

**CHARTER FOR THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS
OF
MONOLITHIC POWER SYSTEMS, INC.**

(As Amended Through July 2014)

1. PURPOSE

The purpose of the Compensation Committee of the Board of Directors (the “**Board**”) of Monolithic Power Systems, Inc. (the “**Company**”) shall be to:

- Provide oversight of the Company’s compensation policies, plans and benefits programs;
- Assist the Board in discharging its responsibilities relating to (i) oversight of the compensation of the Company’s Chief Executive Officer (the “**CEO**”) and other executive officers (including officers reporting under Section 16 of the Securities Exchange Act of 1934), and (ii) approving and evaluating the executive officer compensation plans, policies and programs of the Company; and
- Assist the Board in administering the Company’s equity compensation plans for its executive officers and employees.

In addition, the Compensation Committee will undertake those specific duties and responsibilities expressly delegated by the Board listed below and such other duties as the Board may from time to time prescribe.

The compensation programs for the Company’s executive officers shall be designed to attract, motivate and retain talented executives responsible for the success of the Company and shall be determined within a competitive framework and based on the achievement of the Company’s overall financial results, individual contributions and a measure of customer satisfaction.

2. MEMBERSHIP AND ORGANIZATION

Composition. The Compensation Committee members shall be appointed by, and shall serve at the discretion of, the Board. The Compensation Committee shall consist of no fewer than two members of the Board. The Board may designate one member of the Compensation Committee as its chair. Members of the Compensation Committee must meet the following criteria:

- the independence requirements of the Nasdaq Stock Market, Inc. Marketplace Rules (the “**Nasdaq Rules**”);

- the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended; and
- the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended.

In determining whether a member of the Board is eligible to serve on the Compensation Committee, the Board will consider all factors specifically relevant to determining whether the member has a relationship to the Company that is material to the member's ability to be independent from management in connection with the duties of a Compensation Committee member or that would impair the member's ability to make independent judgments about the Company's executive compensation. These factors must include but are not limited to (i) the source of compensation of the member, including any consulting, advisory or other compensatory fee paid by the Company to the member and (ii) whether the member is affiliated with the Company, a subsidiary of the Company or any affiliate of a subsidiary of the Company.

Meetings. It is anticipated that the Compensation Committee will meet at least quarterly each year. The Compensation Committee may establish its own meeting schedule. The Compensation Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Compensation Committee shall make regular reports to the Board on the actions and recommendations of the Compensation Committee.

Compensation. Members of the Compensation Committee shall receive such fees, if any, for their service as Compensation Committee members as may be determined by the Board in its sole discretion.

3. RESPONSIBILITIES AND DUTIES

The following responsibilities and duties of the Compensation Committee are set forth below as a guide to the Compensation Committee with the understanding that the Compensation Committee may alter or supplement them as it deems appropriate under the circumstances to the extent permitted by applicable law or the Nasdaq Rules. The responsibilities and duties of the Compensation Committee shall include:

- Annually review and approve for the CEO and the executive officers of the Company (i) the annual base salary, (ii) the annual incentive bonus, including the specific goals and amount, (iii) equity compensation, (iv) any employment agreement, severance arrangement and change in control agreement/provision, (v) any signing bonus or payment of relocation costs and (vi) any other benefits, compensation or arrangements. One of the Compensation Committee's objectives shall be to use compensation to align the interests of the executive officers with the long-term interests of the Company's stockholders, thereby enhancing stockholder value. The CEO may not be present during any Compensation Committee deliberations or voting with respect to his or her compensation;

- Specifically with respect to the CEO, the Compensation Committee shall review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate his or her performance in light thereof, and consider identified and other factors related to the performance of the Company in determining the compensation level of the CEO;
- Administer the Company's equity compensation plans for its employees, and recommend equity compensation plans for Board approval;
- Provide oversight of the Company's overall compensation plans and benefits programs. The Compensation Committee shall also make recommendations to the Board with respect to improvements or changes to such plans or the adoption of new plans when appropriate;
- Evaluate on a periodic basis the competitiveness of (i) the compensation of the CEO and the executive officers of the Company and (ii) the Company's overall compensation plans;
- Form and delegate authority to subcommittees when appropriate;
- Make regular reports to the Board;
- Review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board for approval;
- Consult in its discretion with the Human Resources department to assist in the evaluation of executive officer compensation;
- Review and discuss the Compensation Discussion and Analysis (CD&A) section of the annual proxy statement with the Company's management, and recommend to the Board that the CD&A be included in the Company's annual report and proxy statement;
- Produce a report on executive compensation for inclusion in the Company's annual proxy statement that complies with the rules and regulations of the Securities and Exchange Commission and any other applicable rules and regulations;
- Evaluate rules and regulations relating to stockholder approval of executive compensation and recommend to the Board such actions with respect to such matters as the Compensation Committee deems appropriate; and
- Perform such other duties as the Board may direct from time to time.

The Compensation Committee shall have the authority, in its sole discretion, to retain or obtain the advice of any compensation consultant, legal counsel or other adviser to assist it in the performance of its duties, but only after taking into consideration factors relevant to the adviser's independence specified in applicable Nasdaq Rules. However, the Compensation Committee is

not required to conduct an independence assessment for (a) any compensation adviser whose role is limited to: (1) consulting on any broad-based plan that does not discriminate in scope, terms, or operation, in favor of executive officers or members of the Board, and that is available generally to all salaried employees; or (2) providing information that either is not customized for a particular issuer or that is customized based on parameters that are not developed by the adviser, and about which the adviser does not provide advice or (b) internal legal counsel.

The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any adviser retained by the Compensation Committee. The Company will provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to any adviser retained by the Compensation Committee.