

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name <b>MONOLITHIC POWER SYSTEMS, INC.</b>		2 Issuer's employer identification number (EIN) <b>77-0466789</b>	
3 Name of contact for additional information <b>Meera Rao</b>	4 Telephone No. of contact <b>408-826-0600</b>	5 Email address of contact <b>Meera.rao@monolithicpower.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>79 GREAT OAKS BLVD.</b>		7 City, town, or post office, state, and Zip code of contact <b>SAN JOSE, CA 95119</b>	
8 Date of action <b>JULY 15, 2014</b>		9 Classification and description <b>STOCK</b>	
10 CUSIP number <b>609839105</b>	11 Serial number(s) <b>NA</b>	12 Ticker symbol <b>MPWR</b>	13 Account number(s) <b>NA</b>

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **Monolithic Power System Inc. ("MPS") began to pay a quarterly cash distribution, the first of which on July 15, 2014 to its shareholders of record on June 30, 2014. MPS has determined that MPS did not have any earnings or profits (current or accumulated) in 2014, based on estimates available as of the date of distribution.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **MPS paid a cash distribution of \$0.15 per share on July 15, 2014; based on estimates available as of date, this amount was a non-taxable return of capital to the extent a U.S. shareholder's tax basis in each of their MPS shares, with any remaining amount being taxed as capital gain to a U.S. shareholder.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **MPS has determined, based on estimates available as of this date, MPS did not have any earnings or profits (current or accumulated) in 2014.**

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ \_\_\_\_\_

The cash distributions to stock holders on record date, June 30, 2014 was made pursuant to Section 301 of the Internal revenue code of 1986, as amended ("the code"). The tax treatment of the distribution in the hands of the stock holder is governed by Section 301(c) of the Code.

MPS shareholders receiving the cash distribution generally will reduce the adjusted basis of their stock pursuant to Section 301(c)(2).

If the distribution to the shareholders is in excess of their stock basis, Section 301(c)(3) will apply to determine the shareholders capital gain.

Shareholders should consult with their tax advisors to determine the appropriate tax basis of their MPS shares.

18 Can any resulting loss be recognized? ▶ \_\_\_\_\_

Generally, no loss will be recognized by MPS, or by MPS shareholders under Section 301(c).

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ \_\_\_\_\_

The distribution is generally effective as of the date of the distribution, July 15, 2014, which for calendar tax payers would be 2014.

MPS shareholders should consult with their tax advisor to determine the impact of this distribution to their taxes.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ Meera Rao

Date ▶ 8/6/2014

Print your name ▶ Meera Rao

Title ▶ CFO

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	