

SILICON STORAGE TECHNOLOGY, INC.

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE
BOARD OF DIRECTORS**

ADOPTED APRIL 19, 2004

I. PURPOSE

The purpose of the Compensation Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of **SILICON STORAGE TECHNOLOGY, INC.**, a California corporation (the “*Company*”), shall be to act on behalf of the Board in (1) determining and approving the compensation of the Company’s Chief Executive Officer; (2) fulfilling the Board’s responsibilities to oversee the Company’s overall compensation policies, plans and programs; (3) reviewing and approving the compensation of the Company’s executive officers, senior management and directors; and (4) performing other activities related to the Company’s overall compensation plans and structure, including preparing and reviewing the Committee report included in the Company’s annual proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission (the “*SEC*”) in effect from time to time. The term “compensation” shall include salary, long-term incentives, bonuses, perquisites, equity incentives, severance arrangements, retirement benefits and other related benefits and benefit plans. The goal of the Company’s compensation policies, plans and programs shall be to attract and retain outstanding officers, directors and employees.

II. COMPOSITION

The Committee shall consist of at least three (3) members of the Board. No Committee member shall be an employee of the Company and each member shall be free from any relationship that would interfere with the exercise of his or her independent judgment, as determined by the Board, in accordance with the applicable independence requirements of The Nasdaq Stock Market, Inc. (“*Nasdaq*”). At least two (2) of the members of the Committee shall satisfy the “non-employee director” standard within the meaning of Section 16b-3 of the Securities Exchange Act of 1934, as amended from time to time (the “*Exchange Act*”) and the “outside director” standard within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended from time to time (the “*Code*”). The members of the Committee shall be appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board. The Committee’s chairperson shall be designated by the Board.

III. MEETINGS AND MINUTES

The Committee will hold at least two (2) regular meetings per year and additional meetings as the Committee deems appropriate. Minutes of each meeting of the Committee shall be prepared and distributed to each director of the Company and the Secretary of the Company promptly after each meeting. The Committee shall report to the Board from time to time and whenever requested to do so by the Board. Notwithstanding anything to the contrary set forth

herein, the Chief Executive Officer shall not be present for any portion of any meeting of the Committee at which the compensation of the Chief Executive Officer is deliberated or voted upon.

IV. AUTHORITY

The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall have the authority to obtain, at the expense of the Company, advice and assistance from internal or external legal, accounting or other advisors and consultants. In addition, the Committee shall have sole authority to retain and terminate any compensation consultant to assist in the evaluation of director, chief executive officer or senior executive compensation, including sole authority to approve such consultant's reasonable fees and other retention terms, all at the Company's expense. Other reasonable expenditures for external resources that the Committee deems necessary or appropriate in the performance of its duties are permitted. The Committee may form and delegate authority to subcommittees as appropriate, including, but not limited to, a subcommittee composed of one or more members of the Board to grant stock awards under the Company's equity incentive plans to persons who are not (a) "Covered Employees" under Section 162(m) of the Code; (b) individuals with respect to whom the Company wishes to comply with Section 162(m) of the Code or (c) then subject to Section 16 of the Exchange Act.

V. RESPONSIBILITIES

The operation of the Committee shall be subject to the Bylaws of the Company and California General Corporation Law, as in effect from time to time. Any action by the Board with respect to any of the matters set forth below shall not be deemed to limit or restrict the authority of the Committee to act under this Charter, unless the Board specifically limits such authority. To implement the Committee's purpose, the Committee, to the extent the Committee deems necessary and appropriate, shall be charged with the following duties and responsibilities. The Committee may supplement and, except as otherwise required by applicable law or the requirements of Nasdaq, deviate from these activities as appropriate under the circumstances:

1. ***CEO Compensation.*** The Committee shall determine, in its sole discretion, the salary, bonus, equity compensation and any other compensation and terms of employment of the Company's Chief Executive Officer. In determining the compensation of the Chief Executive Officer the Committee shall consider the Company's short-term and long-term performance goals and metrics to measure achievement of such goals, in light of the Committee's determination of the appropriate means of motivating the Chief Executive Officer. The Committee may consider the Company's performance and relative stockholder return, the value of similar incentive awards given to chief executive officers of comparable companies and previous awards given to the Company's Chief Executive Officer.

2. ***Compensation of Executive Officers and Senior Management.*** The Committee shall review, modify (as needed) and approve the salary levels, bonus plans and structures and payments thereunder and other forms of compensation policies, plans and programs for

executive officers and other senior management of the Company, as appropriate, including, in its discretion:

a. reviewing and approving corporate performance goals, the structure and method for determining the terms of overall executive bonus or other compensatory plans, method of determination of individual goals for executives and other senior management thereunder, and payment of individual executive bonuses to the extent such bonuses contain a discretionary component;

b. reviewing and advising the Board concerning national and industry-wide executive compensation practices and trends to assess the adequacy and competitiveness of the Company's executive compensation programs among comparable companies as well as the appropriateness of such programs; and

c. reviewing and approving the terms of any employment agreements, severance arrangements, change of control protections and any other compensatory arrangements.

2. *Overall Company Compensation.* In its discretion, the Committee shall review, modify (as needed) and approve the Company's overall compensation plans and structure, including without limitation equity and bonus compensation programs.

3. *Independent Director Compensation.* The Committee shall recommend to the Board the compensation for independent Board members, including any retainer, Committee and Committee chair fees and/or equity compensation. To the extent deemed appropriate by the Committee, such recommendation shall take into account national and industry-wide compensation practices and trends and a comparison of the Company's compensation programs among comparable companies as well as the appropriateness of such programs in light of corporate governance standards and the Committee's determination of the appropriate method of motivating independent Board members.

4. *SEC Report.* The Committee shall prepare any report required by the applicable SEC rules and regulations to be included in the Company's annual proxy statement.

5. *Annual Charter Review.* The Committee shall review, discuss and assess periodically its own performance as well as the Committee's role and responsibilities as outlined in this Charter. The Committee shall submit any suggested changes to the Board for its consideration.

6. *General Authority.* The Committee shall perform such other functions and have such other powers as may be necessary or convenient in the efficient discharge of the foregoing.