



**SILICON LABORATORIES INC.  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD APRIL 21, 2011**

TO THE STOCKHOLDERS OF SILICON LABORATORIES INC.:

You are cordially invited to attend the Annual Meeting of Stockholders of Silicon Laboratories Inc., a Delaware corporation, to be held on April 21, 2011, at 9:30 a.m. Central Time at the Lady Bird Johnson Wildflower Center, 4801 La Crosse Avenue, Austin, Texas 78739, for the following purposes, as more fully described in the Proxy Statement:

1. To elect three Class I directors to serve on the Board of Directors until our 2014 annual meeting of stockholders, or until a successor is duly elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2011;
3. To vote on an advisory (non-binding) resolution regarding executive compensation;
4. To vote on an advisory (non-binding) basis regarding the frequency of future advisory votes on executive compensation; and
5. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

We have furnished proxy materials over the internet where you may read, print and download our annual report and Proxy Statement at the investor relations section of our website address, <http://www.silabs.com>. On or about March 11, 2011, we mailed to our stockholders a notice containing instructions on how to access our 2011 Proxy Statement and annual report and to vote. The notice also provides instructions on how you can request a paper copy of these documents if you desire. If you received your annual materials via email, the email contains voting instructions and links to the annual report and Proxy Statement on the internet.

Only stockholders of record at the close of business on February 22, 2011 are entitled to notice of and to vote at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our executive offices.

Whether or not you plan to attend the meeting in person, your vote is important. Instructions regarding the various methods of voting are contained on the Proxy, including voting by toll-free telephone number or the internet. If you request and receive a paper copy of the Proxy by mail, you may still vote your shares by fully completing and returning the Proxy. You may revoke your Proxy at any time prior to the Annual Meeting. If you attend the Annual Meeting and vote by ballot, your Proxy will be revoked automatically and only your vote at the Annual Meeting will be counted.

Sincerely,

Austin, Texas  
March 11, 2011

Necip Sayiner  
*Chief Executive Officer, President and Director*

**YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY AND VOTE YOUR SHARES BY TELEPHONE, BY INTERNET OR BY COMPLETING, SIGNING, DATING AND RETURNING A PROXY CARD AS PROMPTLY AS POSSIBLE.**

**SILICON LABORATORIES INC.  
400 West Cesar Chavez  
Austin, Texas 78701**

**PROXY STATEMENT  
FOR THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL 21, 2011**

**General**

The enclosed Proxy is solicited on behalf of the Board of Directors of Silicon Laboratories Inc., a Delaware corporation, for use at the Annual Meeting of Stockholders to be held on April 21, 2011 at 9:30 a.m. Central Time at the Lady Bird Johnson Wildflower Center, 4801 La Crosse Avenue, Austin, Texas 78739, or at any adjournment thereof. These proxy solicitation materials were mailed on or about March 11, 2011 to all stockholders entitled to vote at the Annual Meeting.

**Voting**

The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the accompanying notice and are described in more detail in this Proxy Statement. On February 22, 2011, the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting, 44,488,880 shares of our common stock were outstanding and no shares of our preferred stock were outstanding. Each stockholder is entitled to one vote for each share of common stock held by such stockholder on February 22, 2011. The presence, in person or by proxy, of the holders of a majority of our shares entitled to vote is necessary to constitute a quorum at the Annual Meeting or at any adjournment thereof. Stockholders may not cumulate votes in the election of directors. The vote of a plurality of the shares of our common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors is necessary for the election of a director. The three nominees receiving the greatest number of votes at this meeting will be elected to our Board of Directors, even if less than a majority of such shares were voted for the nominees. The affirmative vote of a majority of our shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be required to approve Proposal Two. The affirmative vote of a majority of our shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be required to approve Proposal Three. For Proposal Four, the option of one year, two years or three years that receives the greatest number of votes at the Annual Meeting will be the frequency recommended by stockholders for the advisory vote on the compensation of our Named Executive Officers.

All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes (*i.e.*, a Proxy submitted by a broker or nominee specifically indicating the lack of discretionary authority to vote on the matter). Abstentions and broker non-votes will be counted as present for purposes of determining a quorum for the transaction of business, but will not be counted for purposes of determining whether each proposal has been approved.

**Proxies**

If the enclosed form of Proxy is properly signed and returned or you properly follow the instructions for telephone or internet voting, the shares represented thereby will be voted at the Annual Meeting in accordance with the instructions specified thereon. If the Proxy does not specify how the shares represented thereby are to be voted, (i) the Proxy will be voted FOR the election of the directors proposed by the Board of Directors unless the authority to vote for the election of such directors is withheld, (ii) if no contrary instructions are given, the Proxy will be voted FOR the approval of the selection of Ernst & Young LLP as our independent registered public accounting firm, (iii) if no contrary instructions are given, the Proxy will be voted FOR the approval of resolution regarding executive compensation, and (iv) if no contrary instructions are given, the Proxy will be voted for an advisory vote regarding executive compensation to be held every year. You may revoke or change your Proxy at any time before the Annual Meeting by filing either a notice of revocation or another signed Proxy with a later date with our Corporate

Secretary at our principal executive offices at 400 West Cesar Chavez, Austin, Texas 78701. You may also revoke your Proxy by attending the Annual Meeting and voting in person.

### **Solicitation**

We will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement, the Proxy and any additional solicitation materials furnished to the stockholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding in their names shares that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, we may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. The original solicitation of Proxies by mail and the internet may be supplemented by a solicitation by telephone or other means by directors, officers, or employees. No additional compensation will be paid to these individuals for any such services. Except as described above, we do not presently intend to solicit Proxies other than by mail and the internet.

### **Deadline for Receipt of Future Stockholder Proposals**

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, stockholder proposals to be presented at our 2012 annual meeting of stockholders and in our proxy statement and form of proxy relating to that meeting must be received by us at our principal executive offices at 400 West Cesar Chavez, Austin, Texas 78701, addressed to our Corporate Secretary, not later than November 11, 2011, the date which is at least 120 days prior to March 11, 2012, the anniversary of the date of this Proxy Statement. These proposals must comply with applicable Delaware law, the rules and regulations promulgated by the Securities and Exchange Commission ("SEC") and the procedures set forth in our bylaws. Pursuant to our bylaws, stockholder proposals received after November 11, 2011 will be considered untimely. Unless we receive notice in the manner specified in the previous sentence, the proxy holders shall have discretionary authority to vote for or against any such proposal presented at our 2012 annual meeting of stockholders.

## MATTERS TO BE CONSIDERED AT ANNUAL MEETING

### PROPOSAL ONE: ELECTION OF DIRECTORS

#### General

The Board of Directors is divided into three classes, designated Class I, Class II and Class III, with staggered three-year terms. The term of office of the Class I Directors, Navdeep S. Sooch, Laurence G. Walker and William P. Wood, will expire at this Annual Meeting. Mr. Sooch, Mr. Walker and Mr. Wood have been nominated to continue as Class I Directors. The three directors elected as Class I Directors at the Annual Meeting will each serve for a term of three years expiring at the 2014 annual meeting of stockholders, or until such director's successor has been duly elected and qualified or until such director's earlier death, resignation or removal.

The nominees for election have agreed to serve if elected, and management has no reason to believe that the nominees will be unavailable to serve. In the event the nominees are unable or decline to serve as directors at the time of the Annual Meeting, the Proxies will be voted for any nominees who may be designated by our present Board of Directors to fill the vacancies. Unless otherwise instructed, the Proxy holders will vote the Proxies received by them FOR the nominees named below.

#### **Nominees for Class I Directors with a Term Expiring in 2014**

Navdeep S. Sooch, 48 co-founded Silicon Laboratories in August 1996 and has served as Chairman of the Board since our inception. Mr. Sooch served as our Chief Executive Officer from our inception through the end of fiscal 2003 and served as interim Chief Executive Officer from April 2005 to September 2005. From March 1985 until founding Silicon Laboratories, Mr. Sooch held various positions at Crystal Semiconductor/Cirrus Logic, a designer and manufacturer of integrated circuits, including Vice President of Engineering, as well as Product Planning Manager of Strategic Marketing and Design Engineer. From May 1982 to March 1985, Mr. Sooch was a Design Engineer with AT&T Bell Labs. Mr. Sooch holds a B.S. in Electrical Engineering from the University of Michigan, Dearborn and an M.S. in Electrical Engineering from Stanford University. Mr. Sooch's prior experience as our Chief Executive Officer as well as a semiconductor designer provides him with extensive insight into our industry and our operations and qualifies him to serve as Chairman of our Board of Directors.

Laurence G. Walker, 62 has served as a director of Silicon Laboratories since June 2003. Previously, Mr. Walker co-founded and served as Chief Executive Officer of C-Port Corporation, a pioneer in the network processor industry, which was acquired by Motorola in 2000. Following the acquisition, Mr. Walker served as Vice President of Strategy for Motorola's Network and Computing Systems Group and then as Vice President and General Manager of the Network and Computing Systems Group until 2002. From August 1996 to May 1997, Mr. Walker served as Chief Executive Officer of CertCo, a digital certification supplier. Mr. Walker served as Vice President and General Manager, Network Products Business Unit, of Digital Equipment Corporation, a computer hardware company, from January 1994 to July 1996. From 1998 to 2007, he served on the Board of Directors of McData Corporation, a provider of storage networking solutions. From 1981 to 1994, he held a variety of other management positions at Digital Equipment Corporation. Mr. Walker holds a B.S. in Electrical Engineering from Princeton University and an M.S. and Ph.D. in Electrical Engineering from the Massachusetts Institute of Technology. Mr. Walker's combination of independence and his experience, including past experience as an executive officer, qualifies him to serve as a member of our Board of Directors.

William P. Wood, 55 has served as a director of Silicon Laboratories since March 1997 and as Lead Director since December 2005. Since 1996, Mr. Wood has also served as general partner of various funds associated with Silverton Partners, a venture capital firm. From 1984 to 2003, Mr. Wood was a general partner, and for certain funds created since 1996, a special

limited partner, of various funds associated with Austin Ventures, a venture capital firm. Mr. Wood holds a B.A. in History from Brown University and an M.B.A. from Harvard University. Mr. Wood's combination of independence and his experience, including past experience as an investor in numerous semiconductor and technology companies, qualifies him to serve as a member of our Board of Directors.

## **Other Directors**

Set forth below is information concerning our other directors whose term of office continues after this Annual Meeting.

### **Continuing Class II Directors with a Term Expiring in 2012**

Harvey B. Cash, 72 has served as a director of Silicon Laboratories since June 1997. Mr. Cash has served as general partner of InterWest Partners, a venture capital firm, since 1986. Mr. Cash currently serves on the Board of Directors of the following public companies: Ciena Corporation, a designer and manufacturer of dense wavelength division multiplexing systems for fiber optic networks; Argo Group International Holdings, Ltd., a specialty insurance company; and First Acceptance Corp, a provider of low-cost auto insurance. Mr. Cash holds a B.S. in Electrical Engineering from Texas A&M University and an M.B.A. from Western Michigan University. Mr. Cash's independence and experience as a director of various public companies, as well as his prior operational experience as an executive, qualifies him to serve as a member of our Board of Directors.

Necip Sayiner, 45 has served as director, President and Chief Executive Officer of Silicon Laboratories since September 2005. Prior to joining Silicon Laboratories, Mr. Sayiner held various leadership positions at Agere Systems Inc. From August 2004 to September 2005, Mr. Sayiner served as Vice President and General Manager of Agere's Enterprise and Networking Division and from March 2002 to August 2004 he served as Vice President and General Manager of Agere's Networking IC Division. Mr. Sayiner holds a B.S. in Electrical Engineering and Physics from Bosphorus University in Turkey, an M.S. in Electrical Engineering from Southern Illinois University, and a Ph.D. in Electrical Engineering from the University of Pennsylvania. Mr. Sayiner's experience and understanding of our business gained through his role as our President and Chief Executive Officer qualifies him to serve as a member of our Board of Directors.

David R. Welland, 55 co-founded Silicon Laboratories in August 1996, has served as a Vice President and director since our inception and was appointed Fellow in March 2004. From November 1991 until founding Silicon Laboratories, Mr. Welland held various positions at Crystal Semiconductor/Cirrus Logic, a designer and manufacturer of integrated circuits, including Senior Design Engineer. Mr. Welland holds a B.S. in Electrical Engineering from the Massachusetts Institute of Technology. Mr. Welland's years of experience as a semiconductor designer provides him with extensive insight into our operations and qualifies him to serve as a member of our Board of Directors.

### **Continuing Class III Directors with a Term Expiring in 2013**

R. Ted Enloe III, 72 has served as a director of Silicon Laboratories since April 2003. Mr. Enloe is currently the Managing General Partner of Balquita Partners, Ltd., a family investment firm. Previously, Mr. Enloe served as President and Chief Executive Officer of Optisoft, Inc., a provider of intelligent traffic signal platforms. Mr. Enloe formerly served as Vice Chairman and member of the office of chief executive of Compaq Computer Corporation. He also served as President of Lomas Financial Corporation and Liberté Investors for more than 15 years. Mr. Enloe co-founded a number of other publicly held firms, including Capstead Mortgage Corp., Tyler Cabot Mortgage Securities Corp., and Seaman's Corp. Mr. Enloe currently serves on the Board of Directors of Leggett & Platt,

Inc. and Live Nation, Inc. Mr. Enloe holds a B.S. in Engineering from Louisiana Polytechnic University and a J.D. from Southern Methodist University. Mr. Enloe's combination of independence, qualification as an audit committee financial expert and his experience, including past experience as an executive officer and current and past experience as a director of various public companies, qualifies him to serve as a member of our Board of Directors.

Kristen M. Onken, 61 has served as a director of Silicon Laboratories since September 2007. Ms. Onken retired from Logitech in May 2006, a maker of electronics peripherals, where she served as Senior Vice President, Finance, and Chief Financial Officer from February 1999 to May 2006. From September 1996 to February 1999, Ms. Onken served as Vice President of Finance at Fujitsu PC Corporation, the U.S. subsidiary of the Japanese electronics manufacturer. From 1991 to September 1996, Ms. Onken was employed by Sun Microsystems initially as Controller of the Southwest Area, and later as Director of Finance, Sun Professional Services. Ms. Onken holds a B.S. from Southern Illinois University, and an M.B.A. in Finance from the University of Chicago. Ms. Onken's independence and prior experience as the Chief Financial Officer of Logitech and her finance roles with other technology companies qualifies her to serve as a member of our Board of Directors.

### **Board Leadership/Independence**

The Board of Directors separates the role of Chairman of the Board (held by Mr. Sooch) from the role of Chief Executive Officer (held by Mr. Sayiner). The Board of Directors has also designated Mr. Wood as the Lead Director. The Lead Director's duties include presiding over executive sessions of the Company's independent directors and serving as principal liaison between the non-employee directors, the Chief Executive Officer, and the Chairman of the Board on sensitive issues. The Board believes that the appointment of the Lead Director and the separation of the Chairman and CEO roles currently provides the most efficient and effective leadership model for the Company as it encourages free and open dialogue regarding competing views and provides for strong checks and balances. Specifically, the balance of powers among our Chief Executive Officer, Chairman of the Board, and Lead Director facilitates the active participation of our independent directors and enables our Board of Directors to provide more effective oversight of management. The Board of Directors has determined that Messrs. Cash, Enloe, Walker, Wood, Ms. Onken, and, as of September 2010, Mr. Sooch, are each independent as defined in the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. Independent directors met in executive session with the Chief Executive Officer and other non-independent directors present on five separate occasions during fiscal 2010.

### **Committees and Meetings**

During fiscal 2010, our Board of Directors held five meetings. Our Board of Directors has an Audit Committee, Compensation Committee, Equity Award Committee and a Nominating and Corporate Governance Committee. During fiscal 2010, each incumbent director attended or participated in at least 75% of the aggregate of (i) the meetings of the Board of Directors and (ii) the meetings held by all committees of the Board of Directors on which such director served.

Audit Committee. The Audit Committee is responsible for matters relating to the selection of our independent registered public accounting firm, the scope of the annual audits, the fees to be paid to the independent registered public accounting firm, the performance of our independent registered public accounting firm, compliance with our accounting and financial policies, and management's procedures and policies relative to the adequacy of our internal accounting controls. The members of the Audit Committee are Messrs. Enloe, Walker, Wood and Ms. Onken. Mr. Enloe serves as Chairman of the Audit Committee. The Board of Directors has determined that Mr. Enloe is qualified as audit committee financial expert pursuant to Item 407 of Regulation S-K and financially sophisticated audit committee member under Rule 5605(c)(2)(A) of the Marketplace Rules of The NASDAQ Stock Market, Inc. The Board of Directors has also determined that each of the members of the Audit Committee is independent as defined in the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. and Rule 10A-3 under the Securities Exchange Act of 1934. The Board of Directors has adopted a written charter for the Audit Committee, a current copy of which is located on our internet website under the "Investor Relations" page. Our

internet website address is <http://www.silabs.com>. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis. During fiscal 2010, the Audit Committee held five meetings.

Compensation Committee. The Compensation Committee reviews and makes recommendations to the Board of Directors regarding our compensation policies and all forms of compensation to be provided to our executive officers and other employees. In addition, the Compensation Committee has authority to administer our stock incentive and stock purchase plans. The members of the Compensation Committee are Messrs. Cash, Sooch, Walker and Wood and the Board of Directors has determined that each of the members of the Compensation Committee is independent as defined in the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. Mr. Walker serves as Chairman of the Compensation Committee. The Board of Directors has adopted a written charter for the Compensation Committee, a current copy of which is located on our internet website under the “Investor Relations” page. Our internet website address is <http://www.silabs.com>. The Compensation Committee held five meetings during fiscal 2010.

Equity Award Committee. The Equity Award Committee has the authority to approve grants of stock options and stock awards from our 2009 Stock Incentive Plans to non-executive officers and employees. Mr. Sayiner serves as the Chairman of the Equity Award Committee and Mr. Sooch serves as a member of the Equity Award Committee. The Board of Directors generally reviewed the grants made by such committee in fiscal 2010. The committee acted by written consent twelve times at regular intervals during fiscal 2010.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee focuses on issues related to the composition, practices and operations of the Board of Directors. In addition, the Nominating and Corporate Governance Committee has the authority to consider candidates for the Board of Directors recommended by stockholders and to determine the procedures with respect to such stockholder recommendations. The members of the Nominating and Corporate Governance Committee are Messrs. Cash, Enloe, Sooch and Walker and the Board of Directors has determined that each member is independent as defined in the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. Mr. Enloe serves as Chairman of the Nominating and Corporate Governance Committee. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, a current copy of which is available on our internet website under the “Investor Relations” page. The Nominating and Corporate Governance Committee recommended, and the Board of Directors approved, the Corporate Governance Policy, which is also located on our internet website under the “Investor Relations” page. Our internet website address is <http://www.silabs.com>. The Nominating and Corporate Governance Committee held three meetings during fiscal 2010.

## **Director Nomination**

In evaluating potential director candidates, the Nominating and Corporate Governance Committee considers the appropriate balance of experience, skills and characteristics required of the Board of Directors and seeks to ensure that at least a majority of the directors are independent under the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. The Nominating and Corporate Governance Committee selects director nominees based on their personal and professional integrity, depth and breadth of experience, ability to make independent analytical inquiries, understanding of our business, willingness to devote adequate attention and time to duties of the Board of Directors and such other criteria as is deemed relevant by the Nominating and Corporate Governance Committee. The Company’s Corporate Governance Policy (approved by the Board of Directors) provides that the backgrounds and qualifications of the directors, considered as a group, should provide a diverse mix of experience, knowledge and skills. The Company does not have any other formal policy with respect to the diversity of our directors. The Nominating and Corporate Governance Committee considers the effectiveness of this policy and the effectiveness of the Board of Directors generally in the course of nominating directors for election.

In identifying potential director candidates, the Nominating and Corporate Governance Committee relies on recommendations made by current directors and officers. In addition, the Nominating and Corporate Governance Committee may engage a third party search firm to identify and recommend potential candidates. Finally, the Nominating and Corporate Governance Committee will consider candidates recommended by stockholders.

Any stockholder wishing to recommend a director candidate for consideration by the Nominating and Corporate Governance Committee must provide written notice not later than November 11, 2011 to the Corporate

Secretary at our principal executive offices located at 400 West Cesar Chavez, Austin, Texas 78701. Any such notice should clearly indicate that it is a recommendation of a director candidate by a stockholder and must set forth (i) the name, age, business address and residence address of the recommended candidate, (ii) the principal occupation or employment of such recommended candidate, (iii) the class and number of shares of the corporation which are beneficially owned by such recommended candidate, (iv) a description of all understandings or arrangements between the stockholder and the recommended candidate and any other person or persons pursuant to which the recommendations are to be made by the stockholder and (v) any other information relating to such recommended candidate that is required to be disclosed in solicitations of proxies for the election of directors.

In addition, such notice must contain (i) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such nomination, (iii) the class and number of shares of the corporation that are beneficially owned by such stockholder, (iv) any material interest of the stockholder in such recommendation and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, in such stockholder's capacity as proponent of a stockholder proposal. Assuming that a stockholder recommendation contains the information required above, the Nominating and Corporate Governance Committee will evaluate a candidate recommended by a stockholder by following substantially the same process, and applying substantially the same criteria, as for candidates identified through other sources.

### **Attendance at Annual Meetings**

The Board of Directors encourages all directors to attend our annual meetings of stockholders if practicable. All of the directors in office at the time of the annual meeting of stockholders held on April 22, 2010 attended such meeting.

### **Stockholder Communications with the Board of Directors**

The Board of Directors maintains a process for stockholders to communicate with the Board of Directors or with individual directors. Stockholders who wish to communicate with the Board of Directors or with individual directors should direct written correspondence to our Corporate Secretary at our principal executive offices located at 400 West Cesar Chavez, Austin, Texas 78701. Any such communication must contain (i) a representation that the stockholder is a holder of record of stock of the corporation, (ii) the name and address, as they appear on the corporation's books, of the stockholder sending such communication and (iii) the class and number of shares of the corporation that are beneficially owned by such stockholder. The Corporate Secretary will forward such communications to the Board of Directors or the specified individual director to whom the communication is directed unless such communication is deemed unduly hostile, threatening, illegal or similarly inappropriate, in which case the Corporate Secretary has the authority to discard the communication or to take appropriate legal action regarding such communication.

### **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all officers, directors, employees and consultants. Our Code of Business Conduct and Ethics is located on our internet website under the "Investor Relations" page. Our internet website address is <http://www.silabs.com>.

### **Risk Management**

Our Board of Directors oversees our management, which is responsible for the day-to-day issues of risk management. Such oversight is facilitated in large part by the Audit Committee, which receives reports from management, the internal audit team and the Company's independent registered public accounting firm. In addition, members of management (including the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and General Counsel) may also report directly to the Board of Directors on significant risk management issues.

## **Director Compensation and Indemnification Arrangements**

Under the 2009 Stock Incentive Plan, on the date of each annual meeting of stockholders, the Board of Directors grants each continuing non-employee director an RSU award that shall vest on approximately the first anniversary of the date of grant at no cost covering a number of shares of the Company's common stock equal to \$150,000 (or \$225,000 for the Chairperson of the Board) divided by the fair market value of the Company's common stock as of the date of grant; provided that such individual has served as a non-employee director for at least six months. As Chairman of the Board, Mr. Sooch received a grant of 4,383 RSUs on the date of the 2010 annual meeting of stockholders. Messrs. Cash, Enloe, Walker, Wood and Ms. Onken each received a grant of 2,922 RSUs on the date of the 2010 annual meeting of stockholders.

We pay our non-employee directors cash compensation consisting of (i) \$25,000 per person per year, (ii) an additional \$2,000 per regular meeting of the Board of Directors, (iii) an additional \$20,000 per year for the Chairman of the Audit Committee, (iv) an additional \$5,000 per year for each Audit Committee member (excluding the Chairman), (v) an additional \$10,000 per year for the Chairman of the Compensation Committee (to be increased to \$20,000 per year for 2011), (vi) an additional \$5,000 per year for the Chairman of the Nominating and Corporate Governance Committee, (vii) an additional \$10,000 per year for the Lead Director and (viii) an additional \$20,000 per year for the Chairman of the Board. Payments under the cash compensation plan are generally paid in equal quarterly installments on the last day of each fiscal quarter.

During fiscal 2010 Messrs. Cash, Enloe, Sooch, Walker and Wood and Ms. Onken were each paid the annual fee of \$25,000 and a per meeting fee of \$2,000 for each board meeting attended, pursuant to the cash compensation plan. Mr. Enloe was paid \$20,000 for his service as Chairman of the Audit Committee. Messrs. Walker, Wood and Ms. Onken were each paid \$5,000 for their services on the Audit Committee during the fiscal year. Further, Mr. Enloe received an additional \$5,000 for his service as Chairman of the Nominating and Corporate Governance Committee, Mr. Walker received an additional \$10,000 for his service as Chairman of the Compensation Committee, Mr. Wood received an additional \$10,000 for his service as Lead Director and Mr. Sooch received an additional \$20,000 for his service as Chairman of the Board.

Our certificate of incorporation limits the personal liability of our directors for breaches by them of their fiduciary duties. Our bylaws require us to indemnify our directors to the fullest extent permitted by Delaware law. We have also entered into indemnification agreements with all of our directors and have purchased directors' and officers' liability insurance.

In addition to the above compensation, we also reimburse directors for all reasonable out-of-pocket expenses incurred for attending board and committee meetings.

The following table provides summary information on compensation earned by each non-employee member of our Board of Directors in fiscal 2010.

**DIRECTOR COMPENSATION TABLE FOR FISCAL 2010**

| Name               | Fees Earned or Paid<br>in Cash<br>(\$) | Stock Awards<br>(\$) <sup>(1)</sup> | Total<br>(\$) |
|--------------------|--|-------------------------------------|---------------|
| Harvey B. Cash     | 33,000                                 | 150,015                             | 185,015       |
| R. Ted Enloe III   | 60,000                                 | 150,015                             | 210,015       |
| Kristen M. Onken   | 40,000                                 | 150,015                             | 190,015       |
| Navdeep S. Sooch   | 55,000                                 | 225,023                             | 280,023       |
| Laurence G. Walker | 50,000                                 | 150,015                             | 200,015       |
| William P. Wood    | 50,000                                 | 150,015                             | 200,015       |

(1) Amounts shown do not reflect compensation actually received by the director, but represent the grant date fair value as determined pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Stock Compensation* (“ASC Topic 718”). The assumptions underlying the calculation are discussed under Note 12, Stock-based Compensation of the Company’s Form 10-K for the fiscal year ended January 1, 2011.

**Recommendation of the Board of Directors**

**Our Board of Directors unanimously recommends that the stockholders vote FOR the election of the Nominees for Class I Directors as listed above.**

**PROPOSAL TWO: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Audit Committee has appointed the firm of Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2011. Ernst & Young LLP has audited our financial statements since our inception in 1996. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting, and will have an opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

The following table presents fees for professional services rendered by Ernst & Young LLP for fiscal 2010 and 2009:

|                    | 2010<br>(\$) | 2009<br>(\$) |
|--------------------|--------------|--------------|
| Audit fees         | 958,327      | 956,550      |
| Audit-related fees | 50,504       | 20,000       |
| Tax fees           | 76,814       | -            |
| All other fees     | 2,200        | 2,160        |
| Total              | 1,087,845    | 978,710      |

Audit Fees. Audit fees relate to services rendered in connection with the audits of the annual consolidated financial statements and attestation of management’s report on internal controls over financial reporting included in our Form 10-K, the quarterly reviews of financial statements included in our Form 10-Q filings, fees associated with

SEC registration statements, assistance in responding to SEC comment letters, accounting consultations related to audit services and statutory audits required internationally.

Audit-Related Fee. Audit-related fees include services for assurance and other related services, such as consultations concerning financial accounting and reporting matters and due diligence related to mergers and acquisitions.

Tax Fees. Tax fees include services for tax compliance, research and technical tax advice.

All Other Fees. All other fees include the aggregate fees for products and services provided by Ernst & Young LLP that are not reported under “Audit Fees”, “Audit-Related Fees” or “Tax Fees”.

The Audit Committee is authorized by its charter to pre-approve all auditing and permitted non-audit services to be performed by our independent registered public accounting firm. The Audit Committee reviews and approves the independent registered public accounting firm’s retention to perform attest services, including the associated fees. The Audit Committee also evaluates other known potential engagements of the independent registered public accounting firm, including the scope of the proposed work and the proposed fees, and approves or rejects each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent registered public accounting firm’s independence from management. At subsequent meetings, the Committee will receive updates on the services actually provided by the independent registered public accounting firm, and management may present additional services for approval. The Committee has delegated to the Chairman of the Audit Committee the authority to evaluate and approve engagements on behalf of the Committee in the event that a need arises for pre-approval between Committee meetings. If the Chairman so approves any such engagements, he will report that approval to the full Audit Committee at its next meeting. During fiscal 2010, all such services were pre-approved in accordance with the procedures described above.

Our Audit Committee has reviewed the fees described above and believes that such fees are compatible with maintaining the independence of Ernst & Young LLP.

Stockholder ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm is not required by our bylaws or other applicable legal requirement. However, the appointment of Ernst & Young LLP is being submitted to the stockholders for ratification. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain the firm. Even if the appointment is ratified, the Audit Committee at its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be appropriate.

#### **Recommendation of the Board of Directors**

**Upon the recommendation of our Audit Committee, our Board of Directors unanimously recommends that the stockholders vote FOR the ratification of the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2011.**

### **PROPOSAL THREE: ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our Named Executive Officers as disclosed in this Proxy Statement in accordance with the rules of the Securities and Exchange Commission.

This vote is advisory, and, therefore, not binding on the Company, the Compensation Committee, or our Board of Directors. However, our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the compensation of the Named Executive Officers as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

As described in detail under the heading "Executive Compensation – Compensation Discussion and Analysis," our executive compensation program is designed to attract, motivate, and retain the Named Executive Officers, who are critical to our success. Under this program, the Named Executive Officers are rewarded for the achievement of strategic and operational objectives and the realization of increased stockholder value. Please read the Compensation Discussion and Analysis and the accompanying compensation tables beginning on page 20 of this Proxy Statement for additional information about our executive compensation program, including information about the compensation of the Named Executive Officers in 2010.

The Compensation Committee regularly reviews our executive compensation program to ensure that it achieves the desired goal of aligning our executive compensation structure with the interests of our stockholders and current market practices.

We are asking our stockholders to indicate their support for the compensation of the Named Executive Officers as described in this Proxy Statement. This proposal, commonly known as a "Say-on-Pay" proposal, gives our stockholders the opportunity to express their views on the compensation of the Named Executive Officers. Please note that this vote is not intended to address any specific item of compensation, but rather the overall compensation of the Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement.

We will ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the compensation paid to the Company's Named Executive Officers as disclosed in this Proxy Statement is hereby approved."

#### **Recommendation of the Board of Directors**

**Our Board of Directors unanimously recommends that the stockholders vote FOR approval of the above resolution.**

## **PROPOSAL FOUR: ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act also enables our stockholders to indicate how frequently we should seek an advisory vote on the compensation of the Named Executive Officers, as disclosed in accordance with the rules of the Securities and Exchange Commission, such as Proposal Three above. By voting on this Proposal Four, stockholders may indicate whether they would prefer that we conduct future advisory votes on Named Executive Officer compensation once every one, two, or three years.

Our Board of Directors has determined that an advisory vote on executive compensation that occurs every year is the most appropriate alternative for the Company. Our Board of Directors considered that an annual advisory vote on executive compensation will allow our stockholders to provide us with their direct input on our compensation philosophy, policies, and practices as disclosed in the proxy statement every year. Additionally, an annual advisory vote on executive compensation is consistent with our policy of seeking input from, and engaging in discussions with, our stockholders on corporate governance matters and our executive compensation philosophy, policies and practices. We understand that our stockholders may have different views as to what is the best approach for the Company, and we look forward to hearing from our stockholders on this Proposal.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstain from voting in response to the resolution set forth below.

“RESOLVED, that the stockholders determine, on an advisory basis, whether the preferred frequency of an advisory vote on the executive compensation of the Company’s named executive officers should be every year, every two years or every three years.”

The option of one year, two years or three years that receives the highest number of votes cast will be the frequency selected by stockholders for the advisory vote on executive compensation. However, because this vote is advisory and not binding on the Company or our Board of Directors, our Board of Directors may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option approved by our stockholders.

### **Recommendation of the Board of Directors**

**Our Board of Directors unanimously recommends that the stockholders vote for the option of every ONE YEAR as the frequency with which stockholders are provided an advisory vote on executive compensation.**

### **OTHER MATTERS**

We know of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed form of Proxy to vote the shares they represent as the Board of Directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed Proxy.

## OWNERSHIP OF SECURITIES

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of January 31, 2011 by (i) all persons who were beneficial owners of five percent or more of our common stock, (ii) each director and nominee for director, (iii) the executive officers named in the Summary Compensation Table of the Executive Compensation section of this Proxy Statement and (iv) all then current directors and executive officers as a group. Unless otherwise indicated, each of the stockholders has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws, where applicable.

| <u>Beneficial Owner<sup>(1)</sup></u>   | <u>Shares Beneficially Owned</u> | <u>Percentage of Shares Beneficially Owned<sup>(2)</sup></u> |
|---|----------------------------------|--|
| Necip Sayiner <sup>(3)</sup>  | 530,118                          | 1.19%  |
| William G. Bock <sup>(4)</sup>  | 185,637                          | *  |
| Kurt W. Hoff <sup>(5)</sup>   | 86,395                           | *  |
| Jonathan D. Ivester <sup>(6)</sup>  | 190,196                          | *  |
| Paul V. Walsh, Jr. <sup>(7)</sup>   | 28,823                           | *  |
| Navdeep S. Sooch <sup>(8)</sup>   | 1,107,606                        | 2.49%  |
| Harvey B. Cash <sup>(9)</sup>   | 338,955                          | *  |
| R. Ted Enloe III <sup>(10)</sup>  | 85,388                           | *  |
| Kristen M. Onken <sup>(11)</sup>  | 45,388                           | *  |
| Laurence G. Walker <sup>(12)</sup>  | 81,824                           | *  |
| William P. Wood <sup>(13)</sup>   | 186,164                          | *  |
| David R. Welland  | 2,049,131                        | 4.65%  |
| Entities deemed to be affiliated with Blackrock, Inc. <sup>(14)</sup>                   | 2,347,881                        | 5.33%  |
| Entities deemed to be affiliated with FMR LLC <sup>(15)</sup>                           | 5,813,580                        | 13.20%   |
| Entities deemed to be affiliated with Franklin Resources, Inc. ("FRI") <sup>(16)</sup>  | 4,024,922                        | 9.14%  |
| Entities deemed to be affiliated with T. Rowe Price Associates, Inc. <sup>(17)</sup>    | 6,070,670                        | 13.78%   |
| Entities deemed to be affiliated with T. Rowe Price Mid-Cap Growth Fund <sup>(18)</sup> | 2,500,000                        | 5.68%  |
| Entities deemed to be affiliated with William Blair & Company, LLC <sup>(19)</sup>      | 5,294,562                        | 12.02%   |
| All directors and executive officers as a group (12 persons) <sup>(20)</sup>            | 4,915,625                        | 10.74%   |
| <b>Total Beneficial Ownership</b>   | <b>30,967,240</b>                | <b>67.64%</b>  |

\* Represents beneficial ownership of less than one percent.

- (1) Unless otherwise indicated in the footnotes, the address for the beneficial owners named above is 400 West Cesar Chavez, Austin, Texas 78701.
- (2) Percentage of ownership is based on 44,041,521 shares of common stock outstanding on January 31, 2011. 1,592,178 shares of common stock subject to stock options which are currently exercisable or will become exercisable within 60 days after January 31, 2011 and 150,584 shares of common stock subject to restricted stock units which are or will become vested within 60 days after January 31, 2011 are deemed outstanding for computing the percentage for the person or group holding such options, but are not deemed outstanding for computing the percentage for any other person or group.
- (3) Includes 415,124 shares issuable upon exercise of stock options and 91,312 shares issuable upon the release of vested restricted stock units.
- (4) Includes 157,129 shares issuable upon exercise of stock options and 20,826 shares issuable upon the release of vested restricted stock units.
- (5) Includes 70,155 shares issuable upon exercise of stock options and 16,240 shares issuable upon the release of vested restricted stock units.
- (6) Includes 21,150 shares held in family trusts, 84,081 shares issuable upon exercise of stock options, and 12,406 shares issuable upon the release of vested restricted stock units. Mr. Ivester shares voting and investment power with respect to the 21,150 shares held in the family trusts.
- (7) Includes 17,854 shares issuable upon exercise of stock options and 9,800 shares issuable upon the release of vested restricted stock units.
- (8) Includes 497,835 shares issuable upon exercise of stock options.
- (9) Includes 92,846 shares held in a trust for the benefit of Mr. Cash's family members, 75,000 shares issuable upon exercise of stock options, and 170,388 shares pledged to a financial institution to secure certain personal obligations of Mr. Cash. Mr. Cash has sole voting and investment power of the 92,846 shares held in a trust.
- (10) Includes 80,000 shares issuable upon exercise of stock options.
- (11) Includes 40,000 shares issuable upon exercise of stock options.
- (12) Includes 80,000 shares issuable upon exercise of stock options.
- (13) Includes 105,776 shares held by Silverton Partners, LP, of which Mr. Wood is a general partner, and 75,000 shares issuable upon exercise of stock options.
- (14) Pursuant to a Schedule 13G/A dated February 8, 2011 filed with the SEC, Blackrock, Inc. reported that as of December 31, 2010 it and certain related entities had sole voting and dispositive power over 2,347,881 shares and that its address is 40 East 52nd Street, New York, New York 10022.
- (15) Pursuant to a Schedule 13G/A dated February 14, 2011 filed with the SEC, FMR LLC reported that as of December 31, 2010 it and certain related entities had sole voting power over 1,800 shares and sole dispositive power over 5,813,580 shares and that its address is 82 Devonshire Street, Boston, Massachusetts 02109.
- (16) Pursuant to a Schedule 13G/A dated February 8, 2011 filed with the SEC, Franklin Resources, Inc. reported that as of December 31, 2010 it and certain related entities had sole voting power over 3,937,872 shares and sole dispositive power over 4,024,922 shares and that its address is One Franklin Parkway, San Mateo, California 94403.
- (17) Pursuant to a Schedule 13G/A dated February 10, 2011 filed with the SEC, T. Rowe Price Associates, Inc. reported that as of December 31, 2010 it and certain related entities had sole voting power over 1,332,020

shares and sole dispositive power over 6,070,670 shares and that its address is 100 East Pratt Street, Baltimore, Maryland 21202.

- (18) Pursuant to a Schedule 13G/A dated February 10, 2011 filed with the SEC, T. Rowe Price Mid-Cap Growth Fund reported that as of December 31, 2010 it and certain related entities had sole voting power over 2,500,000 shares and did not have sole dispositive power over any shares and that its address is 100 East Pratt Street, Baltimore, Maryland 21202.
- (19) Pursuant to a Schedule 13G/A dated February 8, 2011 filed with the SEC, William Blair & Company, L.L.C. reported that as of December 31, 2010 it and certain related entities had sole voting and dispositive power over 5,294,562 shares and that its address is 222 West Adams, Chicago, Illinois 60606.
- (20) Includes an aggregate of 1,592,178 shares issuable upon exercise of stock options and an aggregate of 150,584 shares issuable upon the release of vested restricted stock units.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

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

Our bylaws require us to indemnify our directors and executive officers to the fullest extent permitted by Delaware law. We have entered into indemnification agreements with all of our directors and executive officers and have purchased directors' and officers' liability insurance. In addition, our certificate of incorporation limits the personal liability of the members of our Board of Directors for breaches by the directors of their fiduciary duties.

### **Policies and Procedures with Respect to Related Party Transactions**

Our Audit Committee Charter requires that the members of our Audit Committee, all of whom are independent directors, review and approve all related party transactions as described in Item 404 of Regulation S-K promulgated by the SEC. We have also adopted a written policy regarding the approval of all related party transactions. Under such policy, each of our directors and executive officers must notify the Corporate Secretary (who, in turn, will provide such information to the Audit Committee) of any proposed related party transactions. To assist with the identification of potential related party transactions, we solicit information through questionnaires in connection with the appointment of new directors and executive officers and on an annual basis with respect to existing directors and executive officers. The Chairman of the Audit Committee is delegated the authority to approve or ratify any related party transactions in which the aggregate amount involved is expected to be less than \$1 million per year. All other proposed related party transactions are subject to approval or ratification by the Audit Committee except for certain categories of transactions that are deemed to be pre-approved by the Audit Committee. In determining whether to approve or ratify a related party transaction, the Audit Committee and the Chairman, if applicable, will take into account, among other factors deemed appropriate, whether the related party transaction is on terms no more favorable to the counterparty than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction.

Our Code of Business Conduct and Ethics requires our executive officers and directors to disclose any conflicts of interest, including any material transaction or relationship involving a potential conflict of interest. No executive officer may work, including as a consultant or a board member, simultaneously for us and any competitor, customer, supplier or business partner without the prior written approval of our Chief Financial Officer or legal department. Furthermore, executive officers are encouraged to avoid any direct or indirect business connections with our competitors, customers, suppliers or business partners.

Pursuant to our Corporate Governance Policy, we expect each of our directors to ensure that other existing and future commitments do not conflict with or materially interfere with their service as a director. Directors are expected to avoid any action, position or interest that conflicts with our interests, or gives the appearance of a conflict. In addition, directors should inform the Chairman of our Nominating and Corporate Governance

Committee prior to joining the board of another public company to ensure that any potential conflicts, excessive time demands or other issues are carefully considered.

### **Director Independence**

See the subsection entitled “Board Committees and Meetings” in the section of this Proxy Statement entitled “Proposal One: Election of Directors.”

### **AUDIT COMMITTEE REPORT**

The following is the report of the Audit Committee with respect to the audit of the fiscal 2010 audited consolidated financial statements of Silicon Laboratories Inc. (the “Company”):

Management is responsible for the Company’s internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company’s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report thereon. Additionally, the independent registered public accounting firm is responsible for performing an independent audit of the Company’s internal controls over financial reporting and for issuing a report thereon. The Committee’s responsibility is to monitor and oversee these processes.

In this context, the Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Committee that the Company’s consolidated financial statements in the Annual Report were prepared in accordance with accounting principles generally accepted in the United States, and the Committee has reviewed and discussed the consolidated financial statements in the Annual Report with management and the independent registered public accounting firm. The Committee has discussed with the independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended (AICPA *Professional Standards*, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Company’s independent registered public accounting firm also provided to the Committee the written disclosures required by applicable requirements for the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence. The Audit Committee reviewed non-audit services provided by its independent registered public accounting firm for the last fiscal year, and determined that those services are not incompatible with maintaining the independent registered public accounting firm’s independence.

Based upon the Committee’s discussion with management and the independent registered public accounting firm and the Committee’s review of the representation of management and the reports of the independent registered public accounting firm to the Committee, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended January 1, 2011 filed with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors:

R. Ted Enloe III (Chairman)  
Kristen M. Onken  
Laurence G. Walker  
William P. Wood

## EXECUTIVE COMPENSATION

### Executive Officers and Directors

Set forth below is information regarding the executive officers and directors of Silicon Laboratories as of January 31, 2010.

| <u>Name</u>         | <u>Age</u> | <u>Position</u>  |
|---------------------|------------|--|
| Navdeep S. Sooch    | 48         | Chairman of the Board                                  |
| Necip Sayiner       | 45         | Chief Executive Officer, President and Director        |
| William G. Bock     | 60         | Chief Financial Officer and Senior Vice President      |
| Kurt W. Hoff        | 53         | Vice President of Worldwide Sales                      |
| Jonathan D. Ivester | 55         | Senior Vice President of Worldwide Operations          |
| Paul V. Walsh, Jr.  | 46         | Chief Accounting Officer and Vice President of Finance |
| David R. Welland    | 55         | Vice President and Director                            |
| Harvey B. Cash      | 72         | Director   |
| R. Ted Enloe III    | 72         | Director   |
| Kristen M. Onken    | 61         | Director   |
| Laurence G. Walker  | 62         | Director   |
| William P. Wood     | 55         | Director   |

**Navdeep S. Sooch** co-founded Silicon Laboratories in August 1996 and has served as Chairman of the Board since our inception. Mr. Sooch served as our Chief Executive Officer from our inception through the end of fiscal 2003 and served as interim Chief Executive Officer from April 2005 to September 2005. From March 1985 until founding Silicon Laboratories, Mr. Sooch held various positions at Crystal Semiconductor/Cirrus Logic, a designer and manufacturer of integrated circuits, including Vice President of Engineering, as well as Product Planning Manager of Strategic Marketing and Design Engineer. From May 1982 to March 1985, Mr. Sooch was a Design Engineer with AT&T Bell Labs. Mr. Sooch holds a B.S. in Electrical Engineering from the University of Michigan, Dearborn and an M.S. in Electrical Engineering from Stanford University. Mr. Sooch's prior experience as our Chief Executive Officer as well as a semiconductor designer provides him with extensive insight into our industry and our operations and qualifies him to serve as Chairman of our Board of Directors.

**Necip Sayiner** has served as director, President and Chief Executive Officer of Silicon Laboratories since September 2005. Prior to joining Silicon Laboratories, Mr. Sayiner held various leadership positions at Agere Systems Inc. From August 2004 to September 2005, Mr. Sayiner served as Vice President and General Manager of Agere's Enterprise and Networking Division and from March 2002 to August 2004 he served as Vice President and General Manager of Agere's Networking IC Division. Mr. Sayiner holds a B.S. in electrical engineering and physics from Bosphorus University in Turkey, an M.S. in Electrical Engineering from Southern Illinois University, and a Ph.D. in Electrical Engineering from the University of Pennsylvania. Mr. Sayiner's experience and understanding of our business gained through his role as our President and Chief Executive Officer qualifies him to serve as a member of our Board of Directors.

**William G. Bock** has served as Senior Vice President of Finance and Administration and Chief Financial Officer since November 2006. Mr. Bock joined Silicon Laboratories as a director in March 2000, and served as Chairman of the audit committee until November 2006 when he stepped down from the Board of Directors to assume his current role. From April 2001 to November 2006, Mr. Bock participated in the venture capital industry, principally as a partner with CenterPoint Ventures. From February 1997 to March 2001, Mr. Bock led DAZEL Corporation, a provider of electronic information delivery systems, initially as its President and Chief Executive Officer and subsequent to its acquisition by Hewlett-

Packard in June 1999 as an HP Vice President and General Manager. Prior to 1997, Mr. Bock served as Chief Operating Officer of Tivoli Systems, a client server software company acquired by IBM in March 1996, in senior sales and financial management positions with Convex Computer Corporation and began his career with Texas Instruments. Mr. Bock holds a B.S. in Computer Science from Iowa State University and an M.S. in Industrial Administration from Carnegie Mellon University.

**Kurt W. Hoff**

has served as Vice President of Worldwide Sales for Silicon Laboratories since July 2007. From 2005 until July 2007, he managed the company's European sales and operations. Prior to joining Silicon Laboratories in 2005, Mr. Hoff served as president, Chief Executive Officer and director of Cognio. Mr. Hoff also managed the operations and sales of C-Port Corporation, a network processor company acquired by Motorola in May 2000. Additionally, Mr. Hoff spent 10 years in various sales positions at AMD. Mr. Hoff holds a B.S. in Physics from the University of Illinois and an M.B.A. from the University of Chicago.

**Jonathan D. Ivester**

joined Silicon Laboratories in September 1997 as Vice President. He served as Vice President of Worldwide Operations since May 2005. Mr. Ivester was promoted to Senior Vice President of Worldwide Operations in June 2008. From May 1984 to September 1997, Mr. Ivester was with Applied Materials, a supplier of equipment and services to the semiconductor industry, and served as Director of Manufacturing and Director of U.S. Procurement in addition to various engineering and manufacturing management positions. Mr. Ivester was a scientist at Bechtel Corporation, an engineering and construction company, from 1980 to 1982 and at Abcor, Inc., an ultrafiltration company and subsidiary of Koch Industries, from 1978 to 1980. Mr. Ivester holds a B.S. in Chemistry from the Massachusetts Institute of Technology and an M.B.A. from Stanford University.

**Paul V. Walsh, Jr.**

joined Silicon Laboratories in January 2004 as Director of Finance, Worldwide Operations, and was appointed Corporate Controller in March 2005. In November 2006, Mr. Walsh was promoted to Vice President and Chief Accounting Officer. From January 2009 through September 2010, Mr. Walsh served on the Board of Directors of Rio Holdings, Inc. (previously Grande Communications, Inc.), a provider of cable, internet and phone services, where he also served as the Chairman of the Audit Committee and as a member of the Finance Committee. Prior to joining Silicon Laboratories, Mr. Walsh was Site Controller from February 2003 to January 2004 with PerkinElmer, a supplier to the health sciences and photonics markets. From 1992 to 2003, Mr. Walsh held various operational, finance and management roles at Analog Devices and Teradyne, in the Boston area. Mr. Walsh received his B.S. in Mechanical Engineering from the University of Maine, and an M.B.A from Boston University.

**David R. Welland**

co-founded Silicon Laboratories in August 1996, has served as a Vice President and director since our inception and was appointed Fellow in March 2004. From November 1991 until founding Silicon Laboratories, Mr. Welland held various positions at Crystal Semiconductor/Cirrus Logic, a designer and manufacturer of integrated circuits, including Senior Design Engineer. Mr. Welland holds a B.S. in Electrical Engineering from the Massachusetts Institute of Technology. Mr. Welland's years of experience as a semiconductor designer provides him with extensive insight into our operations and qualifies him to serve as a member of our Board of Directors.

**For information on our non-employee directors, see Proposal One.**

## COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information regarding the 2010 compensation program for the principal executive officer, the principal financial officer, and the three executive officers (other than the principal executive officer and principal financial officer) at year-end who were the most highly compensated executive officers of the Company. For 2010, these individuals were:

- Necip Sayiner, our Chief Executive Officer and President (our “CEO”);
- William G. Bock, our Chief Financial Officer and Senior Vice President (our “CFO”);
- Kurt W. Hoff, the Vice President of Worldwide Sales;
- Jonathan D. Ivester, the Senior Vice President of Worldwide Operations; and
- Paul V. Walsh, Jr., the Vice President of Finance and Chief Accounting Officer.

We refer to these executive officers collectively in this Proxy Statement as the “Named Executive Officers.”

This Compensation Discussion and Analysis describes the material elements of our compensation program for the Named Executive Officers during 2010 as administered by the Compensation Committee of our Board of Directors (the “Compensation Committee”). It also provides an overview of our executive compensation philosophy, including our principal compensation policies and practices, with respect to Named Executive Officers. Finally, it explains how and why the Compensation Committee arrived at the specific compensation decisions for our Named Executive Officers in 2010, and discusses the key factors that the Compensation Committee considered in determining their compensation.

### 2010 Business Results

Despite a challenging economic environment, we achieved several significant business and financial results in fiscal 2010:

- We increased revenue by \$52 million to \$493 million in 2010.
- A sustained focus on R&D resulted in 17 new product family introductions during the year spanning MCUs, Wireless, Isolation, Human Interface, Timing, Video, AM/FM Radio and Power over Ethernet.
- We paved the way for future growth by achieving a record number of design wins, broadening our sales channel and expanding our design team.
- Cash generation continued to be very strong, enabling \$140 million in share repurchases, two strategic technology acquisitions and a year-end cash, cash equivalents and investments balance of \$383 million.
- Our broad-based products totaled about 35 percent of revenue in 2010, making this product area the largest in our portfolio.
- Gross margin on both a GAAP and a non-GAAP basis reached record levels for the year. Profitability also further improved, with 18 percent GAAP operating income and 26 percent non-GAAP operating income for the year.

See Appendix I for a reconciliation of GAAP and non-GAAP financial measures.

## **Significant Executive Compensation Actions**

Our Compensation Committee, which consists entirely of independent directors, sets the compensation of our Named Executive Officers. For 2010, the Compensation Committee took the following actions with respect to the compensation of our Named Executive Officers:

- after holding salaries flat in 2009, the Compensation Committee increased base salaries to bring them up to approximately the median level of the market data;
- paid annual cash incentive awards at 78.6% of the target level established at the beginning of the year;
- approved long-term incentive compensation, in the form of restricted stock unit awards, in February 2010 to further align the incentives of the executives and stockholders, retain key employees, and reward 2009 performance; and
- adopted a new approach to the use of performance-based equity beginning in 2011 to further enhance the “pay for performance” link as described under “Compensation Elements – Equity Awards” below.

## **Significant Corporate Governance Standards**

Our Board of Directors also took the following actions to enhance our corporate governance practices:

- adopted stock ownership guidelines for our CEO that require the holding of shares of our common stock with a value equal to a multiple of three times his base salary (following a phase-in period); and
- increased the stock ownership requirements for members of our Board of Directors to require the holding of shares of our common stock with a value equal to three times their annual cash retainer (following a phase-in period).

We have endeavored to maintain high standards in our executive compensation and governance practices. The following policies remained in effect in 2010:

- We do not provide excise tax gross-ups in the event of a change in control.
- All change in control agreements contain double trigger (rather than single trigger) change in control provisions.
- We do not provide significant perquisites or other personal benefits to our executive officers. Other than an annual physical examination paid by the Company, our executive officers participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our other salaried employees.
- We have operated with the roles of Chairman of the Board and Chief Executive Officer separated for several years.
- We do not currently offer, nor do we have plans to provide, pension arrangements, retirement plans, or nonqualified deferred compensation plans or arrangements to our executive officers, other than the 401(k) plan offered to our other salaried employees.
- The compensation consultant engaged by the Compensation Committee does not provide any other services to the Company.
- We conduct an annual review of our compensation programs for executive officers and other employees to assess the level of risk associated with those programs and the effectiveness of our policies and practices for monitoring and managing these risks.

## **Compensation Philosophy**

Our executive compensation program supports our short-term and long-term strategic and operational goals and values and is intended to attract, motivate, and retain talented individuals to serve as our executive officers. The Compensation Committee designs the various components of our executive compensation program to support our culture and efforts to remain a growth company with strong profitability.

## **Compensation-Setting Process**

Role of Compensation Committee. The Compensation Committee is responsible for administering our executive compensation program, as well as determining and approving the compensation for our Named Executive Officers. The Compensation Committee regularly reports to our Board of Directors on its deliberations and actions.

The Compensation Committee uses a balanced approach to set the compensation of our executive officers, with each primary direct component of compensation (base salary, annual cash incentive awards, and long-term incentive compensation) designed to play a specific role in achieving this objective. The Compensation Committee determines the compensation of each executive officer with respect to each compensation component based, in part, on its own analysis of competitive market data and the recommendations of our CEO, both as described below.

The Compensation Committee exercises its own judgment in making its compensation decisions and may accept or reject our CEO's recommendations. In addition, the Compensation Committee receives input from its compensation consultant and meets in executive session (without our CEO present) prior to making its final determinations regarding compensation.

Differences in compensation among our executive officers are the result of the Compensation Committee's exercise of its judgment, following its review of our CEO's recommendations, its analysis of competitive market data and its consideration of overall Company performance, competitive pressures, business conditions, the value of current equity holdings and the potential financial impact of its compensation decisions. The key factors in the variance in compensation levels among our executive officers are differences in the competitive market data for each position and differences in each executive officer's individual performance.

In determining the compensation of our CEO, the Compensation Committee consults with the other independent members of our Board of Directors, assesses our CEO's individual performance, and considers competitive market data and the other factors described above.

Role of Management. In carrying out its responsibilities, the Compensation Committee works with members of our management, including our CEO. Typically, our management assists the Compensation Committee by providing information on Company performance and its perspective on compensation matters. Our CEO attends Compensation Committee meetings (except with respect to discussions involving his own compensation).

Typically, our CEO formulates recommendations for the Compensation Committee with respect to the compensation of our executive officers (except with respect to his own compensation) based on a review of the competitive market data developed by the Compensation Consultant, his performance evaluation of each executive officer and other considerations, including competitive pressures, business conditions, the value of current equity holdings, each individual's tenure, compensation history, prior experience, distinctive value to the Company, variances in job responsibilities relative to similarly titled executives at other companies, the appropriate mix of compensation components, the Company's overall performance and the potential financial impact (including dilution and compensation cost) associated with their compensation. Our CEO does not use a specific formula to weight these various factors.

Our CEO conducts this assessment with the assistance of our Vice President of Human Resources. Our CEO then makes formal recommendations to the Compensation Committee regarding adjustments to base salary, annual cash incentive award opportunities and equity awards for our executives (except with respect to his own compensation). Our CEO also recommends performance measures and related target levels for annual cash incentive awards and equity awards (except with respect to his own compensation).

While the Compensation Committee solicits and reviews our CEO's recommendations and proposals with respect to compensation-related matters, the Compensation Committee only uses these recommendations and proposals as one factor in making its own compensation decisions for our executive officers.

Role of Compensation Consultant. The Compensation Committee is authorized to retain the services of compensation consultants and other advisors from time to time, as it sees fit, in connection with the administration of our executive compensation programs.

During January 2010, the Compensation Committee retained Towers Watson, an international human resources consulting firm, to provide competitive market data and analysis regarding material elements of compensation, including base salary, cash incentives and equity incentives. Towers Watson served at the discretion of the Compensation Committee. Towers Watson did not provide any other services to the Company in 2010.

In May 2010, the Compensation Committee engaged Compensia, Inc., a national compensation consulting firm providing executive compensation advisory services ("Compensia"), to assist it in carrying out its responsibilities, including analyzing competitive market data. Compensia serves at the discretion of the Compensation Committee. Compensia did not provide any other services to the Company in 2010.

With the approval of the Compensation Committee, Compensia also provides our CEO and the Vice President of Human Resources with market data regarding compensation for our executive officers so that our CEO's compensation recommendations to the Compensation Committee are consistent with our compensation philosophy.

Competitive Positioning. The Compensation Committee believes it is in the best interests of our stockholders to ensure that our executive compensation is competitive with that of other companies of similar size and complexity. At the end of 2009, the Compensation Committee directed Towers Watson to use data gathered from the 2009 Radford Executive Compensation Survey and publicly-available information from the following companies to identify and analyze the competitive market for executive compensation:

|                                    |                                   |
|------------------------------------|-----------------------------------|
| Atheros Communications, Inc.       | PMC-Sierra Inc.                   |
| Conexant Systems, Inc.             | RF Micro Devices, Inc.            |
| Cypress Semiconductor Corporation  | Semtech Corporation               |
| Integrated Device Technology, Inc. | Skyworks Solutions, Inc.          |
| Intersil Corporation               | Standard Microsystems Corporation |
| Microsemi Corporation              |                                   |

## Compensation Elements

The primary direct components of our executive compensation program are base salary, annual cash incentive awards and equity awards. The Compensation Committee does not use a prescribed formula for allocating compensation between annual and long-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation.

Base Salary. After freezing base salaries for 2009, the Compensation Committee in January 2010 set the 2010 base salaries of our Named Executive Officers to approximate the median level of the competitive market data, with adjustments to reflect the factors described under "Compensation-Setting Process" above. The resulting salaries and percentage increase are set forth in the following table:

| Named Executive Officer | 2009 Base Salary<br>(\$) | Percentage Increase<br>(%) | 2010 Base Salary<br>(\$) |
|-------------------------|--------------------------|----------------------------|--------------------------|
| Necip Sayiner           | 525,000                  | 9.5                        | 575,000                  |
| William G. Bock         | 312,000                  | 5.8                        | 330,000                  |
| Kurt W. Hoff            | 260,000                  | 10                         | 286,000                  |
| Jonathan D. Ivester     | 270,000                  | 5.9                        | 286,000                  |
| Paul V. Walsh, Jr.      | 205,000                  | 14.6                       | 235,000                  |

The actual base salaries paid to the Named Executive Officers during 2010 are set forth in the Summary Compensation Table below. The actual salaries of the Named Executive Officers for 2010 were slightly higher than the median level of the competitive market data.

Annual Cash Incentive Awards. Each year, the Compensation Committee adopts a bonus plan (the “Bonus Plan”) to reward exceptional performance and align the financial incentives of our Named Executive Officers with our short-term operating plan and long-term strategic objectives and the interests of our stockholders. The Compensation Committee approves the design, structure, and performance objectives, as well as each objective’s relative weighting, under the Bonus Plan. The Compensation Committee designs the Bonus Plan to pay each executive officer up to 150% of his target annual cash incentive award opportunity for outstanding performance. Consistent with our “pay-for-performance” philosophy, however, no payment is guaranteed if an executive officer fails to meet the minimum established performance objectives for his award opportunity under the Bonus Plan.

Target Award Opportunities. In 2010, the Compensation Committee established a target annual cash incentive award opportunity under the Bonus Plan for each of our Named Executive Officers based upon a specified percentage of his or her base salary. The Compensation Committee set the target award opportunities to be at approximately the 75th percentile of the competitive market data, with adjustments to reflect the factors described under “Compensation-Setting Process” above, upon the full achievement of the pre-established performance objectives described below. For 2010, the target award opportunities were set at approximately the 75th percentile, except that the target award opportunities for Mr. Bock and Mr. Ivester were substantially higher than the 75th percentile due to the Compensation Committee’s determination that their roles are broader than the comparably titled positions at other companies.

Corporate Performance Measures. Typically, the Compensation Committee establishes one or more corporate financial metrics tied to our annual operating plan as the principal measures for determining each executive officer’s annual cash incentive award. For 2010, consistent with our business strategy, the Compensation Committee established revenue, adjusted gross margin as a percentage of revenue and adjusted operating income as a percentage of revenue as the principal corporate financial metrics. For this purpose, “adjusted gross margin” and “adjusted operating income” mean gross margin and operating income as determined under generally-accepted accounting principles plus applicable stock compensation expense. We reported such adjusted gross margin and adjusted operating income in connection with our press release dated February 8, 2011 announcing our results of operations for fiscal 2010.

Revenue and adjusted operating income as a percentage of revenue were used as the sole measures for determining the annual cash incentive awards for our CEO and CFO.

To reflect their functional roles and responsibilities and in addition to their MBO’s discussed below, the Compensation Committee established revenue and adjusted gross margin as a percentage of revenue as the corporate financial metrics for the purposes of determining the annual cash incentive awards of Messrs. Hoff and Ivester and revenue and adjusted operating income as a percentage of revenue as the corporate financial metrics for the purposes of determining the annual cash incentive awards of Mr. Walsh.

With respect to each of these corporate financial metrics, the percentage payout was to be determined using a sliding scale based on actual performance, with no minimum payout and a maximum payout of 150% of the portion of the executive’s target annual cash incentive award opportunity based on corporate metrics for above-target performance.

Individual Performance Measures. To achieve our compensation objective of rewarding individual performance, our CEO, as authorized by the Compensation Committee, established individual performance objectives (“MBOs”) for Messrs. Hoff, Ivester, and Walsh. These performance objectives varied among these individuals according to the functional role and responsibility of each Named Executive Officer. For 2010, these MBOs were as follows:

- Mr. Hoff – MBO’s for our Vice President of Worldwide Sales included the following categories: managing sales expenses, revenue forecast accuracy, business expansion, organizational development, product line specific goals and channel management goals.

- Mr. Ivester – MBO’s for our Senior Vice President of Worldwide Operations included the following categories: managing supplier costs, improvements to manufacturing processes and on-time product delivery, improvements to release to manufacturing processes, quality and customer satisfaction, and organizational development.
- Mr. Walsh – MBO’s for our Vice President of Finance included the following categories: days sales outstanding, inventory turns, avoiding material weaknesses and significant deficiencies, operating cash flow, annual operating plan preparation, acquisitions, organizational development, operating income optimization and systems implementation.

For 2010, the target annual cash incentive award opportunities, corporate financial metrics, and the relative weighting between corporate and individual performance objectives for the Named Executive Officers were as follows:

| <b>Named Executive Officer</b> | <b>Target Annual Cash Incentive Award Opportunity (as a Percentage of Base Salary) (%)</b> | <b>Performance Metrics</b>                | <b>Weighting (%)</b> |
|--------------------------------|--|---|----------------------|
| Necip Sayiner                  | 110  | Adjusted Operating Income as % of Revenue | 50                   |
|                                |  | Company Sales Revenue                     | 50                   |
| William G. Bock                | 100  | Adjusted Operating Income as % of Revenue | 50                   |
|                                |  | Company Sales Revenue                     | 50                   |
| Kurt W. Hoff                   | 75   | Company Sales Revenue                     | 30                   |
|                                |  | Gross Margin as a % of Revenue            | 30                   |
|                                |  | MBOs                                      | 40                   |
| Jonathan D. Ivester            | 75   | Company Sales Revenue                     | 30                   |
|                                |  | Gross Margin as a % of Revenue            | 30                   |
|                                |  | MBOs                                      | 40                   |
| Paul V. Walsh, Jr.             | 40   | Adjusted Operating Income as % of Revenue | 25                   |
|                                |  | Company Sales Revenue                     | 25                   |
|                                |  | MBOs                                      | 50                   |

Award Decisions and Analysis. To ensure a direct correlation between our short-term performance and our actual business results, the Compensation Committee makes quarterly and annual payments to our Named Executive Officers under the Bonus Plan. Each fiscal quarter, bonus payments are made to the extent we have achieved our pre-established corporate financial metrics. In addition, at the conclusion of the fiscal year, the Compensation Committee (based primarily on the CEO’s recommendation) determines the level of achievement of the applicable MBOs and the associated payments under the Bonus Plan are made shortly after the end of the fiscal year.

Our Board of Directors and the Compensation Committee may exercise discretion either to make payments absent attainment of the relevant performance metric target levels or to reduce or increase the size of any award payment. Neither the Board of Directors nor the Compensation Committee exercised such discretion in 2010.

For each of the Named Executive Officers, the portion of his target annual cash incentive award opportunity that was attributable to these corporate financial metrics was allocated over the four fiscal quarters of

2010 in proportion to the amount of revenue that we estimated we would generate in each such quarter as reflected in our 2010 annual operating plan, as approved by our Board of Directors.

As approved by our Board of Directors, we established quarterly target levels in the annual operating plan for each of the corporate financial metrics for purposes of the Bonus Plan. We set these target levels to be challenging, but achievable. As evidence of the challenging nature of our performance targets, our executive officers received aggregate annual cash incentive awards that were less than their target award opportunity in three out of the last six years.

The extent to which Messrs. Hoff, Ivester, and Walsh achieved their 2010 MBOs was determined by our CEO during his annual performance review of these Named Executive Officers and submitted to the Compensation Committee for its review and ratification.

The chart below shows the sum of the corporate financial metric targets and actual performance against those targets for 2010. The targets were broken down on a quarterly basis.

| <b>Company:</b> |      | <b>FY 2010</b> |               |
|-----------------|------|----------------|---------------|
|                 |      | <b>Target</b>  | <b>Actual</b> |
| Revenue         | (\$) | 529,008,693    | 493,340,525   |
| Adjusted GM     | (%)  | 64.6           | 66.3          |
| Adjusted OI     | (%)  | 26.3           | 26.0          |

See Appendix I for a reconciliation of GAAP and non-GAAP financial measures.

The resulting payments to the Named Executive Officers were as follows:

| <b>Named Executive Officer</b> | <b>Target Bonus as a Percent of Base Salary (%)</b> | <b>Actual Bonus as a Percent of Base Salary (%)</b> |
|--------------------------------|---|---|
| Necip Sayiner                  | 110   | 83.4  |
| William G. Bock                | 100   | 75.8  |
| Kurt W. Hoff                   | 75  | 63.7  |
| Jonathan D. Ivester            | 75  | 64.6  |
| Paul V. Walsh, Jr.             | 40  | 30.2  |

Due to 2010 performance, the actual bonuses as a percent of base salary were lower than the targeted 75th percentile, except in the case of Mr. Bock and Mr. Ivester whose original targets were set higher than the 75th percentile.

The cash incentive awards paid to the Named Executive Officers during 2010 are set forth in the Summary Compensation Table below.

Long-Term Incentive Compensation. The Compensation Committee uses long-term incentive compensation, typically in the form of equity awards, for our Named Executive Officers, to retain talent, to align their interests with the interests of our stockholders and to provide incentives that we believe encourage behaviors that will maximize stockholder value.

In February 2010, the Compensation Committee granted restricted stock units (“RSUs”) to each of our executive officers, including the Named Executive Officers. The value of each executive officer’s award was initially established to approximate the 75th percentile of the competitive market data. Half of such value was then adjusted based on our annual revenue growth for 2009 as compared to the group of companies referenced above. During 2009, our revenue grew by approximately 6% while the group’s revenue declined by approximately 12%. The other half of such value was adjusted to reflect each executive officer’s performance against the metrics used

for determining such executive's 2009 annual cash incentive awards. These RSUs vest as to one-third of the underlying shares of common stock on the second anniversary of the date of grant and as to the remaining two-thirds of the underlying shares of common stock on the third anniversary of the date of grant. The Compensation Committee made the following RSU awards to the Named Executive Officers in February 2010:

| Named Executive Officer | RSU Award               |                          |
|-------------------------|-------------------------|--------------------------|
|                         | Number of Shares<br>(#) | Grant Date Value<br>(\$) |
| Necip Sayiner           | 99,050                  | 4,481,012                |
| William G. Bock         | 31,742                  | 1,436,005                |
| Kurt W. Hoff            | 19,762                  | 894,031                  |
| Jonathan D. Ivester     | 14,501                  | 656,024                  |
| Paul V. Walsh, Jr.      | 9,041                   | 409,014                  |

Due primarily to the Company's strong 2009 financial performance, these awards were substantially above the 75th percentile of the competitive market data.

### Changes to Long-Term Incentive Compensation

In December 2010, based on the results of the review of our executive compensation program, the Compensation Committee approved a restructuring of the program. This restructuring, which is effective for 2011, adjusts the long-term incentive compensation offered to our Named Executive Officers to provide a balanced mix of RSUs and market stock units ("MSUs").

The RSUs awarded in 2011 will continue to be based on performance, with each award's ultimate value reflecting our achievement of performance metrics established at the beginning of 2010.

The MSU awards in 2011 will compare our total stockholder return ("TSR") over a three-year performance period (with the initial performance period commencing at the beginning of our fiscal 2011 and ending at the end of our fiscal 2013) against an established technology sector index and provide payments based on our performance over such period using a scaled measurement. Where our TSR simply tracks the index results, payments are intended to be at the median level. Where our TSR is either greater or lower than the index results, payment is scaled 2.5 to 1. For example, in the event of performance of 10 points better than the index, participants will receive 125% of the target number of MSUs. This 2.5 to 1 scale was designed to provide for a range of payment outcomes such that the TSR performance that is expected to be at the 75<sup>th</sup> percentile of the index will result in 75<sup>th</sup> percentile awards.

This enhancement, which is designed to ensure that our long-term incentive compensation is competitive and tied to performance, will further promote the achievement of our long-term strategic and operational objectives while strengthening the link to stockholder value creation. In future years, the Compensation Committee plans to utilize MSU awards for at least 50% of the executive officer's long-term incentive compensation opportunity.

### Post-Employment Compensation

Each of our CEO and CFO have written employment agreements with the Company. These agreements provide each executive officer with job security by specifying the reasons for which his employment may be terminated without severance.

These agreements protect our interests during and following termination of employment by providing for payments and benefits only in the event of a termination of employment without cause or by the executive officer for good reason and by prohibiting the executive officer from engaging directly or indirectly in competition with the Company, from recruiting or soliciting any executive officer or employee, from diverting customers to a competitor or from disclosing the Company's confidential information.

These agreements also provide each executive officer with certain severance payments and benefits upon a termination of employment under certain circumstances, including in connection with a change in control of the Company. The purpose of these arrangements is to:

- foster the retention of these senior executive officers by providing a sufficient economic incentive for them to remain with the Company through a change in control and in support of an acquiring entity;
- promote the orderly succession of talent; and
- encourage objectivity and independence by these senior executive officers when considering various corporate transactions.

In addition, the Compensation Committee believes these arrangements protect our interests by serving as an incentive for these senior executive officers to remain employed during the threat or negotiation of a change-in-control transaction, which preserves our value and the potential benefits to be received by our stockholders in the transaction.

These arrangements were determined through arms-length negotiations between the executive officers and the Compensation Committee at the time that we hired each executive officer.

Generally, the equity awards granted under the Company's 2009 Stock Incentive Plan provide for accelerated vesting of any unvested shares in the event that such equity awards are not assumed or replaced by the acquiring entity in connection with a change in control of the Company or the executive officer is demoted, relocated, or terminated other than for misconduct within 18 months following the change in control transaction. We have provided for this treatment based on our belief that such treatment ensures that the executive officers remain focused on their responsibilities in the event of a potential transaction that will result in a significant benefit to our stockholders. The terms and conditions of these acceleration provisions are provided at a level that the Compensation Committee believes to be comparable to those of companies of similar size in our industry sector.

For a detailed discussion of the employment agreements with our CEO and CFO, as well as the post-employment compensation arrangements for the Named Executive Officers, see "Potential Payments Upon Termination or Change of Control" below.

### **Welfare, Retirement, and Other Benefits**

Welfare Benefits. The Company maintains an array of benefit programs to meet the health care and welfare needs of our employees, including medical and prescription drug coverage, dental and vision programs, medical and dependent care flexible spending accounts, short-term disability insurance, long-term disability insurance, accidental death and dismemberment insurance, and group life insurance, as well as customary vacation, paid holiday, leave of absence and other similar policies. Our executive officers, including the Named Executive Officers, participate in these benefit programs on the same general terms as all of our salaried employees.

Retirement Benefits. The Company has established a tax-qualified Section 401(k) retirement savings plan for our employees. Our executive officers, including the Named Executive Officers, are eligible to participate in this plan on the same general terms available to all of our salaried employees. Currently, plan participants are provided with matching contributions that are subject to time-based vesting conditions. It is intended that this plan qualify under Section 401(a) of the Internal Revenue Code so that contributions by participants to the plan, and income earned on plan contributions, are not taxable to participants until withdrawn from the plan.

Our executive officers, including the Named Executive Officers, do not receive any retirement benefits beyond those generally available to our salaried employees.

Perquisites and Other Personal Benefits. In addition to the general welfare benefits described above, the Compensation Committee has determined that we provide our executive officers, including the Named Executive Officers, with an annual physical examination beyond the benefit provided under our standard health care plans.

The Compensation Committee does not view perquisites or other personal benefits as a significant component of our executive compensation program and, except as described in the preceding paragraph, did not provide any perquisites or other personal benefits to our executive officers during 2010.

### **Income Tax and Accounting Considerations**

Deductibility of Executive Compensation. In determining which elements of compensation are to be paid, and how they are weighted, the Compensation Committee takes into account the implications of Section 162(m) of the Internal Revenue Code (“Section 162(m)”). Generally, Section 162(m) prohibits us from taking a federal income tax deduction for remuneration in excess of \$1 million paid to our chief executive officer and each of the other three most highly-compensated executive officers (not including the chief financial officer) of the Company in a taxable year. Remuneration in excess of \$1 million may be deducted if, among other things, it qualifies as “performance-based compensation” within the meaning of the Internal Revenue Code. In this regard, the compensation income realized upon the exercise of stock options granted under a stockholder-approved stock option plan generally will be deductible so long as the options are granted by a committee whose members are non-employee directors and certain other conditions are satisfied.

The Compensation Committee’s policy is to qualify, to the extent practicable, the compensation of our executive officers for deductibility under applicable tax laws. The Compensation Committee believes that its primary responsibility is to provide a compensation program to meet our stated business objectives, however, and, thus, reserves the right to pay compensation that is not tax-deductible if it determines that such a payment is in the best interests of the Company and our stockholders.

Accounting Treatment of Executive Compensation. The Company follows Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC Topic 718”), formerly known as SFAS 123(R), for our stock-based awards. ASC Topic 718 requires companies to measure the compensation cost for all stock-based awards made to employees (including our executive officers) and directors, including stock options and restricted stock awards, based on the grant date “fair value” of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our executive officers may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based awards in their income statements over the period that an executive officer is required to render service in exchange for his or her award.

### **Compensation Committee Report on Executive Compensation**

We, the Compensation Committee of the Board of Directors, have reviewed and discussed the Compensation Discussion and Analysis within the Executive Compensation section of this Proxy Statement with the management of the Company. Based on such review and discussion, we are of the opinion that the executive compensation policies and plans provide appropriate compensation to properly align Silicon Laboratories’ performance and the interests of its stockholders through the use of competitive and equitable executive compensation in a balanced and reasonable manner, for both the short- and long-term. Accordingly, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included as part of this Proxy filing.

Submitted by the Compensation Committee of the Board of Directors:

Laurence G. Walker (Chairman)  
Harvey B. Cash  
Navdeep S. Sooch  
William P. Wood

## Summary Compensation

The following table provides compensation information for our Named Executive Officers for fiscal 2010.

**SUMMARY COMPENSATION TABLE FOR FISCAL 2010**

| <b>Name and Principal Position</b>  | <b>Year</b> | <b>Salary<br/>(\$)</b> | <b>Bonus<br/>(\$)</b>  | <b>Stock<br/>Awards<br/>(\$)<sup>(1)</sup></b> | <b>Option<br/>Awards<br/>(\$)<sup>(1)</sup></b> | <b>Non-equity<br/>Incentive Plan<br/>Compensation<br/>(\$)<sup>(2)</sup></b> | <b>All Other<br/>Compensation<br/>(\$)<sup>(3)</sup></b> | <b>Total<br/>(\$)</b> |
|---|-------------|------------------------|------------------------|--|---|--|--|-----------------------|
| Necip Sayiner <sup>(4)</sup><br><i>Chief Executive Officer, President,<br/>and Director</i> | 2010        | 571,154                | -                      | 4,481,012                                      | -   | 479,415  | 5,582  | 5,537,163             |
|   | 2009        | 525,000                | 440,000 <sup>(5)</sup> | 3,073,551                                      | -   | 786,191  | 5,582  | 4,830,324             |
|   | 2008        | 519,231                | -                      | 1,597,995                                      | 1,474,847                                       | 625,509  | 5,582  | 4,223,164             |
| William G. Bock<br><i>Chief Financial Officer and Senior<br/>Vice President</i>             | 2010        | 328,615                | -                      | 1,436,005                                      | -   | 250,129  | 5,582  | 2,020,331             |
|   | 2009        | 312,000                | 140,000 <sup>(5)</sup> | 805,501  | -   | 424,747  | 5,582  | 1,687,830             |
|   | 2008        | 310,615                | -                      | 319,599  | 284,914   | 337,937  | 5,582  | 1,258,647             |
| Kurt W. Hoff<br><i>Vice President of Worldwide Sales</i>                                    | 2010        | 284,000                | -                      | 894,031  | -   | 182,272  | 5,582  | 1,365,885             |
|   | 2009        | 260,000                | 90,000 <sup>(5)</sup>  | 613,054  | -   | 225,306  | 128,822 <sup>(6)</sup>                                   | 1,317,182             |
|   | 2008        | 255,385                | -                      | 255,679  | 234,635   | 182,775  | 122,641 <sup>(7)</sup>                                   | 1,051,115             |
| Jonathan D. Ivester<br><i>Senior Vice President of<br/>Worldwide Operations</i>             | 2010        | 284,769                | -                      | 656,024  | -   | 184,846  | 5,582  | 1,131,221             |
|   | 2009        | 270,000                | 70,000 <sup>(5)</sup>  | 551,054  | -   | 227,897  | 5,582  | 1,124,533             |
|   | 2008        | 268,846                | -                      | 255,679  | 284,914   | 185,350  | 582  | 995,371               |
| Paul V. Walsh, Jr.<br><i>Vice President of Finance and<br/>Chief Accounting Officer</i>     | 2010        | 232,693                | -                      | 409,014  | -   | 70,875   | 5,547  | 718,129               |
|   | 2009        | 205,000                | 40,000 <sup>(5)</sup>  | 357,119  | -   | 103,680  | 5,477  | 711,276               |
|   | 2008        | 200,962                | -                      | 159,800  | 134,077   | 96,299   | 5,477  | 596,615               |

- (1) Amounts shown do not reflect compensation actually received by the Named Executive Officer, but represent the grant date fair value as determined pursuant to ASC Topic 718 (disregarding any estimate of forfeitures). The assumptions underlying the calculation under ASC Topic 718 are discussed under Note 12, Stock-based Compensation in our Form 10-K for the fiscal year ended January 1, 2011.
- (2) Represents amounts earned under the 2010 Bonus Plan for services rendered in fiscal 2010, the 2009 Bonus Plan for services rendered in fiscal 2009 and the 2008 Bonus Plan for services rendered in fiscal 2008.
- (3) Consists of payments by us for Company-paid life insurance premiums and employer matching contributions into the Company's 401(k) Plan, unless noted otherwise.

- (4) During fiscal 2010, 2009 and 2008, Mr. Sayiner did not receive any compensation for his services provided as a director.
- (5) Represents a cash bonus payment awarded as a result of the Company's strong 2009 performance.
- (6) Includes \$121,086 paid by the Company for tax preparation fees and tax equalization payments related to Mr. Hoff's overseas expatriate assignment, \$5,000 in employer matching contributions to the Company's 401(k) Plan, \$2,154 paid pursuant to an executive annual physical benefit and \$582 of company-paid life insurance premiums.
- (7) Includes \$99,773 paid by the Company for tax preparation fees and tax equalization payments related to Mr. Hoff's overseas expatriate assignment, \$14,714 of company-paid moving and relocation expenses, \$5,000 in employer matching contributions to the Company's 401(k) Plan, \$2,572 paid pursuant to an executive annual physical benefit and \$582 of company-paid life insurance premiums.

### Grants of Plan-Based Awards

The following table contains information concerning all equity and non-equity plan-based awards granted during fiscal 2010 to our Named Executive Officers. All equity plan-based awards were granted under our 2009 Stock Incentive Plan and all non-equity plan-based awards were granted under our 2010 Bonus Plan.

| GRANTS OF PLAN-BASED AWARDS TABLE FOR FISCAL 2010 |            |   |         |         |  |  |
|---|------------|---|---------|---------|--|--|
|   |            | Estimated Future Payouts Under Non-equity Incentive Plan Awards <sup>(1)</sup> (\$) |         |         |  |  |
| Name  | Grant Date | Threshold   | Target  | Maximum | All Other Stock Awards: Number of Shares of Stock or Units (#) | Grant Date Fair Value of Stock and Option Awards <sup>(2)</sup> (\$) |
|   | -          |   |         |         | -  | -  |
| Necip Sayiner                                     | 2/15/2010  | 7,327   | 632,500 | 948,750 | 99,050   | 4,481,012  |
| William G. Bock                                   | 2/15/2010  | 3,823   | 330,000 | 495,000 | 31,742   | 1,436,005  |
| Kurt W. Hoff                                      | 2/15/2010  | 1,491   | 214,500 | 278,850 | 19,762   | 894,031  |
| Jonathan D. Ivester                               | 2/15/2010  | 1,491   | 214,500 | 278,850 | 14,501   | 656,024  |
| Paul V. Walsh, Jr.                                | 2/15/2010  | 544   | 94,000  | 117,500 | 9,041  | 409,014  |

- (1) Amounts shown represent amounts that were available under the 2010 Bonus Plan. Actual bonuses received under the 2010 Bonus Plan by the executive officers are reported in the Summary Compensation Table under the column entitled "Non-Equity Incentive Plan Compensation."
- (2) A discussion of the assumptions underlying the calculation under ASC Topic 718 are discussed under Note 12, Stock-based Compensation in our Form 10-K for the fiscal year ended January 1, 2011.

### Outstanding Equity Awards at Fiscal Year-End

The following table shows all holdings of unexercised stock options and unvested restricted stock units for each of our Named Executive Officers as of January 1, 2011.

#### OUTSTANDING EQUITY AWARDS AT FISCAL 2010 YEAR-END TABLE

| Name                | Option Awards   |                              |                            |                        | Stock Awards  |   |
|---------------------|---|------------------------------|----------------------------|------------------------|---|---|
|                     | Number of Securities Underlying Unexercised Options (#) |                              | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units That Have Not Vested (\$) |
|                     | Exercisable   | Unexercisable <sup>(1)</sup> |                            |                        |   |   |
| Necip Sayiner       | -   | -                            | -                          | -                      | 252,330 <sup>(2)</sup>                                      | 11,612,227  |
|                     | 265,000   | -                            | 32.27                      | 9/14/2015              |   |   |
|                     | 61,333  | 18,667                       | 32.11                      | 2/15/2017              |   |   |
|                     | 77,916  | 32,084                       | 31.96                      | 2/15/2018              |   |   |
| William G. Bock     | 5,000   | -                            | 50.03                      | 4/29/2014              | 83,809 <sup>(3)</sup>                                       | 3,856,890   |
|                     | 119,166   | 45,834                       | 32.98                      | 11/8/2016              |   |   |
|                     | 3,833   | 1,167                        | 32.11                      | 2/15/2017              |   |   |
|                     | 15,051  | 6,199                        | 31.96                      | 2/15/2018              |   |   |
| Kurt W. Hoff        | 20,000  | -                            | 34.29                      | 1/3/2015               | 48,363 <sup>(4)</sup>                                       | 2,225,665   |
|                     | 34,166  | 15,834                       | 34.60                      | 7/2/2017               |   |   |
|                     | 12,395  | 5,105                        | 31.96                      | 2/15/2018              |   |   |
| Jonathan D. Ivester | 20,000  | -                            | 38.50                      | 8/18/2013              | 38,018 <sup>(5)</sup>                                       | 1,749,588   |
|                     | 25,000  | -                            | 33.17                      | 8/10/2014              |   |   |
|                     | 15,590  | -                            | 36.81                      | 12/19/2015             |   |   |
|                     | 19,166  | 5,834                        | 32.11                      | 2/15/2017              |   |   |
|                     | 13,746  | 6,199                        | 31.96                      | 2/15/2018              |   |   |
| Paul V. Walsh, Jr.  | 10,000  | -                            | 50.48                      | 2/2/2014               | 28,042 <sup>(6)</sup>                                       | 1,290,493   |
|                     | 3,793   | -                            | 25.07                      | 5/2/2015               |   |   |
|                     | 4,375   | 2,917                        | 31.96                      | 2/15/2018              |   |   |

- (1) Options were granted on the date ten years prior to the option expiration date and subject to a five-year vesting period, with the exception of those expiring in the year 2018, which have a four-year vesting period. Assuming the continued service of the executive officer, the five-year option shall vest and become exercisable in a series of installments, with 20% on the first anniversary of the date of grant and the remaining portion in equal monthly installments over the remaining four years. Assuming the continued service of the executive officer, the four-year option shall vest and become exercisable in a series of installments, with 25% on the first anniversary of the date of grant and the remaining portion in equal monthly installments over the remaining three years.
- (2) Represents 50,000 RSUs granted on February 15, 2008, 103,280 RSUs granted on February 15, 2009, and 99,050 RSUs granted on February 15, 2010. Assuming the continued service of the executive officer, the original RSUs associated with these grants vest as follows: 100% on the third anniversary of the

- grant date; one-sixth on the first anniversary of the grant date, two-sixths on the second anniversary of the grant date, and three-sixths on the third anniversary of the grant date; and one-third on the second anniversary of the grant date and two-thirds on the third anniversary of the grant date, respectively.
- (3) Represents 15,000 RSUs granted on November 8, 2006, 10,000 RSUs granted on February 15, 2008, 27,067 RSUs granted on February 15, 2009, and 31,742 RSUs granted on February 15, 2010. Assuming the continued service of the executive officer, the original RSUs associated with these grants vest as follows: 20% on each of the first five anniversaries of the grant date; 100% on the third anniversary of the grant; one-sixth on the first anniversary of the grant date, two-sixths on the second anniversary of the grant date, and three-sixths on the third anniversary of the grant date; and one-third on the second anniversary of the grant date and two-thirds on the third anniversary of the grant date, respectively.
- (4) Represents 8,000 RSUs granted on February 15, 2008, 20,601 RSUs granted on February 15, 2009, and 19,762 RSUs granted on February 15, 2010. Assuming the continued service of the executive officer, the original RSUs associated with these grants vest as follows: 100% on the third anniversary of the grant date; one-sixth on the first anniversary of the grant date, two-sixths on the second anniversary of the grant date, and three-sixths on the third anniversary of the grant date; and one-third on the second anniversary of the grant date and two-thirds on the third anniversary of the grant date, respectively.
- (5) Represents 5,000 RSUs granted on February 15, 2008, 18,517 RSUs granted on February 15, 2009, and 14,501 RSUs granted on February 15, 2010. Assuming the continued service of the executive officer, the original RSUs associated with these grants vest as follows: 1,000 RSUs on the first anniversary of the grant date, 2,000 RSUs on the second anniversary of the grant date and 5,000 RSUs on the third anniversary of the grant date; one-sixth on the first anniversary of the grant date, two-sixths on the second anniversary of the grant date, and three-sixths on the third anniversary of the grant date; and one-third on the second anniversary of the grant date and two-thirds on the third anniversary of the grant date, respectively.
- (6) Represents 2,000 RSUs granted on May 22, 2006, 5,000 RSUs granted on February 15, 2008, 12,001 RSUs granted on February 15, 2009, and 9,041 RSUs granted on February 15, 2010. Assuming the continued service of the executive officer, the original RSUs associated with these grants vest as follows: 20% on each of the first five anniversaries of the grant date; 100% on the third anniversary of the grant date; one-sixth on the first anniversary of the grant date, two-sixths on the second anniversary of the grant date, and three-sixths on the third anniversary of the grant date; and one-third on the second anniversary of the grant date and two-thirds on the third anniversary of the grant date, respectively.

#### Option Exercises and Stock Vested Table

The following table shows gains realized from the exercise of stock options and shares acquired upon the vesting of restricted stock units with respect to our Named Executive Officers during fiscal 2010.

#### OPTION EXERCISES AND STOCK VESTED TABLE DURING FISCAL 2010

| Name                | Option Awards                                   |                                       | Stock Awards                                   |                                      |
|---------------------|---|---------------------------------------|--|--------------------------------------|
|                     | Number of Shares<br>Acquired on Exercise<br>(#) | Value Realized on<br>Exercise<br>(\$) | Number of Shares<br>Acquired on Vesting<br>(#) | Value Realized on<br>Vesting<br>(\$) |
| Necip Sayiner       | 170,000   | 2,974,895                             | 59,059   | 2,402,441                            |
| William G. Bock     | 35,000  | 560,809                               | 20,413   | 871,432                              |
| Kurt W. Hoff        | -   | -                                     | 13,453   | 571,109                              |
| Jonathan D. Ivester | 27,233  | 603,310                               | 8,094  | 354,758                              |
| Paul V. Walsh, Jr.  | 6,499   | 138,988                               | 8,983  | 377,742                              |

## Potential Payments Upon Termination or Change in Control

Consistent with practices within our industry, we also provide certain post-employment termination benefits. We have implemented these programs in order to ensure we are able to continue to attract and retain top talent as well as ensure that during the uncertainty associated with a potential change in control, the executives remain focused on their responsibilities and ensure a maximum return for our stockholders.

## Employment Agreements

We have entered into employment agreements with only two of our executive officers: Mr. Sayiner and Mr. Bock. For both Mr. Sayiner and Mr. Bock, cash severance is equal to the sum of 12 months of base salary at the time of termination plus 200% of the actual quarterly bonus earned in the two full quarters immediately preceding termination to be paid in one lump sum. Each cash severance payment would be contingent upon such executive officer's execution of an agreement in a form satisfactory to us, containing a full general release of any and all potential claims against us and our affiliates and agents. As outlined in their employment agreements, a cash severance payment shall only be made in the event of such executive officer's Involuntary Termination for any reason other than misconduct. "Involuntary Termination" is defined in each employment agreement as an involuntary termination of employment by us or a voluntary resignation following (i) a change in position with us which materially reduces the executive officer's level of authority or responsibility, (ii) a reduction in cash compensation (including base salary and target bonus under any performance based bonus or incentive programs) by more than 15% unless pursuant to a reduction that is also applied to substantially all of our other executive officers, (iii) a relocation of such executive officer's place of employment by more than 50 miles, provided and only if such change, reduction or relocation is effected without consent, or (iv) a material breach by us of the terms of the employment agreement. In addition and similarly contingent upon execution of an appropriate release, for the time during which each executive officer is unemployed, we have agreed to pay the premium required to maintain COBRA coverage for such executive officer and his dependents for up to one year.

## Equity Compensation

At our 2009 annual stockholders' meeting, our stockholders approved the 2009 Stock Incentive Plan (the "2009 Plan") and the 2009 Plan became effective immediately. No shares remain issuable under our prior 2000 Stock Incentive Plan (the "2000 Plan") except for those that were subject to outstanding awards as of the date of approval of the 2009 Plan. The 2009 Plan and the 2000 Plan (together, the "Plans") govern the equity awards granted to our Named Executive Officers and other participants.

The 2009 Plan and the 2000 Plan include the following general change in control provisions, which may result in the accelerated vesting of outstanding stock options and stock awards:

- **Automatic Acceleration of Awards if not Assumed:** In the event that we experience a change in control, the vesting of outstanding equity awards will automatically fully accelerate and any transfer restrictions or repurchase rights will lapse, unless the awards are assumed or replaced by the successor company or otherwise continued in effect.
- **Discretionary Acceleration of Awards:** Our Compensation Committee, as plan administrator of the Plans has the authority to accelerate the vesting of all outstanding equity awards at any time, including in the event of a change in control of the Company, by means of a "hostile take-over" or otherwise, whether or not those awards are assumed or replaced or otherwise continued in effect. Under the 2000 Plan, any options so accelerated shall remain exercisable until the expiration or sooner termination of the option term in the case of a hostile take-over.
- **Acceleration Upon Termination After a Change in Control:** Our Compensation Committee may provide for the acceleration of vesting if a participant (including a Named Executive Officers) is Involuntarily Terminated within a period of 18 months following a change in control. Pursuant to this authority, the terms of the stock options and stock awards granted to the Named Executive Officers and other participants under the Plans provide for such acceleration in vesting in the event of Involuntary Termination within 18 months following a change in control. Under the 2000 Plan, any options so accelerated shall remain exercisable until the earlier of (i) one year from the date of the participant's termination and (ii) the expiration of the option term in the case of a change of control, and until the expiration or sooner termination of the option term in the case of a hostile take-over.

Involuntary Termination includes termination by the successor company for reasons other than misconduct or resignation by the individual following a material reduction in duties, a greater than 15% reduction in compensation, or involuntary relocation by more than 50 miles.

The following table depicts potential compensation arrangements for our executive officers as a result of an Involuntary Termination absent a change in control. Such termination is assumed to occur on January 1, 2011. Other than customary payments given to all salaried employees, we have not agreed to provide severance benefits to any Named Executive Officer other than those listed in the table below.

| <b>Name</b>     | <b>Lump Sum<br/>Severance<br/>(\$)</b> | <b>Intrinsic Value of<br/>Accelerated Equity<br/>(\$)</b> | <b>Health<br/>Benefits<br/>(\$)</b> | <b>Total<br/>(\$)</b> |
|-----------------|--|---|-------------------------------------|-----------------------|
| Necip Sayiner   | 1,196,796                              | -   | 22,236                              | 1,219,032             |
| William G. Bock | 654,415                                | -   | 12,574                              | 666,989               |

The following table depicts potential compensation arrangements for our executive officers as a result of a change in control that subsequently results in Involuntary Termination. Such termination is assumed to occur on January 1, 2011, the last day of our fiscal 2010.

| <b>Name</b>         | <b>Lump Sum<br/>Severance<br/>(\$)</b> | <b>Intrinsic Value of<br/>Accelerated Equity<sup>(1)</sup><br/>(\$)</b> | <b>Health<br/>Benefits<br/>(\$)</b> | <b>Total<br/>(\$)</b> |
|---------------------|--|---|-------------------------------------|-----------------------|
| Necip Sayiner       | 1,196,796                              | 12,322,986  | 22,236                              | 13,542,018            |
| William G. Bock     | 654,415                                | 4,557,956   | 12,574                              | 5,224,945             |
| Kurt W. Hoff        | -                                      | 2,478,266   | -                                   | 2,478,266             |
| Jonathan D. Ivester | -                                      | 1,917,897   | -                                   | 1,917,897             |
| Paul V. Walsh, Jr.  | -                                      | 1,331,506   | -                                   | 1,331,506             |

(1) Value is based upon the closing selling price per share of our common stock on the NASDAQ Global Select Market on the last trading day of fiscal 2010, which was \$46.02, less (if applicable) the option exercise price payable per share.

#### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers serves as a member of the Board of Directors or Compensation Committee of any entity that has one or more of its executive officers serving as a member of our Board of Directors or Compensation Committee. No member of the Compensation Committee currently serves as one of our officers or employee. Except for Mr. Sooch, who ceased to serve as our Chief Executive Officer in 2005, no member of the Compensation Committee has previously served as one of our officers or employees.

## Equity Compensation Plan Information

The following table provides information as of January 1, 2011 with respect to shares of our common stock that may be issued under our existing equity compensation plans.

### EQUITY COMPENSATION PLAN INFORMATION

| Plan Category  | A<br>Number of<br>Securities to be<br>Issued Upon<br>Exercise of<br>Outstanding<br>Options and Rights<br>(#) | B<br>Weighted<br>Average Exercise<br>Price of<br>Outstanding<br>Options<br>(\$) | C<br>Number of Securities<br>Remaining Available for<br>Future Issuance Under<br>Equity Compensation Plans<br>(Excluding Securities<br>Reflected in Column A)<br>(#) |
|--|--|---|--|
| Equity Compensation Plans<br>Approved by Stockholders <sup>(1)</sup> | 5,206,230 <sup>(2)</sup>   | 33.26 <sup>(3)</sup>  | 6,416,321 <sup>(4)</sup>   |
| Equity Compensation Plans<br>Not Approved by<br>Stockholders         | -  | -   | -  |
| <b>Total</b>   | 5,206,230  | 33.26   | 6,416,321  |

- (1) Consists of our 2000 Stock Incentive Plan, our 2009 Stock Incentive Plan and our 2009 Employee Stock Purchase Plan. No shares remain issuable under our prior 2000 Stock Incentive Plan, except for those that are subject to outstanding awards.
- (2) Includes 2,205,844 shares of common stock subject to full value awards that vest over the holders' period of continued service and 3,000,386 shares of common stock issuable upon the exercise of stock options with a weighted average remaining term of 4.1 years. Excludes purchase rights accruing under our 2009 Employee Stock Purchase Plan. Under the 2009 Employee Stock Purchase Plan, each eligible employee may contribute up to 15% of his or her base salary to purchase shares of our common stock at semi-annual intervals on the last U.S. business day of April and October each year at a purchase price per share equal to 85% of the lower of (i) the closing selling price per share of our common stock on the employee's entry date into the two-year offering period in which that semi-annual purchase date occurs and (ii) the closing selling price per share on the semi-annual purchase date.
- (3) Calculated without taking into account 2,205,844 shares of common stock subject to outstanding full value awards that will become issuable as those awards vest without any cash consideration for such shares.
- (4) Consists of shares available for future issuance under our 2009 Stock Incentive Plan and our 2009 Employee Stock Purchase Plan. As of January 1, 2011, an aggregate of 1,175,258 shares of our common stock were available for issuance under our 2009 Employee Stock Purchase Plan and 5,241,063 shares of our common stock were available for issuance in connection with future awards under our 2009 Stock Incentive Plan.

## **NO INCORPORATION BY REFERENCE OF CERTAIN PORTIONS OF THIS PROXY STATEMENT**

Notwithstanding anything to the contrary set forth in any of our filings made under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate information in this Proxy Statement, neither the Audit Committee Report nor the Compensation Committee Report is to be incorporated by reference into any such filings as provided by SEC regulations. In addition, this Proxy Statement includes certain website addresses intended to provide inactive, textual references only. The information on these websites shall not be deemed part of this Proxy Statement.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

The members of our Board of Directors, the executive officers and persons who hold more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934 which require them to file reports with respect to their ownership of the common stock and their transactions in such common stock. Based upon (i) the copies of Section 16(a) reports which we received from such persons for their fiscal 2010 transactions in the common stock and their common stock holdings and (ii) the written representations received from one or more of such persons, we believe that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by our directors, executive officers and greater than ten percent beneficial owners.

## **ANNUAL REPORT**

A copy of the annual report for fiscal 2010 has been mailed concurrently with this Proxy Statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The annual report is not incorporated into this Proxy Statement and is not considered proxy solicitation material.

## **FORM 10-K**

We filed an annual report on Form 10-K with the SEC on February 10, 2011. Stockholders may obtain a copy of our annual report, without charge, by writing to our Corporate Secretary at our principal executive offices located at 400 West Cesar Chavez, Austin, Texas 78701.

THE BOARD OF DIRECTORS OF SILICON LABORATORIES INC.

Dated: March 11, 2011

## Appendix I: Reconciliation of GAAP to Non-GAAP Financial Measures

The non-GAAP financial measurements provided herein do not replace the presentation of Silicon Laboratories' GAAP financial results. These non-GAAP measurements merely provide supplemental information to assist investors in analyzing Silicon Laboratories' financial position and results of operations; however, these measures are not in accordance with, or an alternative to, GAAP and may be different from non-GAAP measures used by other companies. We are providing this information because it may enable investors to perform meaningful comparisons of operating results, and more clearly highlight the results of core ongoing operations.

| <b>(In thousands)</b> | <b>Fiscal 2010</b>      |  |   |                             |  |
|-----------------------|-------------------------|--|---|-----------------------------|--|
|                       | <b>GAAP<br/>Measure</b> | <b>GAAP<br/>Percent of<br/>Revenue</b> | <b>Stock<br/>Compensation<br/>Expense</b> | <b>Non-GAAP<br/>Measure</b> | <b>Non-GAAP<br/>Percent of<br/>Revenue</b> |
| Revenues              | \$493,341               | -                                      | -   | -                           | -  |
| Gross margin          | 324,244                 | 65.7%                                  | \$1,436                                   | \$325,680                   | 66.0%                                      |
| Operating income      | 86,671                  | 17.6%                                  | 40,324                                    | 126,995                     | 25.7%                                      |