

**Report of Organizational Actions
 Affecting Basis of Securities**

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name MONOLITHIC POWER SYSTEMS, INC.		2 Issuer's employer identification number (EIN) 77-0466789	
3 Name of contact for additional information Bernie Blegen	4 Telephone No. of contact 408-826-0600	5 Email address of contact Bernie.Blegen@monolithicpower.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 79 GREAT OAKS BLVD.		7 City, town, or post office, state, and Zip code of contact SAN JOSE, CA 95119	
8 Date of action October 15, 2016	9 Classification and description STOCK		
10 CUSIP number 609839105	11 Serial number(s) NA	12 Ticker symbol MPWR	13 Account number(s) NA

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 September 30, 2016. The dividend was paid to the stockholders on Oct 14, 2016. MPS has determined that MPS will have current earnings and profits in 2016, based on updated estimates available as of this date.

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 October 14, 2016. Based on updated estimates available as of this date and, provided the U.S. stock holder had a tax basis in their shares, approximately 95% of this cash distribution and of those made previously in 2016 were a non-taxable return of capital with the remaining 5% 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 ▶ MPS has determined, based on updated estimates available as of this date, the Company expects to have current earnings and profits in 2016.

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, September 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 stock holder 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, October 14, 2016, which for calendar tax payers would be 2016. 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. J. Date ► 1/6/2017
Print your name ► Bernie Blegen Title ► CFO

Paid Preparer Use Only	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.			