of Directors – Certain Relationships and Related Transactions” for a discussion of the relationship among LSC, the Company and certain directors and executive officers of the Company.

*(Footnotes continued on following page)*

(Footnotes continued from previous page)

- (5) Includes the following shares of Common Stock that the named individual has the right to acquire within 60 days after the Record Date by the exercise of vested stock options:

<b>Named Individual</b>	<b>Shares</b>
Raymond Soong	354,375
C.H. Chen	228,750
Michael R. Giordano	135,750
Keh-Shew Lu	81,750
M.K. Lu	34,500
Shing Mao	142,500
John M. Stich	52,500
Joseph Liu	304,716
Mark A. King	121,500
Carl C. Wertz	209,250
Steven Ho	59,250

- (6) Includes 180,000 and 40,000 shares (270,000 shares and 60,000 shares split adjusted on December 1, 2005) of restricted stock granted to Dr. Lu and Mr. Chen, respectively. See “Proposal Two – Ratification of Executive Stock Grant.”
- (7) Includes 3,375 shares of Common Stock held in the name of UBS Trust for the IRA of Mr. Giordano.
- (8) Includes 2,250 shares of Common Stock held in the name of Stich Family Holdings LP.
- (9) Includes 1,724,841 shares that the directors and executive officers have the right to acquire within 60 days after the Record Date, by the exercise of vested stock options, but excludes an additional 769,500 shares that the directors and executive officers will have the right to acquire upon the exercise of stock options which will become exercisable in installments more than 60 days after the Record Date.

## **PROPOSAL ONE – ELECTION OF DIRECTORS**

### **Directors and Executive Officers**

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

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

None of the directors, nominees for director or executive officers were selected pursuant to any arrangement or understanding, other than with the directors and executive officers of the Company acting within their capacity as such. There are no family relationships among directors or executive officers of the Company as of the date hereof, and, except as set forth below, as of the date hereof, no directorships are held by any director in a company that has a

class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940. Officers serve at the discretion of the Board.

7

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The following table sets forth certain biographical information concerning the nominees for director and the executive officers of the Company as of the Record Date.

<b>Officers and Directors</b>	<b>Age</b>	<b>Position with the Company</b>	<b>Director Since</b>
Raymond Soong <sup>(1)</sup>	64	Chairman of the Board	1993
C.H. Chen <sup>(2)</sup>	63	Vice Chairman of the Board	2000
Keh-Shew Lu <sup>(3)</sup>	59	President, Chief Executive Officer, and Director	2001
Michael R. Giordano <sup>(4)</sup>	59	Director	1990
M.K. Lu <sup>(5)</sup>	57	Director	1995
Shing Mao <sup>(6)</sup>	70	Director	1990
John M. Stich <sup>(7)</sup>	64	Director	2000
Joseph Liu <sup>(8)</sup>	64	Senior Vice President, Operations	—
Mark A. King <sup>(9)</sup>	47	Senior Vice President, Sales and Marketing	—
Carl C. Wertz <sup>(10)</sup>	51	Chief Financial Officer, Secretary and Treasurer	—
Steven Ho <sup>(11)</sup>	50	Vice President, Asia Sales	—

- (1) Raymond Soong has been the Chairman of the Board of Silitek Corporation (“Silitek”) since 1990 and has been Chairman of the Boards of LSC, formerly LPSC, since 1992, and Lite-On Technology Corporation (a Lite-On Group company), since 1992. In October 2002, Silitek and Taiwan Lite-On merged with Lite-On Technology Corporation. See “General Information – Security Ownership of Certain Beneficial Owners and Management” and “Proposal One – Election of Directors – Certain Relationships and Related Transactions” for a discussion of the relationships among Lite-On Technology, Silitek, LPSC, LSC and the Company. Since 1996, Mr. Soong has also been Chairman of the Board of FabTech, Inc. (“Diodes-FabTech” or “FabTech”) (formerly a subsidiary of LSC, acquired by the Company in December 2000). Mr. Soong is a graduate of the National Taipei Institute of Technology’s Electronic Engineering Department. After serving as a senior e