

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

<b>1</b> Issuer's name		<b>2</b> Issuer's employer identification number (EIN)	
MONOLITHIC POWER SYSTEMS, INC.		77-0466789	
<b>3</b> Name of contact for additional information	<b>4</b> Telephone No. of contact	<b>5</b> Email address of contact	
Bernie Blegen	408-826-0600	Bernie.Blegen@monolithicpower.com	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact		<b>7</b> City, town, or post office, state, and Zip code of contact	
79 GREAT OAKS BLVD.		SAN JOSE, CA 95119	
<b>8</b> Date of action		<b>9</b> Classification and description	
October 13, 2017		STOCK	
<b>10</b> CUSIP number	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol	<b>13</b> Account number(s)
609839105	NA	MPWR	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 29, 2017. The dividend was paid to the stockholders on October 13, 2017. MPS has determined that MPS will have current earnings and profits in 2017, based on 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 13, 2017. Based on estimates available as of this date and, provided the U.S. stock holder had a tax basis in their shares, approximately 80% of this cash distribution were 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 ▶ MPS has determined, based on estimates 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, September 29, 2017, 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 13, 2017, which for calendar tax payers would be reportable in tax year 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. Bleggen Date ▶ 1/15/17

Print your name ▶ Bernie Bleggen 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.