

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

<b>Part I Reporting Issuer</b>			
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>Bernie Blegen</b>	4 Telephone No. of contact  <b>408-826-0600</b>	5 Email address of contact  <b>Bernie.Blegen@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>January 13, 2017</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") Board of Directors declared a quarterly cash dividend to stockholders of record as of December 30, 2016. The dividend was paid to the stockholders on January 13, 2017. Based on estimates available as of this date, MPS has estimated that it will have earnings and profits in 2017. The estimated 2017 earnings and profits are not expected to exceed 2017 dividend payments and therefore a portion of the dividends (approximately 80%) is deemed to be a non-taxable return of capital.

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 \$0.20 per share on January 13, 2017. Based on estimates available as of this date and, provided the U.S. stockholder had a tax basis in their shares, approximately 80% of this cash distribution is considered a non-taxable return of capital with the remaining 20% being taxable as a dividend. If a U.S. stockholder did not have a basis in each of their MPS shares, the portion of the cash distribution treated as a return of capital will be taxed as a capital gain.

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 ▶ Based on estimates available as of available as of this date, the Company expects to have current earnings and profits in 2017.

**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 stockholders on record date, December 30, 2016, 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 stockholder is governed by Section 301(c) of the Code.

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

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

Stockholders 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, January 13, 2017, which for calendar tax payers would be 2017.

MPS stockholders 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 ▶ T.D.D.J. Date ▶ 2/24/17

Print your name ▶ Bernie Blegen 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.	