

MICROCHIP TECHNOLOGY INC

Form PRE 14A

June 21, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

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Filed by a Party other than the Registrant

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Check the appropriate box:

- ☒ Preliminary proxy statement.
- ☐ Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
- ☐ Definitive Proxy Statement.
- ☐ Definitive Additional Materials.
- ☐ Soliciting Material Pursuant to § 240.14a-12.

Microchip Technology Incorporated

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

ý No fee required.

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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PRELIMINARY PROXY MATERIALS -- SUBJECT TO COMPLETION

MICROCHIP TECHNOLOGY INCORPORATED

2355 West Chandler Boulevard, Chandler, Arizona 85224-6199

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

August 17, 2012

TIME: 9:00 a.m. Mountain Standard Time

PLACE: Microchip Technology Incorporated

2355 West Chandler Boulevard

Chandler, Arizona 85224-6199

ITEMS OF (1) The election of each of Steve Sanghi, Albert J. Hugo-Martinez, L.B. Day, Matthew W. Chapman  
BUSINESS: and Wade F. Meyercord to our Board of Directors to serve for the ensuing year and until their successors  
are elected and qualified.

(2) To approve the amendment and restatement of our 2004 Equity Incentive Plan to (i) increase the number of shares of common stock authorized for issuance thereunder by 9,900,000, (ii) extend the term of the plan through May 22, 2022, and (iii) re-approve the material terms of the plan so that we can continue to grant equity awards that constitute "performance-based compensation" for purposes of Internal Revenue Code Section 162(m).

(3) To approve the issuance of shares of our common stock upon conversion of our convertible debentures as required by the Nasdaq listing rules so that upon the future adjustment of the conversion rate of the debentures as a result of our payment of cash dividends we can maintain our current accounting treatment for the debentures and maintain the flexibility to issue shares upon conversion of such debentures.

(4) To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of Microchip for the fiscal year ending March 31, 2013.

(5) To hold an advisory (non-binding) vote regarding the compensation of our named executives.

(6) To transact such other business as may properly come before the annual meeting or any adjournment(s) thereof.

The Microchip Board of Directors recommends that you vote for each of the foregoing items.

RECORD Holders of Microchip common stock of record at the close of business on June 22, 2012  
are

DATE: entitled to vote at the annual meeting.

ANNUAL Microchip's fiscal 2012 Annual Report, which is not a part of the proxy soliciting material, is  
REPORT: enclosed.

It is important that your shares be represented and voted at the annual meeting. You can vote your shares by completing and returning the proxy card sent to you. Stockholders may have a choice of voting their shares  
PROXY: over the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you. You can revoke your proxy at any time prior to its exercise at the annual meeting by following the instructions in the accompanying proxy statement.

Kim van Herk  
Secretary

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting  
of Stockholders to be Held on August 17, 2012

The Microchip Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K for the fiscal year  
ended March 31, 2012 are available at [www.microchip.com/annual\\_reports](http://www.microchip.com/annual_reports).

Chandler, Arizona

July [ ], 2012

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**MICROCHIP TECHNOLOGY INCORPORATED**

2355 West Chandler Boulevard  
Chandler, Arizona 85224-6199

**PROXY STATEMENT**

You are cordially invited to attend our annual meeting on Friday, August 17, 2012, beginning at 9:00 a.m., Mountain Standard Time. The annual meeting will be held at our Chandler facility located at 2355 West Chandler Boulevard, Chandler, Arizona 85224-6199.

We are providing these proxy materials in connection with the solicitation by the Board of Directors (the "Board") of Microchip Technology Incorporated ("Microchip") of proxies to be voted at Microchip's 2012 annual meeting of stockholders and at any adjournment(s) thereof.

Our fiscal year begins on April 1 and ends on March 31. References in this proxy statement to fiscal 2013 refer to the 12-month period from April 1, 2012 through March 31, 2013; references to fiscal 2012 refer to the 12-month period from April 1, 2011 through March 31, 2012; and references to fiscal 2011 refer to the 12-month period from April 1, 2010 through March 31, 2011.

We anticipate first mailing this proxy statement and accompanying form of proxy on July 12, 2012 to holders of record of Microchip's common stock on June 22, 2012 (the "Record Date").

**PROXIES AND VOTING PROCEDURES**

**YOUR VOTE IS IMPORTANT.** Because many stockholders cannot attend the annual meeting in person, it is necessary that a large number of stockholders be represented by proxy. Stockholders may have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Under Delaware law, stockholders may submit proxies electronically. Please be aware that if you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including an Internet or telephone vote if these options are available to you) or by voting by ballot at the annual meeting.

The method by which you vote will in no way limit your right to vote at the annual meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the annual meeting.

All shares entitled to vote and represented by properly completed proxies received prior to the annual meeting and not revoked will be voted at the annual meeting in accordance with the instructions on such proxies. **IF YOU DO NOT INDICATE HOW YOUR SHARES SHOULD BE VOTED ON A MATTER, THE SHARES REPRESENTED BY YOUR PROPERLY COMPLETED PROXY WILL BE VOTED AS OUR BOARD OF DIRECTORS RECOMMENDS.**

If any other matters are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the annual meeting to another time or place, the persons named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the annual meeting.





## Stockholders Entitled to Vote

Stockholders of record at the close of business on the Record Date, June 22, 2012, are entitled to notice of and to vote at the annual meeting. Each share is entitled to one vote on each of the five director nominees and one vote on each other matter properly brought before the annual meeting. On the Record Date, there were TBD shares of our common stock issued and outstanding.

In accordance with Delaware law, a list of stockholders entitled to vote at the annual meeting will be available at the annual meeting on August 17, 2012, and for 10 days prior to the annual meeting at 2355 West Chandler Boulevard, Chandler, Arizona, between the hours of 9:00 a.m. and 4:30 p.m., Mountain Standard Time.

## Required Vote

### Quorum, Abstentions and Broker Non-Votes

The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining a quorum. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner (i.e., in "street name") does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Under the rules of the New York Stock Exchange (NYSE), which apply to NYSE member brokers trading in non-NYSE stock, brokers have discretionary authority to vote shares on certain routine matters if customer instructions are not provided. Proposal Four to be considered at the annual meeting may be treated as a routine matter. Consequently, if you do not return a proxy card, your broker may have discretion to vote your shares on such matter.

### Election of Directors (Proposal One)

A plurality of the votes duly cast is required for the election of directors (i.e., the five nominees receiving the greatest number of votes will be elected). Abstentions and broker "non-votes" will not affect the election of directors.

### Amendment and Restatement of the 2004 Equity Incentive Plan (Proposal Two)

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required to adopt the amendment and restatement of our 2004 Equity Incentive Plan described in Proposal Two. Abstentions will have the same effect as voting against this proposal. Broker "non-votes" are not counted for purposes of approving our amended and restated 2004 Equity Incentive Plan, and thus will not affect the outcome of the voting on such proposal.

### Issuance of Shares of Common Stock upon Conversion of our Convertible Debentures (Proposal Three)

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required for approval of issuance of shares of our common stock upon conversion of our convertible debentures as described in Proposal Three. Abstentions will have the same effect as voting against this proposal. Broker "non-votes" are not counted for purposes of approving this matter, and thus will not affect the outcome of the voting on such proposal.

### Ratification of Independent Registered Public Accounting Firm (Proposal Four)

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required for ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of Microchip for the fiscal year ending March 31, 2013. An abstention will have the same effect as voting against this proposal. Broker "non-votes" are not counted for purposes of approving the ratification of our accounting firm, and thus will not affect the outcome of the voting on such proposal.

### Advisory Vote Regarding the Compensation of our Named Executives (Proposal Five)

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the rules of the Securities and Exchange Commission (the "SEC"). Abstentions will have the same effect as voting against this proposal. Broker "non-votes" are not counted for purposes of approving, on an advisory basis, the compensation of our named executive officers, and thus will not affect the outcome of the voting on such proposal.



#### Electronic Access to Proxy Statement and Annual Report

This proxy statement and our fiscal 2012 Annual Report are available at [www.microchip.com/annual\\_reports](http://www.microchip.com/annual_reports). We will post our future proxy statements and annual reports on Form 10-K on our website as soon as reasonably practicable after they are electronically filed with the SEC. All such filings on our website are available free of charge. The information on our website is not incorporated into this proxy statement. Our Internet address is [www.microchip.com](http://www.microchip.com).

#### Cost of Proxy Solicitation

Microchip will pay its costs of soliciting proxies including the cost of any proxy solicitor if a proxy solicitor is engaged. Proxies may be solicited on behalf of Microchip by its directors, officers or employees in person or by telephone, facsimile or other electronic means. We may also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of Microchip common stock.

### THE BOARD OF DIRECTORS

#### Meetings of the Board of Directors

Our Board of Directors met seven times in fiscal 2012. During fiscal 2012, each of our directors attended 100% of the meetings of the Board of Directors. Each director attended 100% of the meetings of the committees on which such director served, other than Mr. Meyercord who attended 8 of the 9 Compensation Committee meetings. The Board of Directors has a practice of meeting in executive session on a periodic basis without management or management directors (i.e., Mr. Sanghi) present. The Board of Directors has determined that each of Mr. Chapman, Mr. Day, Mr. Hugo-Martinez and Mr. Meyercord is an independent director as defined by applicable SEC rules and NASDAQ listing standards.

#### Board Leadership Structure

The Board of Directors believes that Microchip's Chief Executive Officer, Steve Sanghi, is best situated to serve as Chairman because he is the director most familiar with Microchip's business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. The Board's independent directors have different perspectives and roles in strategic development. In particular, Microchip's independent directors bring experience, oversight and expertise from outside the company and the industry, while the Chief Executive Officer brings company-specific experience and industry expertise. The Board of Directors believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the Board of Directors, which are essential to effective governance. Microchip does not have a lead independent director.

The Board of Directors and the Board committees oversee risk management in a number of ways. The Audit Committee oversees the management of financial and accounting related risks as an integral part of its duties. Similarly, the Compensation Committee considers risk management when setting the compensation policies and programs for Microchip's executive officers. The Board of Directors and the Audit Committee regularly receive reports on various risk-related items including risks related to manufacturing operations, intellectual property, taxes, products and employees. The Board and the Audit Committee also receive periodic reports on Microchip's efforts to manage such risks through safety measures, insurance or self-insurance.

#### Communications from Stockholders

Stockholders may communicate with the Board of Directors or individual members of the Board of Directors, provided that all such communication is submitted in writing to the attention of the Secretary at Microchip Technology Incorporated, 2355 West Chandler Boulevard, Chandler, Arizona 85224-6199, who will then forward such communication to the appropriate director or directors.

#### Committees of the Board of Directors

The following table lists our three Board committees, the directors who served on them and the number of committee meetings held in fiscal 2012:



## Membership on Board Committees in Fiscal 2012

Name	Audit	Compensation	Nominating and Governance
Mr. Chapman	C		1
Mr. Day		C	1
Mr. Hugo-Martinez	1	1	1
Mr. Meyercord	1	1	C
Meetings held in fiscal 2012	9	9	2

C = Chair

1 = Member

## Audit Committee

The responsibilities of our Audit Committee are to appoint, compensate, retain and oversee Microchip's independent registered public accounting firm, oversee the accounting and financial reporting processes of Microchip and audits of its financial statements, and provide the Board of Directors with the results of such monitoring. These responsibilities are further described in the committee charter. A copy of the Audit Committee Charter is available at the About Us/Corporate Responsibility section under Ethics and Conduct on [www.microchip.com](http://www.microchip.com).

Our Board of Directors has determined that all members of the Audit Committee are independent directors as defined by applicable SEC rules and NASDAQ listing standards. The Board of Directors has also determined that each of Mr. Chapman, Mr. Hugo-Martinez and Mr. Meyercord meet the requirements for being an "audit committee financial expert" as defined by applicable SEC rules.

In fiscal 2005, our Board and our Audit Committee adopted a policy with respect to (i) the receipt, retention and treatment of complaints received by us regarding questionable accounting, internal accounting controls or auditing matters; (ii) the confidential, anonymous submission by our employees of concerns regarding questionable accounting, internal accounting controls or auditing matters; and (iii) the prohibition of harassment, discrimination or retaliation arising from submitting concerns regarding questionable accounting, internal accounting controls or auditing matters or participating in an investigation regarding questionable accounting, internal accounting controls or auditing matters. In fiscal 2012, our Board and our Audit Committee approved an amended policy to include matters regarding federal or state securities laws, or the commission of bribery. This policy, called "Reporting Legal Non-Compliance," was created in accordance with applicable SEC rules and NASDAQ listing requirements. A copy of this policy is available at the About Us/Corporate Responsibility section under Ethics and Conduct on [www.microchip.com](http://www.microchip.com).

## Compensation Committee

Our Compensation Committee has oversight responsibility for the compensation and benefit programs for our executive officers and other employees, and for administering our equity incentive and employee stock purchase plans adopted by our Board of Directors. The responsibilities of our Compensation Committee are further described in the committee charter which is available at the Corporate/Investors section under Mission Statement/Corporate Governance on [www.microchip.com](http://www.microchip.com).

The Board of Directors has determined that the members of our Compensation Committee are independent directors as defined by applicable SEC rules, NASDAQ listing standards and other requirements. For more information on our Compensation Committee, please refer to the "Compensation Discussion and Analysis" at page 23.

## Nominating and Governance Committee

Our Nominating and Governance Committee has the responsibility to help ensure that our Board is properly constituted to meet its fiduciary obligations to our stockholders and Microchip and that we have and follow appropriate governance standards. In so doing, the Nominating and Governance Committee identifies and recommends director candidates, develops and recommends governance principles, and recommends director nominees to serve on committees of the Board of Directors. The responsibilities of our Nominating and Governance Committee are further described in the committee charter which is available at the About Us/Corporate Responsibility section under Ethics and Conduct on [www.microchip.com](http://www.microchip.com). The Board of Directors has determined that all of the

members of the Nominating and Governance Committee are independent directors as defined by applicable SEC rules and NASDAQ listing standards.

When considering a candidate for a director position, the Nominating and Governance Committee looks for demonstrated character, judgment, relevant business, functional and industry experience, and a high degree of skill. The Nominating and Governance Committee does not have a formal policy with respect to diversity; however, the Board of Directors and the Nominating and Governance Committee believe it is important that the members of the Board of Directors represent diverse viewpoints. Accordingly, the Nominating and Governance Committee considers issues of diversity in identifying and evaluating director nominees, including differences in education, professional experience, viewpoints, technical skills and individual expertise. The Nominating and Governance Committee evaluates director nominees recommended by a stockholder in the same manner as it would any other nominee. The Nominating and Governance Committee will consider nominees recommended by stockholders provided such recommendations are made in accordance with procedures described in this proxy statement under "Requirements, Including Deadlines, for Receipt of Stockholder Proposals for the 2013 Annual Meeting of Stockholders; Discretionary Authority to Vote on Stockholder Proposals" at page 47. We do not pay any third party to identify or assist in identifying or evaluating potential nominees for director.

#### Attendance at the Annual Meeting of Stockholders

All directors are encouraged, but not required, to attend our annual meeting of stockholders. All directors attended our 2011 annual meeting of stockholders.

#### REPORT OF THE AUDIT COMMITTEE \*

Our Board of Directors has adopted a written charter setting out the purposes and responsibilities of the Audit Committee. The Board of Directors and the Audit Committee review and assess the adequacy of the charter on an annual basis. A copy of the Audit Committee Charter is available at the About Us/Corporate Responsibility section under Ethics and Conduct on [www.microchip.com](http://www.microchip.com).

Each of the directors who serves on the Audit Committee meets the independence and experience requirements of the SEC rules and NASDAQ listing standards. This means that the Microchip Board of Directors has determined that no member of the Audit Committee has a relationship with Microchip that may interfere with such member's independence from Microchip and its management, and that all members have the required knowledge and experience to perform their duties as committee members.

We have received from Ernst & Young LLP the written disclosure and the letter required by Rule 3526 of the Public Company Accounting Oversight Board (Communication with Audit Committees Concerning Independence) and have discussed with Ernst & Young LLP their independence from Microchip. We also discussed with Ernst & Young LLP all matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (Professional Standards). We have considered whether and determined that the provision of the non-audit services rendered to us by Ernst & Young LLP during fiscal 2012 was compatible with maintaining the independence of Ernst & Young LLP. We have reviewed and discussed with management the audited annual financial statements included in Microchip's Annual Report on Form 10-K for the fiscal year ended March 31, 2012 and filed with the SEC, as well as the unaudited financial statements filed with Microchip's quarterly reports on Form 10-Q. We also met with both management and Ernst & Young LLP to discuss those financial statements.

Based on these reviews and discussions, we recommended to the Board of Directors that Microchip's audited financial statements be included in Microchip's Annual Report on Form 10-K for the fiscal year ended March 31, 2012 for filing with the SEC.

By the Audit Committee of the Board of Directors:

Matthew W. Chapman (Chairman)   Albert J. Hugo-Martinez   Wade F. Meyercord

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\* The Report of the Audit Committee is not "soliciting" material and is not deemed "filed" with the SEC, and is not incorporated by reference into any filings of Microchip under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this proxy statement and irrespective of any general incorporation language contained in such filings.





## Director Compensation

### Procedures Regarding Director Compensation

The Board of Directors sets non-employee director compensation. Microchip does not pay employee directors for services provided as a member of the Board of Directors. Our program of cash and equity compensation for non-employee directors is designed to achieve the following goals: compensation should fairly pay directors for work required for a company of Microchip's size and scope; compensation should align directors' interests with the long-term interests of stockholders; compensation should be competitive so as to attract and retain qualified non-employee directors; and the structure of the compensation should be simple, transparent and easy for stockholders to understand. Non-employee director compensation is typically reviewed once per year to assess whether any adjustment is needed to further such goals. The Board of Directors has not used outside consultants in setting non-employee director compensation.

### Director Fees

Effective May 10, 2011, non-employee directors receive an annual retainer of \$63,000, paid in quarterly installments, and \$3,000 for each meeting attended in person. From April 1, 2011 through May 9, 2011, the annual retainer was \$60,000. Directors do not receive any additional compensation for telephonic meetings of the Board of Directors, for meetings of committees of the Board, or for serving as a committee chair.

### Equity Compensation

Under the terms of our 2004 Equity Incentive Plan, each non-employee director is automatically granted: upon the date that the individual first is appointed or elected to the Board of Directors as a non-employee director, that number of restricted stock units ("RSUs") equal to \$160,000 (based on the fair market value of our common stock on the grant date) which shall vest in equal 25% annual installments on each of the four anniversaries of the tenth business day of the second month of our fiscal quarter in which the grant is made, and upon the date of our annual meeting, provided that the individual has served as a non-employee director for at least three months on that date and has been elected by the stockholders to serve as a member of the Board of Directors at that annual meeting, that number of RSUs equal to \$84,000 (based on the fair market value of our common stock on the grant date) which shall vest in equal 50% annual installments on each of the two anniversaries of the tenth business day of the second month of our fiscal quarter in which the grant is made.

All vesting of the above grants is contingent upon the non-employee director maintaining his or her continued status as a non-employee director through the applicable vesting date.

In accordance with the foregoing, on August 19, 2011, each of Mr. Chapman, Mr. Day, Mr. Hugo-Martinez and Mr. Meyercord was granted 2,837 RSUs.

The following table details the total compensation for Microchip's non-employee directors for fiscal 2011.

### DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Steve Sanghi <sup>(2)</sup>	\$—	\$—	\$—	\$—	\$—	\$—
Matthew W. Chapman	74,679	77,564	—	—	—	152,243
L.B. Day	74,679	77,564	—	—	—	152,243
Albert J. Hugo-Martinez	74,679	77,564	—	—	—	152,243
Wade F. Meyercord	74,679	77,564	—	—	—	152,243

(1) These stock awards were RSUs with a fair value on the grant date of \$27.34 per share. The market value on the grant date was \$29.60 per share with an aggregate market value of the award of approximately \$84,000.

(2) Mr. Sanghi, our Chairman of the Board, President and Chief Executive Officer, does not receive any additional compensation for his services as a member of the Board of Directors.



#### Compensation Committee Interlocks and Insider Participation

The Compensation Committee is currently comprised of Mr. Day (Chair), Mr. Hugo-Martinez and Mr. Meyercord, three of our independent directors. None of Mr. Day, Mr. Hugo-Martinez nor Mr. Meyercord had any related-party transaction with Microchip during fiscal 2012 other than compensation for service as a director. In addition, none of such directors has a relationship that would constitute a compensation committee interlock under applicable SEC rules. During fiscal 2012, no Microchip executive officer served on the compensation committee (or equivalent) or the board of directors, of another entity whose executive officer(s) served either on Microchip's Compensation Committee or Board of Directors.

#### CERTAIN TRANSACTIONS

During fiscal 2012, Microchip had no related-party transactions within the meaning of applicable SEC rules.

Pursuant to its charter, the Audit Committee reviews issues involving potential conflicts of interest and reviews and approves all related-party transactions as contemplated by NASDAQ and SEC rules and regulations. The Audit Committee may consult with the Board of Directors regarding certain conflict of interest matters that do not involve a member of the Board.

#### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) and related rules under the Securities Exchange Act of 1934 require our directors, executive officers and stockholders holding more than 10% of our common stock to file reports of holdings and transactions in Microchip stock with the SEC and to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us during fiscal 2012, and written representations from our directors and executive officers that no other reports were required, we believe that all Section 16(a) filing requirements applicable to our directors, executive officers and stockholders holding more than 10% of our common stock were met for fiscal 2012.

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#### PROPOSAL ONE

#### ELECTION OF DIRECTORS

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A board of five directors will be elected at the annual meeting. Unless proxy cards are otherwise marked, the persons named in the proxy card will vote such proxy for the election of the nominees named below. Each of the nominees is currently serving as a director and has agreed to continue serving if re-elected. If any of the nominees becomes unable or declines to serve as a director at the time of the annual meeting, the persons named in the proxy card will vote such proxy for any nominee designated by the current Board of Directors to fill the vacancy. We do not expect that any of the nominees will be unable or will decline to serve as a director.

Our Board of Directors has determined that each of the following nominees for director is an independent director as defined by applicable SEC rules and NASDAQ listing standards: Mr. Chapman, Mr. Day, Mr. Hugo-Martinez and Mr. Meyercord.

The term of office of each person who is elected as a director at the annual meeting will continue until the 2013 annual meeting of stockholders or until a successor has been elected and qualified.

The Board of Directors recommends that stockholders vote FOR the nominees listed below.  
Information on Nominees for Director (as of June 30, 2012)

Name	Age	Position(s) Held
Steve Sanghi	56	Chairman, President and CEO
Albert J. Hugo-Martinez	66	Director
L.B. Day	67	Director
Matthew W. Chapman	61	Director
Wade F. Meyercord	71	Director

Steve Sanghi is currently, and has been since August 1990, a director and President of Microchip Technology Incorporated. Since October 1991, he has served as CEO of Microchip and since October 1993, as Chairman of the Board of Directors of Microchip. Since April 2010, he has served as President and CEO of our SST subsidiary. Since May 2004, he has been a member of the Board of Directors of Xyratex Ltd., a publicly held U.K. company that specializes in storage and network technology. In September 2004, Mr. Sanghi was appointed to the Board of Trustees of Kettering University in Flint, Michigan. In May 2007, Mr. Sanghi was appointed to the Board of Directors of FIRST Organization, a not-for-profit public charity founded in 1989 to develop young people's interest in science and technology.

The Board of Directors concluded that Mr. Sanghi should be nominated to serve as a director since he has served as CEO of Microchip for over 20 years and has provided very strong leadership to Microchip over this period. The Board of Directors believes that Mr. Sanghi's management skills have been instrumental to the company's extraordinary growth and profitability over the past 20 years and to the strong position Microchip has attained in its key markets.

Albert J. Hugo-Martinez has served as a director of Microchip since October 1990. Since February 2000, he has served as CEO of Hugo-Martinez Associates, a consulting and advisory firm. Since July 2004, he has been a member of the Board of Directors of Reaction Design, currently serving as its Chairman, a privately held company that specializes in software engine design simulation. In his career, Mr. Hugo-Martinez has previously served in executive positions for the following public companies: COO and Executive VP of Burr-Brown Corp. from June 1979 to July 1987, VP GM at TRW from July 1987 to September 1988, CEO of Applied Micro Circuits Corporation from September 1988 to October 1995 and President and CEO of GGTI Corporation from March 1996 to April 1998. Mr. Hugo-Martinez has previously served on the public company boards of Amkor Technology, Inc. from March 2003 to May 2004, ON Semiconductor Corp. from November 1999 to February 2001 and Ramtron International Corporation from May 2001 to October 2004.

The Board of Directors concluded that Mr. Hugo-Martinez should be nominated to serve as a director due to his significant experience as a senior executive, board member and founder of a number of companies in the semiconductor industry. Mr. Hugo-Martinez has gained further industry experience through his consulting practice. The Board of Directors believes that the background of Mr. Hugo-Martinez makes him well suited to serve on the Board of Directors' nominating and governance committee and compensation committee. The Board of Directors also recognizes his experience in financial matters and that his background establishes him as an audit committee financial expert under applicable rules.

L.B. Day has served as a director of Microchip since December 1994. Mr. Day serves as President of L.B. Day & Company, Inc., a consulting firm whose parent company he co-founded in 1977, which provides strategic planning, strategic marketing and organization design services to the elite of the high-technology world. He has written on strategic planning and is involved with competitive factor assessment in the semiconductor and other technology market segments, geared to helping client organizations incorporate competitive factor assessment findings into their strategic plans. He has served as a board member or as an advisor to many public and private boards, recently including the Board of be-INFLUENTIAL, a leading web marketing organization.

The Board of Directors concluded that Mr. Day should be nominated to serve as a director due to his significant experience in corporate management and strategic matters. In particular, through his consulting practice, Mr. Day has been a key strategic advisor to a number of large public corporations. The Board of Directors believes that Mr. Day's background makes him well suited to serve on the Board of Directors' nominating and governance committee and

compensation committee.

Matthew W. Chapman has served as a director of Microchip since May 1997. Since December 2006, he has served as President and CEO of Northwest Evaluation Association, a not-for-profit education service organization providing computer adaptive testing for millions of students throughout the United States. From January 2002 to February 2006, he served as President and CEO of Centrisoft Corporation, a privately held company specializing in providing software for application

performance management. From August 2000 to January 2002, Mr. Chapman served as an advisor to early-stage technology companies in connection with developing business plans and securing funding. In his career, Mr.

Chapman has served as CEO

and Chairman of Concentrex Incorporated, a publicly held company specializing in supplying software solutions and service to U.S. financial institutions. Mr. Chapman also serves on the Board of Directors of the Oregon Business Association and the All Hands Raised Foundation, and on the Board of Regents of the University of Portland.

The Board of Directors concluded that Mr. Chapman should be nominated to serve as a director due to his significant CEO level experience at several corporations. The Board of Directors also recognizes Mr. Chapman's experience in financial matters and that his background establishes him as an audit committee financial expert under applicable rules and makes him well suited to serve on the Board of Directors' nominating and governance committee.

Wade F. Meyercord has served as a director of Microchip since June 1999. Since October 2002, he has served as President of Meyercord & Associates, Inc., a privately held management consulting firm specializing in executive compensation matters and stock plan consulting for technology companies, a position he previously held part time beginning in 1987. Mr. Meyercord served as a member of the Board of Directors of Endwave Corporation, a publicly held company, from March 2004 until it was acquired in 2011. Mr. Meyercord served as a member of the Board of Directors of California Micro Devices Corporation, a publicly held company, from January 1993 to October 2009 and Magma Design Automation, Inc., a publicly held company, from January 2004 to June 2005. From June 1999 to October 2002, Mr. Meyercord served as Sr. VP and CFO of Rioport.com, a privately held Internet applications service provider for the music industry.

The Board of Directors concluded that Mr. Meyercord should be nominated to serve as a director due to his significant experience as a senior executive and board member of a number of companies in the technology industry. Mr. Meyercord gained further industry experience through his consulting practice. The Board of Directors believes that the background of Mr. Meyercord makes him well suited to serve on the Board of Directors' nominating and governance committee and compensation committee. The Board of Directors also recognizes his experience in financial matters and that his background establishes him as an audit committee financial expert under applicable rules.

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## PROPOSAL TWO

### APPROVAL OF AMENDMENT AND RESTATEMENT OF OUR 2004 EQUITY INCENTIVE PLAN

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Our 2004 Equity Incentive Plan (the "Plan") was initially approved by our stockholders in August 2004. It provides for the grant of stock options, stock appreciation rights, restricted stock (which may be granted in the form of restricted stock shares or restricted stock units ("RSUs"), performance shares, performance units, and deferred stock units to our employees and consultants as well as for automatic grants of awards to the non-employee members of our Board of Directors. As of March 31, 2012, there were approximately 3,525 employees (including executive officers) who were eligible to participate in the Plan.

Our Board of Directors is asking our stockholders to approve amending the Plan to (i) increase the number of shares of common stock authorized for issuance thereunder by 9,900,000 and (ii) extend the term of the Plan through May 22, 2022. We are also asking our stockholders to re-approve the material terms of the Plan so that we can continue to grant equity awards that constitute "performance-based compensation" for purposes of Internal Revenue Code Section 162(m). Our Board of Directors believes that in order for us to remain competitive amidst the changing equity compensation landscape, we must be able to continue to use equity compensation arrangements to help us achieve our goal of attracting, retaining and motivating our personnel. We believe that, as revised, the Plan will be an essential

element of our competitive compensation package.

Please see the summary of our Plan below.

**Vote Required and Recommendation**

An affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at our Annual Meeting is required to approve our amended and restated Plan. Abstentions will have the same effect as voting against this proposal. Broker "non-votes" are not counted for purposes of approving our amended and restated Plan and thus will not affect the outcome of the voting on such proposal.

The Board of Directors unanimously recommends a vote "FOR" Proposal Two, the approval of our amended and restated 2004 Equity Incentive Plan.

The Plan is attached as Appendix A to this Proxy Statement and the description below is qualified in its entirety by reference to Appendix A.

#### Description of the 2004 Equity Incentive Plan

The essential features of the Plan, as amended, are summarized below. This summary does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the amended and restated 2004 Equity Incentive Plan, which is attached as Appendix A. Capitalized terms used herein and not defined shall have the meanings set forth in the Plan.

**General.** The purposes of the Plan are to attract and retain the best available personnel, provide additional incentive to our employees, consultants and non-employee directors and promote the success of our business.

**Shares Available for Issuance.** Upon approval of the amended and restated Plan and subject to adjustment for changes in our capitalization, the maximum aggregate number of shares of common stock which may be issued under the Plan is 30,300,000 shares of common stock plus any shares subject to any outstanding options under our 1993 or 1997 Nonstatutory Stock Option Plans that expire unexercised, up to a maximum of an additional 5,000,000 shares.

If an award expires or becomes unexercisable without having been exercised in full, or with respect to Restricted Stock, Performance Shares, Performance Units or Deferred Stock Units, is forfeited to or repurchased by us, the unpurchased shares (or for awards other than stock options and stock appreciation rights, the forfeited or repurchased shares) which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to stock appreciation rights, only shares actually issued pursuant to a stock appreciation right shall cease to be available under the Plan; all remaining shares under stock appreciation rights shall remain available for future grant or sale under the Plan (unless the Plan has terminated). However, shares that have actually been issued under the Plan under any award shall not be returned to the Plan and shall not become available for future distribution under the Plan; provided, however, that if shares of Restricted Stock, Performance Shares, Performance Units or Deferred Stock Units are repurchased by us at their original purchase price or are forfeited to us, such Shares shall become available for future grant under the Plan. Shares used to pay the exercise price or purchase price, if applicable, of an award shall become available for future grant or sale under the Plan. To the extent an award under the Plan is paid out in cash rather than stock, such cash payment shall not result in reducing the number of Shares available for issuance under the Plan.

**Administration.** The Plan may be administered by our Board of Directors or a committee, which our Board of Directors may appoint from among its members (the "Administrator"). Subject to the provisions of the Plan, the Administrator has the authority to: (i) interpret the plan and apply its provisions; (ii) prescribe, amend or rescind rules and regulations relating to the Plan; (iii) select the persons to whom awards are to be granted (apart from the non-employee director automatic grant provisions); (iv) subject to individual fiscal year limits applicable to each type of award, determine the number of shares or equivalent units to be made subject to each award; (v) determine whether and to what extent awards are to be granted; (vi) determine the terms and conditions applicable to awards generally and of each individual award (including the provisions of the award agreement to be entered into between Microchip and the participant); (vii) amend any outstanding award subject to applicable legal restrictions (except repricing an option or stock appreciation right); (viii) authorize any person to execute, on our behalf, any instrument required to effect the grant of an award; (ix) approve forms of agreement for use under the Plan; (x) allow participants to satisfy withholding tax obligations by electing to have Microchip withhold from the shares or cash to be issued upon exercise, vesting of an award (or distribution of a deferred stock unit) that number of shares or cash having a fair market value equal to the minimum amount required to be withheld; and (xi) subject to certain limitations, take any other actions deemed necessary or advisable for the administration of the Plan. All decisions, interpretations and other actions of the Administrator shall be final and binding on all holders of options or rights and on all persons deriving their rights therefrom.



Plan Term. Unless previously terminated by the Board, the Plan shall terminate on May 22, 2022.

Discount Award Limitations. No stock options or stock appreciation rights may be granted with an exercise price that is less than 100% of fair market value on the date of grant.

**No Repricing.** The Plan prohibits option or stock appreciation right repricing, including by way of an exchange for another award or for cash.

**Eligibility.** The Plan provides that awards may be granted to our employees, consultants and non-employee directors.

**Code Section 162(m) Performance Goals.** We have designed the Plan so that it permits us to issue awards that qualify as performance-based under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Thus, the Administrator may make performance goals applicable to a participant with respect to an award. At the Administrator's discretion, one or more of the following performance goals may apply: (i) cash flow (including operating cash flow or free cash flow), (ii) cash position, (iii) revenue (on an absolute basis or adjusted for currency effects), (iv) revenue growth, (v) contribution margin, (vi) gross margin or gross margin as a percentage of revenue, (vii) operating margin or operating margin as a percentage of revenue (viii) operating expenses or operating expenses as a percentage of revenue, (ix) earnings (which may include earnings before interest and taxes, earnings before taxes and net earnings), (x) earnings per share, (xi) net income, (xii) stock price, (xiii) return on equity, (xiv) total stockholder return, (xv) growth in stockholder value relative to a specified publicly reported index (such as the S&P 500 Index), (xvi) return on capital, (xvii) return on assets or net assets, (xviii) return on investment, (xix) operating profit or net operating profit, (xx) market share (which may include ranking for a specific product line or market share percentage for a given product line, (xxi) contract awards or backlog, (xxii) overhead or other expense reduction, (xxiii) credit rating, (xxiv) objective customer indicators, (xxv) new product invention or innovation, (xxvi) attainment of research and development milestones, (xxvii) improvements in productivity, (xxviii) attainment of objective operating goals, and (xxix) objective employee metrics. The performance measures listed above may apply to either Microchip as a whole or, except with respect to stockholder return metrics, a region, business unit, affiliate or business segment, and measured either on an absolute basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, and, with respect to financial metrics, which may be determined in accordance with GAAP, in accordance with IASB Principles or which may be adjusted when established to exclude any items otherwise includable under GAAP or under IASB Principles or any other objectively determinable items including, without limitation, (a) any extraordinary non-recurring items, (b) the effect of any merger, acquisition, or other business combination or divestiture, or (c) the effect of any changes in accounting principles affecting Microchip's or a business unit's, region's, affiliate's or business segment's reported results.

**Terms and Conditions of Options.** Each option granted under the Plan is evidenced by a written stock option agreement between the optionee and Microchip and is subject to the following terms and conditions:

(a) **Exercise Price.** The Administrator determines the exercise price of options at the time the options are granted. However, the exercise price of a stock option may not be less than 100% of the fair market value of the common stock on the date the option is granted. The fair market value is the closing sale price for the common stock (or the closing bid if no sales were reported) on the date the option is granted.

(b) **Form of Consideration.** The means of payment for shares issued upon exercise of an option is specified in each option agreement and generally may be made by cash, check, other shares of our common stock owned by the optionee, delivery of an exercise notice together with irrevocable instructions to a broker to deliver to us the exercise price from sale proceeds, or by a combination thereof.

(c) **Exercise of the Option.** Each stock option agreement will specify the term of the option and the date when the option is to become exercisable. However, in no event shall an option granted under the Plan be exercised more than ten (10) years after the date of grant.

(d) **Termination of Employment.** If an optionee's employment terminates for any reason (other than death or permanent disability), all options held by such optionee under the Plan expire upon the earlier of (i) such period of time as is set forth in his or her option agreement or (ii) the expiration date of the option. The optionee may exercise

all or part of his or her option at any time before such expiration to the extent that such option was exercisable at the time of termination of employment.

(e) Permanent Disability. If an employee is unable to continue employment with us as a result of permanent and total disability (as defined in the Code), all options held by such optionee under the Plan shall expire upon the earlier of (i) six (6) months after the date of termination of the optionee's employment or (ii) the expiration date of the option. The optionee may exercise all or part of his or her option at any time before such expiration to the extent that such option was exercisable at the time of termination of employment.

(f) Death. If an optionee dies while employed by us, 100% of his or her awards shall immediately vest, and

his or her option shall expire upon the earlier of (i) 12 months after the optionee's death or (ii) the expiration date of the option. The executors or other legal representatives or the optionee may exercise all or part of the optionee's option at any time before such expiration with respect to all shares subject to such option.

(g) Other Provisions. The stock option agreement may contain terms, provisions and conditions that are consistent with the Plan as determined by the Administrator.

162(m) Share Limit. No participant may be granted stock options and stock appreciation rights to purchase more than 1,500,000 shares of common stock in any fiscal year, except that up to 4,000,000 shares may be granted in the participant's first fiscal year of service.

Exercise Price and Other Terms of Stock Appreciation Rights. The Administrator determines the exercise price of stock appreciation rights at the time they are granted. However, the exercise price of a stock appreciation rights may not be less than 100% of the fair market value of the common stock on the date the stock appreciation rights is granted. The fair market value is the closing sale price for the common stock (or the closing bid if no sales were reported) on the date the stock appreciation right is granted. Otherwise, the Administrator, subject to the provisions of the Plan (including the 162(m) share limit referred to above), shall have complete discretion to determine the terms and conditions of SARs granted under the Plan. However, in no event shall a stock appreciation right granted under the Plan be exercised more than ten (10) years after the date of grant.

Payment of Stock Appreciation Right Amount. Upon exercise of an SAR, the holder of the SAR shall be entitled to receive payment in an amount equal to the product of (i) the difference between the fair market value of a share on the date of exercise and the exercise price and (ii) the number of shares for which the SAR is exercised.

Payment upon Exercise of Stock Appreciation Right. At the discretion of the Administrator, payment to the holder of an SAR may be in cash, shares of our common stock or a combination thereof. To the extent that an SAR is settled in cash, the shares available for issuance under the Plan shall not be diminished as a result of the settlement.

Stock Appreciation Right Agreement. Each SAR grant shall be evidenced by an agreement that shall specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the committee, in its sole discretion, shall determine.

Expiration of Stock Appreciation Rights. SARs granted under the Plan expire as determined by the Administrator, but in no event later than ten (10) years from date of grant. No SAR may be exercised by any person after its expiration.

Grant of Restricted Stock. Subject to the terms and conditions of the Plan, restricted stock may be granted to our employees and consultants at any time and from time to time at the discretion of the Administrator. The Administrator shall have complete discretion to determine (i) the number of shares subject to a restricted stock award granted to any participant and (ii) the conditions for grant or for vesting that must be satisfied, which typically will be based principally or solely on continued provision of services but may include a performance-based component. However, no participant shall be granted a restricted stock award covering more than 300,000 shares in any of our fiscal years, except that up to 750,000 shares may be granted on the participant's first fiscal year of service. Until the shares are issued, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the underlying shares. Restricted stock may also be granted in the form of restricted stock units, which are generally not issued until the vesting date.

Restricted Stock Award Agreement. Each restricted stock grant shall be evidenced by an agreement that shall specify the purchase price (if any) and such other terms and conditions as the Administrator shall determine; provided, however, that if the restricted stock grant has a purchase price, the purchase price must be paid no more than ten (10) years following the date of grant.

Grant of Performance Shares. Subject to the terms and conditions of the Plan, performance shares may be granted to our employees and consultants at any time and from time to time as shall be determined at the discretion of the Administrator. The Administrator shall have complete discretion to determine (i) the number of shares of our common stock subject to a performance share award granted to any service provider and (ii) the conditions that must be satisfied for grant or for vesting, which typically will be based principally or solely on achievement of performance milestones

but may include a service-based component. However, no participant shall be granted a restricted stock award covering more than 300,000 shares in any of our fiscal years, except that up to 750,000 shares may be granted on the participant's first fiscal year of service.

**Performance Share Award Agreement.** Each performance share grant shall be evidenced by an agreement that shall specify such other terms and conditions as the Administrator, in its sole discretion, shall determine.

**Grant of Performance Units.** Performance units are similar to performance shares, except that they shall be settled in cash equivalent to the fair market value of the underlying shares of our common stock, determined as of the vesting date. The shares available for issuance under the Plan shall not be diminished as a result of the settlement of a performance unit.

**Performance Unit Award Agreement.** Each performance unit grant shall be evidenced by an agreement that shall specify such terms and conditions as shall be determined at the discretion of the Administrator. However, no participant shall be granted a performance unit award covering more than \$1,500,000 in any of Microchip's fiscal years, except that a newly hired participant may receive a performance unit award covering up to \$4,000,000.

**Deferred Stock Units.** Deferred stock units shall consist of a restricted stock, performance share or performance unit award that the Administrator, in its sole discretion, permits to be paid out in installments or on a deferred basis, in accordance with rules and procedures established by the Administrator. Deferred stock units are subject to the individual annual limits that apply to each type of award.

**Dividend Equivalent Right Restrictions.** The Plan does not permit the granting of dividend equivalent rights. Accordingly, in no event will dividend equivalent rights be paid out on unearned performance-based vesting awards under the Plan.

**Awards to Non-Employee Directors.** The Plan provides for initial and annual awards to non-employee directors within prescribed parameters. Specifically, each non-employee director is entitled to receive the following automatic grants of Common Stock: (i) for new non-employee Directors, a grant of that number of Restricted Stock Units equal to \$160,000 divided by the Fair Market Value, rounded down to the nearest whole Share (the 'Initial RSU Grant'), as of the date that the individual first is appointed or elected as a non-employee Director (excluding any non-employee Director who previously served on the Board); and (ii) for continuing non-employee Directors who have served at least three months on the date of the annual meeting, a grant of that number of Restricted Stock Units equal to \$84,000 divided by the Fair Market Value, rounded down to the nearest whole Share (the 'Annual RSU Grant'), provided that such Non-Employee Director has been elected by the stockholders to serve as a member of the Board at that annual meeting. The Initial RSU Grant will vest in equal 25% annual installments on each of the four anniversaries of the tenth business day of the second month of the Company's fiscal quarter in which the grant is made. The Annual RSU Grant will vest in equal 50% annual installments on each of the two anniversaries of the tenth day of the second month of the Company's fiscal quarter in which the grant is made. Vesting of the Initial RSU Grant and the Annual RSU Grant is contingent upon the Non-Employee Director maintaining continued status as a Non-Employee Director through the applicable vesting date.

**Non-Transferability of Awards.** Unless determined otherwise by the Administrator, an award granted under the Plan may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the recipient, only by the recipient. If the Administrator makes an award granted under the Plan transferable, such award shall contain such additional terms and conditions as the Administrator deems appropriate.

**Acceleration upon Death.** In the event that a participant dies while a service provider, 100% of his or her awards shall immediately vest.

Leave of Absence. In the event that a participant goes on a leave of absence, award vesting will cease until he or she returns to work, except as required by law or as determined by the Administrator.

Adjustment Upon Changes in Capitalization. In the event that our capital stock is changed by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of our common stock or any other increase or decrease in the number of issued shares of common stock effected without receipt of consideration by us, appropriate proportional adjustments shall be made in the number and class of shares of stock subject to the Plan, the individual fiscal year limits applicable to restricted stock, performance share awards, SARs and options, the number and class of shares of stock subject to any award outstanding under the Plan, and the exercise price of any such outstanding option or SAR or other award, provided that such automatic adjustments will not be made to the number of shares to be granted

to our non-employee Directors under the Plan. Any such adjustment shall be made by the Compensation Committee of our Board of Directors, whose determination shall be conclusive.

**Change of Control.** In the event of a change of control, the successor corporation (or its parent or subsidiary) will assume or substitute each outstanding award. If the successor corporation refuses to assume the awards or to substitute equivalent awards, such awards shall become 100% vested. In such event, the Administrator shall notify the participant that each award subject to exercise is fully exercisable for 30 days from the date of such notice and that the award terminates upon expiration of such period.

**Amendment, Suspensions and Termination of the Plan.** Our Board of Directors may amend, suspend or terminate the Plan at any time; provided, however, that stockholder approval is required for any amendment to the extent necessary to comply with Rule 16b-3 promulgated under the Securities Exchange Act of 1934 ("Rule 16b-3") or Section 422 of the Code, or any similar rule or statute. The Plan will naturally expire in September 2014, unless earlier terminated.

#### Federal Tax Information

**Options.** Options granted under the Plan are nonstatutory options that do not qualify as incentive stock options under Section 422 of the Code.

An optionee will not recognize any taxable income at the time the optionee is granted a nonstatutory option. However, upon its exercise, the optionee will recognize taxable income generally measured as the excess of the then fair market value of the shares purchased over the purchase price. Any taxable income recognized in connection with an option exercise by an optionee who is also our employee will be subject to tax withholding by us. Upon resale of such shares by the optionee, any difference between the sale price and the optionee's purchase price, to the extent not recognized as taxable income as described above, will be treated as short-term or long-term capital gain or loss, depending on the holding period.

**Stock Appreciation Rights.** No taxable income is reportable when an SAR is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the fair market value of any shares of our common stock received and/or the amount of cash received. Any additional gain or loss recognized upon any later disposition of the shares of our common stock would be a capital gain or loss.

**Restricted Stock, Performance Units and Performance Shares.** A participant will not have taxable income upon grant (unless, with respect to restricted stock that is not in the form of restricted stock units, he or she elects to be taxed at that time). Instead, he or she will recognize ordinary income at the time of vesting/delivery equal to the fair market value (on the vesting date) of the vested shares or cash received minus any amount paid for the shares of our vested common stock.

**Deferred Stock Units.** Typically, a participant will recognize employment taxes upon the vesting of a deferred stock unit and income upon its delivery. The participant may be subject to additional taxation, interest and penalties if the deferred stock unit does not comply with Code Section 409A.

**Tax Effect for Microchip.** We generally will be entitled to a tax deduction in connection with an award under the Plan in an amount equal to the ordinary income realized by a participant at the time the participant recognizes such income (for example, the exercise of a nonqualified stock option). Special rules limit the deductibility of compensation paid to our CEO and to each of our four most highly compensated executive officers. Under Section 162(m) of the Code, the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000. However, we can preserve the deductibility of certain compensation in excess of \$1,000,000 if the conditions of Section 162(m) are met with respect to awards. The Plan has been designed to permit the committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby



permitting us to continue to receive a federal income tax deduction in connection with such awards.

Code Section 409A. Section 409A of the Code imposes certain requirements on non-qualified deferred compensation arrangements. These include requirements with respect to an individual's election to defer compensation and the individual's selection of the timing and form of distribution of the deferred compensation. Code Section 409A also generally provides that distributions must be made on or following the occurrence of certain events (e.g., the individual's separation from service, a predetermined date, or the individual's death). Code Section 409A imposes restrictions on an

individual's ability to change his or her distribution timing or form after the compensation has been deferred. For certain individuals who are officers, Code Section 409A requires that such individual's distribution commence no earlier than six months after such officer's separation from service.

Awards granted under the Plan with a deferral feature will be subject to the requirements of Code Section 409A. If an award is subject to and fails to satisfy the requirements of Code Section 409A, the recipient of that award will recognize ordinary income on the amounts deferred under the Award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Code Section 409A fails to comply with Code Section 409A's provisions, Code Section 409A imposes an additional twenty percent (20%) federal income tax on compensation recognized as ordinary income, as well as possible interest charges and penalties. Certain states have enacted laws similar to Section 409A which impose additional taxes, interest and penalties on non-qualified deferred compensation arrangements. We will also have reporting requirements with respect to such amounts, and will have certain withholding requirements.

THE FOREGOING IS ONLY A SUMMARY OF THE EFFECT OF U.S. FEDERAL INCOME TAXATION UPON PARTICIPANTS AND MICROCHIP UNDER THE PLAN. IT DOES NOT PURPORT TO BE COMPLETE, AND DOES NOT DISCUSS THE TAX CONSEQUENCES OF A SERVICE PROVIDER'S DEATH OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE OR FOREIGN COUNTRY IN WHICH A SERVICE PROVIDER MAY RESIDE.

Accounting Treatment. Under current accounting rules mandating expensing for all compensatory equity awards, including stock options and RSUs, we recognize compensation expense for all awards granted under the Plan. This will result in a direct charge to our reported earnings.

#### New Plan Benefits

The amount, timing, and value of discretionary awards under the 2004 Equity Incentive Plan, including grants to our CEO and our four other most highly compensated executive officers, is not determinable. The future award of RSUs to non-employee directors is subject to the election of such individuals as directors and the fair market value of the common stock on the date the RSUs are granted. The following table sets forth information with respect to the grant of RSUs during the fiscal year ended March 31, 2012 to: (a) non-employee directors; (b) our CEO and our four other most highly compensated executive officers named in this proxy statement; (c) all current executive officers as a group; and (d) all other employees as a group:

#### EQUITY GRANTS IN FISCAL 2012

Name of Individual or Identity of Group and Position	Number of Shares Subject to RSUs Granted	Weighted Average Fair Value <sup>(1)</sup>
Steve Sanghi President and CEO	158,322	\$31.21
Ganesh Moorthy VP, Advanced Microcontroller and Memory Division	40,880	\$30.21
Mitchell R. Little VP, Worldwide Sales and Applications	22,027	\$30.22
Stephen V. Drehobl VP, Security, Microcontroller and Technology Division	22,393	\$30.21
J. Eric Bjornholt VP, CFO	12,925	\$30.22
All current executive officers as a group (7 people)	290,594	\$30.76

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All current directors who are not executive officers as a group (4 people)	11,348	\$27.34
All other employees as a group	1,325,249	\$30.44

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(1) Represents the weighted average fair value per share as of the grant date.

## PROPOSAL THREE

### APPROVAL OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK UPON CONVERSION OF OUR CONVERTIBLE DEBENTURES AS REQUIRED BY THE NASDAQ LISTING RULES

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#### Background of Proposal

In December 2007, we issued \$1.15 billion aggregate principal amount of our 2.125% Junior Subordinated Convertible Debentures that are due in 2037 (the "Debentures"). The Debentures are convertible into shares of Microchip common stock ("Common Stock") or cash or any combination thereof, at our election, at an initial conversion rate of 29.2783 shares of Common Stock per \$1,000 principal amount of Debentures (the "Conversion Rate"). The Conversion Rate is subject to adjustment for specified events including if we make a cash dividend or other distribution to the holders of our Common Stock in which case the Conversion Rate will be increased based on a formula. Since, as of May 31, 2012, we had paid substantial cash dividends in the aggregate amount of \$1.15 billion since we issued the Debentures in December 2007, the Conversion Rate has been adjusted to 36.1901 shares of Common Stock per \$1,000 principal amount of Debentures. At such adjusted Conversion Rate, the Debentures are convertible into a total of 41,618,615 shares of our Common Stock which represents approximately 19.6% of our total outstanding shares at the time of the issuance of our convertible debentures in December 2007.

Since we currently intend to continue to pay quarterly cash dividends on our Common Stock, the Conversion Rate will continue to increase and the total number of shares of Common Stock issuable upon conversion of the Debentures will also increase. Under the rules of the Nasdaq Global Select Market, on which our Common Stock is listed, we are required to obtain stockholder approval for certain types of transactions before we can issue 20% or more of our outstanding shares of Common Stock measured at the time of the transaction (the "Nasdaq Limit"). Since we expect to exceed this 20% Nasdaq Limit with respect to our Debentures later this year as the Conversion Rate is adjusted for future cash dividends, we are seeking stockholder approval at this time.

#### Reasons for Seeking Stockholder Approval

**Comply with Nasdaq Rules.** Under the terms of the Debentures, upon conversion, we may satisfy the conversion obligation by delivering cash, shares of Common Stock or any combination thereof, at our election. However, unless we obtain stockholder approval, the Nasdaq Limit reduces our flexibility because it eliminates our ability to issue shares of Common Stock upon conversion of the Debentures in excess of the Nasdaq Limit. If we do not obtain stockholder approval, under the terms of the Debentures, we would be required to make a cash payment (instead of issuing shares) to the extent the conversion would result in the issuance of shares in excess of the Nasdaq Limit. This requirement to pay cash could require us to use capital that we would prefer to retain for use in our business. However, if we obtain stockholder approval of the issuance of the excess shares, we could continue to choose whether to issue shares or pay cash upon the conversion of the Debentures above the Nasdaq Limit.

**Maintain Accounting Treatment.** Stockholder approval is required for us to maintain our current accounting treatment for the Debentures. Since we have the ability at the current Conversion Rate to issue shares of Common Stock in full satisfaction of the conversion rights under the Debentures, we are not required under U.S. generally accepted accounting principles ("GAAP") to record the conversion feature of the Debentures as a derivative instrument. However, if we do not obtain stockholder approval, we will be required to record as a derivative liability the conversion feature of any of the Debentures for which we cannot settle the conversion entirely in shares of Common

Stock (i.e., any shares in excess of the Nasdaq Limit). Under GAAP, this derivative would have to be valued separately on our balance sheet and each time we prepare financial statements, we would have to determine the value of this derivative at the end of the financial statement period. Any changes in the value of the derivative would have to be reported in our earnings. In general, if our stock price increases, the value of the derivative would increase and if our stock price decreases, the value of the derivative will decline. If the value of the derivative has increased compared to the value last recorded in our financial statements, the amount of the change will have the effect of reducing our net income. If the value of the derivative has decreased, the amount of the change will have the effect of increasing our net income. We desire to maintain our current accounting treatment for our Debentures. We believe it is much

less desirable for us to have to use "mark to market" accounting and to reflect a derivative on our balance sheet as such actions would likely result in increased volatility in our earnings and would make it more difficult to compare our earnings to other companies in our industry and to our prior earnings results.

**Maintain Flexibility.** Under the terms of the Debentures, upon conversion of the Debentures, we may satisfy the conversion obligation by delivering cash, shares of Common Stock or any combination thereof, at our election. If we do not obtain stockholder approval, we will be prohibited from issuing shares of Common Stock in excess of the Nasdaq Limit. Thus, we will have reduced flexibility with respect to how we satisfy the conversion obligation under the Debentures.

#### Description of Debentures

**General.** The Debentures are governed by an Indenture, dated as of December 7, 2007 (the "Indenture"), between Microchip and Wells Fargo Bank, National Association, as trustee, and bear interest at a rate of 2.125% per year. The Debentures will mature on December 15, 2037, unless earlier redeemed, repurchased or converted.

**Conversion Rights.** The Debentures are convertible into shares of Common Stock or cash or a combination of Common Stock and cash at an initial conversion rate of 29.2783 shares of Common Stock per \$1,000 principal amount of Debentures, equivalent to an initial conversion price of approximately \$34.16 per share. The last reported price of our Common Stock on the Nasdaq Global Select Market on December 3, 2007 (the day the purchase agreement for our sale of the Debentures was executed) was \$29.70 per share. The Conversion Rate is subject to adjustment for specified events including if we make a cash dividend or other distribution to the holders of our Common Stock. Upon conversion of the Debentures, we may satisfy the conversion obligation by delivering cash, shares of Common Stock or any combination thereof, at our election. Prior to September 1, 2037, such conversion is subject to the satisfaction of certain conditions set forth below. The holders of the Debentures who convert their Debentures in connection with certain types of fundamental changes, as defined in the Indenture, may be entitled to a make-whole premium in the form of an increase in the Conversion Rate. Additionally, in the event of a fundamental change, the holders of the Debentures may require us to purchase all or a portion of their Debentures at a purchase price equal to 100% of the principal amount of Debentures, plus accrued and unpaid interest, if any, to, but not including, the fundamental change repurchase date. The Debentures are redeemable at our option at any time after December 15, 2017 if the last reported sale price of the Common Stock is at least 150% of the conversion price of the Debentures for at least 20 trading days during any 30 trading day period prior to the date on which we provide notice of redemption. The holders of the Debentures may convert their Debentures on or after September 1, 2037 until the close of business on the business day immediately preceding the maturity date. Prior to September 1, 2037, the holders of the Debentures may convert their Debentures under any of the following conditions:

- during any fiscal quarter beginning after March 31, 2008 (and only during such fiscal quarter), if the last reported sale price of Common Stock for at least 20 trading days during the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on the last trading day of such preceding fiscal quarter;
- during the five business day period after any 10 consecutive trading day period in which the trading price per \$1,000 principal amount Debentures for each day of that 10 consecutive trading day period was less than 98% of the product of the last reported sale price of Common Stock and the conversion rate on such day;
- if we call any or all of the Debentures for redemption, at any time prior to the close of business on the trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate transactions.

**Further Information.** The terms of the Debentures are complex and only briefly summarized above. For further information on the Debentures, please refer to the description contained in our Current Report on Form 8-K filed with the SEC on December 7, 2007 and the related documents filed as exhibits to such report.

#### Description of Nasdaq Limit

Rule 5635(d) of the Nasdaq Marketplace Rules requires stockholder approval for the issuance of securities other than in a public offering at a price per share less than the greater of the book or market value of a company's stock, where the amount of securities being issued (or issuable upon conversion) equals 20% or more of an issuer's outstanding listed securities or 20% or more of the voting power outstanding before the issuance. We are subject to the Nasdaq Marketplace Rules because our Common Stock is listed on the Nasdaq Global Select Market. The issuance of the Debentures did not require stockholder

approval under Rule 5635(d). We are seeking stockholder approval pursuant to Rule 5635(d) so that, if stockholder approval is obtained, we would have the flexibility to issue shares of Common Stock upon conversion of the Debentures in an aggregate amount that exceeded 20% of our outstanding shares of Common Stock.

Proposal; Vote Required; Board Recommendation

We are seeking stockholder approval for the issuance of shares of our Common Stock upon conversion of our Debentures as required by the Nasdaq listing rules so that upon the future adjustment of the Conversion Rate of the Debentures as result of our payment of cash dividends we can maintain our current accounting treatment for the Debentures and maintain the flexibility to issue shares upon conversion of such Debentures.

The affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting is required to approve this proposal. Abstentions will have the same effect as a vote against this proposal.

Our Board of Directors unanimously recommends voting "FOR" Proposal Three, the approval of the issuance of shares of our Common Stock upon conversion of our Debentures as required by the Nasdaq listing rules, as described in this Proxy Statement.

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## PROPOSAL FOUR

### RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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The Audit Committee of our Board of Directors has appointed Ernst & Young LLP, independent registered public accounting firm, to audit our consolidated financial statements for the fiscal year ending March 31, 2013. Ernst & Young LLP has audited our financial statements since the fiscal year ended March 31, 2002 and has served as our independent registered public accounting firm since June 2001. The partner in charge of our audit is rotated every five years. Other partners and non-partner personnel are rotated on a periodic basis as required.

We anticipate that a representative of Ernst & Young LLP will be present at the annual meeting, will have the opportunity to make a statement if he or she desires and will be available to respond to appropriate questions. Stockholder ratification of the appointment of Ernst & Young LLP is not required by our Bylaws or applicable law. However, our Board of Directors chose to submit such appointment to our stockholders for ratification. In the event of a negative vote on such ratification, the Audit Committee will reconsider its selection.

Upon the recommendation of our Audit Committee, the Board of Directors unanimously recommends that stockholders vote "FOR" Proposal Four, the ratification of our independent registered public accounting firm, as described in the Proxy Statement.

#### Fees Paid to Independent Registered Public Accounting Firm

##### Audit Fees

This category includes fees associated with our annual audit, the reviews of our quarterly reports on Form 10-Q, and statutory audits required internationally. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of our interim financial statements, statutory audits and the assistance with review of any of our SEC registration statements. This category also included fees associated with the audit of our internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002. The aggregate fees billed or to be billed by Ernst & Young LLP in each of the last two fiscal years for such services were approximately \$1,350,896 for fiscal 2012 and \$1,849,000 for fiscal 2011. Our audit fees in fiscal 2011 were



significantly higher than our audit fees in fiscal 2012 due to our acquisition of Silicon Storage Technology.

**Audit-Related Fees**

This category includes fees associated with employee benefit plan audits, internal control reviews, accounting consultations and attestation services that are not required by statute or regulation. The aggregate fees billed or to be billed by Ernst & Young LLP in each of the last two fiscal years for such services were \$23,447 for fiscal 2012 and \$0 for fiscal 2011.

#### Tax Fees

This category includes fees associated with tax return preparation, tax advice and tax planning. The aggregate fees billed or to be billed by Ernst & Young LLP in each of the last two fiscal years for such services were approximately \$503,488 for fiscal 2012 and \$304,000 for fiscal 2011.

#### All Other Fees

This category includes fees for support and advisory services not related to audit services or tax services. There were no such fees in fiscal 2012 or fiscal 2011.

Our Audit Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by our independent registered public accounting firm. Under the policy, pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget or limit. The Audit Committee may also pre-approve particular services on a case-by-case basis. The Chairman of the Audit Committee has the delegated authority from the Audit Committee to pre-approve a specified level of services, and such pre-approvals are then communicated to the full Audit Committee at its next scheduled meeting. During fiscal 2012, all audit and non-audit services rendered by Ernst & Young LLP were approved in accordance with our pre-approval policy.

Our Audit Committee has determined that the non-audit services rendered by Ernst & Young LLP during fiscal 2012 and fiscal 2011 were compatible with maintaining the independence of Ernst & Young LLP.

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## PROPOSAL FIVE

### APPROVAL OF EXECUTIVE COMPENSATION

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The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's rules (commonly referred to as a "Say-on-Pay"). As described under the heading "Executive Compensation — Compensation Discussion and Analysis," our executive compensation program is a comprehensive package designed to motivate our executive officers to achieve our corporate objectives and is intended to be competitive and allow us to attract and retain highly qualified executive officers. We believe that the various elements of our executive compensation program work together to promote our goal of ensuring that total compensation should be related to both our performance and individual performance. Stockholders are urged to read the "Compensation Discussion and Analysis" section of this Proxy Statement, beginning on page 23, which discusses how our executive compensation policies implement our compensation philosophy, and the "Compensation of Named Executive Officers" section of this Proxy Statement, which contains tabular information and narrative discussion about the compensation of our named executive officers. These sections provide additional details about our executive compensation programs, including information about fiscal 2012 compensation of our named executive officers. The Compensation Committee and our Board of Directors believe that these policies are effective in implementing our compensation philosophy and in achieving our goals.

We are asking our stockholders to indicate their support for our executive compensation as described in this Proxy Statement. This Say-on-Pay proposal gives our stockholders the opportunity to express their views on our named executive officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we are asking our stockholders to approve, on an advisory basis, the compensation of

the named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosures.

The Say-on-Pay vote is advisory, and therefore not binding on us, the Compensation Committee or our Board of Directors. However, our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

The affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting is required to approve our executive compensation program on an advisory (non-binding) basis. Abstentions will have the same effect as a vote against this proposal.

Our Board of Directors unanimously recommends voting "FOR" Proposal Five, the approval of our executive compensation program, as described in this Proxy Statement.

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS,  
DIRECTORS AND EXECUTIVE OFFICERS

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The following table sets forth information concerning the beneficial ownership of our common stock as of May 18, 2012 for: (a) each director, (b) our CEO, our CFO and the three other most highly compensated executive officers named in the Summary Compensation Table, (c) all directors and executive officers as a group, and (d) each person who is known to us to own beneficially more than 5% of our common stock. Except as otherwise indicated in the footnotes to this table, and subject to applicable community property laws and joint tenancies, the persons named in this table have sole voting and investment power with respect to all shares of common stock held by such person:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned <sup>(1)</sup>	Percent of Common Stock <sup>(1)</sup>	
Capital World Investors <sup>(2)</sup>	16,648,000	8.6	%
Massachusetts Financial Services <sup>(3)</sup>	13,592,889	7.0	%
Waddell & Reed Financial, Inc. <sup>(4)</sup>	13,176,514	6.8	%
The Vanguard Group, Inc. <sup>(5)</sup>	10,048,008	5.2	%
Steve Sanghi <sup>(6)</sup>	5,921,178	3.0	%
Matthew W. Chapman <sup>(7)</sup>	62,503	*	
L.B. Day <sup>(8)</sup>	39,096	*	
Albert J. Hugo-Martinez <sup>(9)</sup>	61,878	*	
Wade F. Meyercord <sup>(10)</sup>	51,556	*	
J. Eric Bjornholt <sup>(11)</sup>	13,175	*	
Stephen V. Drehobl <sup>(12)</sup>	15,926	*	
Mitchell R. Little <sup>(13)</sup>	8,780	*	
Ganesh Moorthy <sup>(14)</sup>	273,438	*	
All directors and executive officers as a group (11 people) <sup>(15)</sup>	6,962,804	3.6	%

\* Less than 1% of the outstanding shares of common stock.

For each individual and group included in the table, the number of shares beneficially owned includes shares of common stock issuable to the identified individual or group pursuant to stock options that are exercisable within 60 days of May 18, 2012. There are no stock purchase rights or RSUs that will vest within 60 days of May 18, 2012.

- (1) In calculating the percentage of ownership of each individual or group, share amounts that are attributable to options that are exercisable or stock purchase rights or RSUs that will vest within 60 days of May 18, 2012 are deemed to be outstanding for the purpose of calculating the percentage of shares of common stock owned by such individual or group but are not deemed to be outstanding for the purpose of calculating the percentage of shares of common stock owned by any other individual or group.
- (2) Address is 333 South Hope Street, Los Angeles, CA 90071. All information is based solely on the Schedule 13G filed by Capital World Investors dated February 9, 2012, with the exception of the percentage of common stock held which is based on shares outstanding at May 18, 2012. Such Schedule 13G indicates that (i) Capital World Investors has sole power to dispose of and direct the disposition of the common stock; and (ii) Capital World Investors is deemed to be the beneficial owner of 16,648,000 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940; and (iii) The Income Fund of America, Inc., an investment company registered under the Investment Company Act of 1940,

which is advised by Capital World Investors, is the beneficial

owner of 16,648,000 of such shares, and has delegated voting authority to Capital World Investors.

Address is 500 Boylston Street, Boston, MA 02116. All information is based solely on the Schedule 13G filed by Massachusetts Financial Services Company ("MFS") dated January 31, 2012, with the exception of the percentage of common stock held which is based on shares outstanding at May 18, 2012. Such

- (3) Schedule 13G indicates that (i) MFS has sole power to dispose of and direct the disposition of the common stock; and (ii) MFS is deemed to be the beneficial owner of 13,592,889 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

Address is 6300 Lamar Avenue, Overland Park, KS 66202. All information is based solely on the Schedule 13G filed by Waddell & Reed Financial, Inc. dated February 14, 2012, with the exception of the percentage of common stock held which is based on shares outstanding at May 18, 2012. Such Schedule 13G indicates that (i) Waddell & Reed Financial, Inc. is the parent holding company of a group of investment management companies that hold

- (4) investment power and, in some cases, voting power over the securities reported in the referenced Schedule 13G; (ii) Waddell & Reed Investment Management Company has sole power to vote or direct the vote and to dispose of and direct the disposition of 9,946,237 shares of the common stock; and (iii) Ivy Investment Management Company has sole power to vote or direct the vote and to dispose of and direct the disposition of 3,230,277 shares of the common stock.

Address is 100 Vanguard Boulevard, Malvern, PA 19355. All information is based solely on the Schedule 13G filed by The Vanguard Group, Inc. dated February 9, 2012, with the exception of the percentage of common stock held which is based on shares outstanding at May 18, 2012. Such Schedule 13G indicates that (i) The Vanguard

- (5) Group, Inc. (i) has sole power to dispose of 9,781,132 shares of common stock and shared power to dispose of 266,876 shares of common stock; (ii) has sole voting power over 266,876 shares of common stock and (iii) is deemed to be the beneficial owner of 10,048,008 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

Includes 918,542 shares issuable upon exercise of options that are exercisable within 60 days of May 18, 2012; 26,307 RSUs vesting within 60 days of May 18, 2012; 1,939,393 shares held of record by The Sanghi Family Trust

- (6) (the "Family Trust") and 3,036,936 shares held of record by The Sanghi Family Limited Partnership (the "Family Limited Partnership"). Steve Sanghi and Maria T. Sanghi are the sole trustees of the Family Trust. The Family Trust is the sole member of the Sanghi LLC which is the sole general partner of the Family Limited Partnership.

- (7) Includes 39,000 shares issuable upon exercise of options that are exercisable within 60 days of May 18, 2012, 262 shares held in Testamentary Trust of Regan Chapman and 135 shares held by Mr. Chapman's minor children.

- (8) Includes 30,000 shares issuable upon exercise of options that are exercisable within 60 days of May 18, 2012.

- (9) Includes 39,000 shares issuable upon exercise of options that are exercisable within 60 days of May 18, 2012 and 22,878 shares held of record by Albert J. Hugo-Martinez and S. Gay Hugo-Martinez as trustees .

- (10) Includes 37,000 shares issuable upon exercise of options that are exercisable within 60 days of May 18, 2012 and 14,556 shares held of record by Wade F. Meyercord and Phyllis Meyercord as trustees.

- (11) Includes 1,247 RSUs vesting within 60 days of May 18, 2012.

- (12) Includes 4,721 RSUs vesting within 60 days of May 18, 2012.

- (13) Includes 5,213 RSUs vesting within 60 days of May 18, 2012.

Includes 86,907 shares issuable upon exercise of options that are exercisable within 60 days of May 18, 2012;

- (14) 8,471 RSUs vesting within 60 days of May 18, 2012; and 86,907 shares held of record by Ganesh Moorthy and Hema Moorthy as trustees.

- (15) Includes an aggregate of 1,476,084 shares issuable upon exercise of options that are exercisable within 60 days of May 18, 2012 and an aggregate of 53,779 RSUs vesting within 60 days of May 18, 2012.

## EXECUTIVE COMPENSATION

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### COMPENSATION DISCUSSION AND ANALYSIS

#### Overview of the Compensation Program

The Compensation Committee of our Board of Directors, presently comprised of Mr. Day, Mr. Hugo-Martinez and Mr. Meyercord, reviews the performance of our executive officers and makes compensation decisions regarding our executive officers. Our policies for setting compensation for each of our named executive officers (CEO, CFO, and our three other most highly paid executive officers) are the same as those for the rest of our executive officers. Our compensation program is a comprehensive package designed to motivate the executive officers to achieve our corporate objectives and is intended to be competitive and allow us to attract and retain highly qualified executive officers. In general, the types of compensation and benefits provided to our executive officers are similar to those provided to most other Microchip employees, and include salary, cash bonuses, RSUs, and other benefits described below.

#### Our Executive Compensation Policy and Objectives

Our compensation policy for executive officers, including our named executive officers, and key employees is based on a "pay-for-performance" philosophy. This "pay-for-performance" philosophy emphasizes variable compensation, primarily by placing a large portion of pay at risk. We believe that this philosophy meets the following objectives:

- rewards performance that may contribute to increased stockholder value,
- attracts, retains, motivates and rewards individuals with competitive compensation opportunities,
- aligns an executive officer's total compensation with our business objectives,
- fosters a team environment among our management that focuses their energy on achieving our financial and business objectives consistent with Microchip's "guiding values,"
- balances short-term and long-term strategic goals, and
- builds and encourages ownership of our common stock.

Decisions regarding cash and equity compensation also include subjective determinations and consideration of various factors with the weight given to a particular factor varying from time to time and in various individual cases, such as an executive officer's experience in the industry and the perceived value of the executive officer's position to Microchip as a whole.

We believe that the overall compensation levels for our executive officers, including our named executive officers, in fiscal 2012 were consistent with our "pay-for-performance" philosophy and were commensurate with our fiscal 2012 performance.

#### Executive Compensation Process

On an annual basis, the Compensation Committee evaluates and establishes the compensation of our executive officers, including the named executive officers. The Compensation Committee seeks input from Mr. Sanghi when discussing the performance of, and compensation levels for, the executive officers other than himself. Mr. Sanghi does not participate in deliberations relating to his own compensation.

The Compensation Committee designs our executive compensation program to be competitive with those of other companies in the semiconductor or related industries that are similar to us in number of employees, revenue and capitalization. The Compensation Committee determines appropriate levels of compensation for each executive officer based on their level of responsibility within the organization, performance, and overall contribution. After such determination, the Compensation Committee makes allocations between long-term and short-term as well as the cash and non-cash elements of compensation. Microchip's financial and business objectives, the salaries of executive officers in similar positions with comparable companies and individual performance are considered in making these determinations. If compensation information is reviewed for other companies, it is obtained from published materials such as proxy statements, and information gathered from such companies directly. We do not engage consultants to conduct such review process for us or utilize a specific peer group.



The executive officer compensation process begins with consideration of Microchip's overall annual budget for employee compensation. The Compensation Committee considers the budgeted salary data and individual executive officer

salary increases are determined with the goal of keeping the average executive officer salary increase within the budgeted range for all other employees. In setting annual salaries for executive officers, the Compensation Committee also considers relevant industry data but does not target any overall industry percentage level or peer group average. Microchip's annual budget is created as part of Microchip's annual operating plan process under which business and financial objectives are initially developed by our executive officers, in conjunction with their respective operating units, and then discussed with and approved by our CEO. These objectives are then reviewed by our Board of Directors and the Board of Directors sets the overall financial and business objectives for Microchip on which incentive compensation is based.

The Compensation Committee sets the compensation of our Chairman, CEO and President, Mr. Sanghi, in the same manner as each of our other executive officers. In particular, the Compensation Committee considers Mr. Sanghi's level of responsibility, performance, and overall contribution to the results of the organization. The Compensation Committee also considers the compensation of CEOs of other companies in the semiconductor or related industries that are similar to us in number of employees, revenue and capitalization. Mr. Sanghi primarily participates in the same cash incentive, equity incentive and benefit programs as our other executive officers. For example, his compensation is subject to the same performance metrics as our other executive officers under our EMICP program. The Compensation Committee recognizes that Mr. Sanghi's total compensation package is significantly higher than that of our other executive officers and the Compensation Committee believes this is appropriate in consideration of Mr. Sanghi's superior leadership of Microchip over a long period of time. In particular, the Compensation Committee believes that Mr. Sanghi's leadership has been key to the substantial revenue and profitability growth, strong market position and substantial increase in the market value of Microchip since taking Microchip public in 1993, and to leading Microchip's strong performance relative to others in the industry over a number of years.

For fiscal 2012, the Compensation Committee reviewed and approved the total compensation package of all of our executive officers, including the elements of compensation discussed below, and determined the amounts to be reasonable and competitive.

At our last annual meeting of stockholders held in August 2011, our stockholders approved an advisory (non-binding) proposal concerning our executive compensation program with over 92% of the votes cast in favor of the proposal. The Compensation Committee considered the results of this vote in establishing the compensation program for fiscal 2013.

#### Elements of Compensation

Our executive compensation program is currently comprised of four major elements:

- annual base salary,
- incentive cash bonuses,
- equity compensation, and
- compensation and employee benefits generally available to all of our employees.

The retirement benefits and other benefits offered to our executive officers are largely the same as those we provide to a broad base of employees. While our executive officers' level of participation in our management incentive compensation plans and equity incentive plans is typically higher than for our non-executive employees, based on the officers' level of responsibility and industry experience, the plans in which our executive officers are eligible to participate are very similar to those for our other employees. The Compensation Committee reviews each element of compensation separately and total compensation as a whole, other than those benefits which are available to all employees. The Compensation Committee determines the appropriate mix of elements to meet our compensation objectives and to help ensure that we remain competitive with the compensation practices in our industry.

Although our executive officers are entitled to certain severance and change of control benefits (as described below), the Compensation Committee does not consider such benefits to be elements of compensation for purposes of annual compensation reviews because such benefits may never be paid.

**Base Salaries.** We review the base salaries of our executive officers each year. When setting base salaries, we review the business and financial objectives for Microchip as a whole, as well as the objectives for each of the individual officers relative to their respective areas of responsibility. In particular, we consider our overall revenue growth and revenue growth in our strategic product lines, non-GAAP gross margins, non-GAAP operating expenses, non-GAAP net income per share, cash generation, expected capital expenditures and other financial considerations in setting our

annual budget for salaries. We also consider the individual performance of our named executive officers including the officer's level of responsibility, performance, overall contribution to the results of the organization, the officer's base salary relative to the salaries of our other officers, salary relative to comparable positions in the industry, the officer's overall compensation including incentive cash bonuses and equity

compensation and the officer's performance relative to expectations. We do not assign any specific weight to any such factor but consider such factors as a whole for each executive. This review encompasses the objectives for both the immediately preceding fiscal year and the upcoming fiscal year.

After consideration of the factors described above, the base salaries for our named executive officers other than our CEO were increased by an average of approximately 4.5% in May 2011 compared to the prior fiscal year. Our CEO's base salary increased by approximately 7.0% in May 2011 compared to the prior fiscal year. The budget for salary increases for our U.S. employee base in May 2011 was 4.0%.

**Incentive Cash Bonuses.** The Compensation Committee sets performance goals which, if met, result in quarterly payments to our executive officers under the EMICP. Executive officers may also receive quarterly payments under the DMICP. The Compensation Committee establishes performance goals which it believes are challenging, require a high level of performance and motivate participants to drive stockholder value, but which goals are expected to be achievable in the context of business conditions anticipated at the time the goals are set. When setting the performance goals, the Compensation Committee places more emphasis on the overall expected financial performance of Microchip rather than on the achievement of any one individual goal. The Compensation Committee believes that this focus on the overall payout incentivizes outstanding performance across the corporation and drives the overall financial success of the corporation. The Compensation Committee uses the DMICP to help achieve the overall objectives of the performance bonus program.

The performance metrics under the EMICP are determined by the Compensation Committee at the beginning of each quarter so that such compensation may qualify as performance-based compensation within the meaning of Rule 162(m) under the Internal Revenue Code. However, except for the earnings per share metric which changes each quarter, each of the performance metrics is typically the same for each quarter of the fiscal year (or longer). In the first through fourth quarters of fiscal 2012, the following business and financial areas were selected as the basis for calculating bonuses under our management incentive compensation plans:

Performance Metric	Target Quarterly Measurement (1)	Actual Results								
		Target % of Bonus	Q1 FY12 Performance	Q1 FY12 Bonus Payout %	Q2 FY12 Performance	Q2 FY12 Bonus Payout %	Q3 FY12 Performance	Q3 FY12 Bonus Payout %	Q4 FY12 Performance	Q4 FY12 Bonus Payout %
Total sequential revenue growth	3%	10	-1.44%	(4.8)	-9.05%	(30.17)	-3.36%	(11.2)	2.96%	9.87
High performance microcontroller sequential revenue growth	10%	4	-1.63%	(0.65)	-12.82%	(5.13)	-1.3%	(0.52)	14.62%	5.85
Analog sequential revenue growth	5%	4	-7.01%	(5.61)	-0.7%	(0.56)	1.75%	1.4	0.67%	0.54
Licensing sequential revenue growth	3%	4	1.31%	1.75	6.48%	8.63	4.88%	6.51	-7.56%	(10.09)
Gross margin percentage (non-GAAP)	58%	15	59.51%	20.65	58.22%	15.83	56.77%	10.39	58.1%	15.38
Operating expenses as a percentage of sales (non-GAAP)	26%	14	25.02%	20.84	25.94%	14.42	28.28%	12.04	26.24%	12.32
Operating income as a percentage of sales (non-GAAP)	31%	14	34.48%	22.13	32.28%	16.99	30.49%	12.81	31.86%	16.01
Earnings per share (quarterly) (non-GAAP)	(1)	15	54.59	18	46.4	7.8	42.13	20.33	45.89	26.93
EMICP Total	N/A	80	N/A	72.3	N/A	27.81	N/A	51.75	N/A	76.79 (2)
DMICP Total	Discretionary	20	N/A	0	N/A	0.19	N/A	14.98	N/A	5.21 (2)

The EMICP quarterly non-GAAP earnings per share (EPS) targets for fiscal 2012 were \$0.53, \$0.50, \$0.40 and \$0.41 for the first through fourth quarters, respectively. The EPS targets (as well as the other targets under the EMICP) are set each quarter by the Compensation Committee and may be based on either GAAP or non-GAAP financial results at the discretion of the Compensation Committee. The Compensation Committee typically uses non-GAAP information when setting the targets because it believes such targets are more useful in understanding our operating results due to the exclusion of non-cash, non-recurring and other special charges.

(2) Of the combined total payout for the EMICP and DMICP in the fourth quarter of fiscal 2012, a performance-based RSU grant comprised 50% of this payout and 32% was paid in cash.

The total amount payable to each executive under the EMICP and the DMICP is based on a percentage of his base salary at the time each quarterly payment is made. The participation percentage for each executive is determined at

the beginning of the fiscal year based on the executive's base salary at that time and typically stays at the same level for each quarter of the fiscal year. However, the Compensation Committee may change the participation level of an executive each quarter to reflect changes in the performance or responsibilities of the executive or other factors. The dollar amount of the target bonus for each executive is based on assumed achievement of all performance metrics under the EMICP (as disclosed in the table above) and payment of 20% as a discretionary award under the DMICP (as disclosed in the table above). The aggregate budgeted bonus pool under the various management incentive compensation plans is calculated by multiplying each eligible executive officer's bonus target percentage by his base salary. In fiscal 2012, the quarterly payments under the EMICP for our named executive officers were targeted at an aggregate of approximately \$326,988 for all such officers as a group. In fiscal 2012, the quarterly payments under the DMICP for our named executive officers were targeted at an aggregate of approximately \$81,747 for all such officers as a group. Bonuses under the EMICP are subject to a maximum award of

\$2,500,000 per individual per performance period (which can be a fiscal quarter, a fiscal year or a longer period not exceeding five fiscal years); however, all awards to date have been substantially less than such maximum amount. The actual awards under the EMICP are based on our actual quarterly financial performance compared to the performance metrics and the actual awards under the DMICP are determined in the discretion of our Compensation Committee and can be significantly higher or lower than the 20% target. The actual awards are calculated by multiplying the overall award percentage payout for the quarter by the applicable percentage of the executive's salary at the end of the fiscal quarter that the award relates to. Thus, if an executive's salary or participation percentage changes during the year, up or down, this would affect his actual bonus payment during the fiscal year. For fiscal 2012, the specific total bonus percentages under both the EMICP and DMICP for each of our named executive officers was as follows: for Mr. Sanghi it was 200% of his salary for the associated quarter; for Mr. Moorthy it was 61% of his salary; for Mr. Little it was 46% of his salary; for Mr. Drehobl it was 42% of his salary; and for Mr. Bjornholt it was 32% of his salary.

As indicated in the above table, for each of the quarters of fiscal 2012, 10.0% of the quarterly EMICP payment was based on Microchip achieving total sequential revenue growth of 3.0%. Accordingly, if Microchip's total sequential revenue growth for a quarter was 3.0%, then each executive would be paid the corresponding 10.0% of his EMICP target bonus amount for that quarter. If Microchip's total sequential revenue growth for a quarter was 1.5%, then each executive would be paid a corresponding 5.0% of his target bonus amount for the quarter (i.e., 1/2 of the 10.0%) and if Microchip's total sequential revenue growth for a quarter was 6.0%, then each executive would be paid a corresponding 20.0% of his target bonus amount for the quarter (i.e., 6/3 of the 10.0%). A similar methodology is applied each quarter to each of the performance metrics listed in the above table.

As set forth in the above table, during fiscal 2012, consistent with our "pay-for-performance" philosophy, our CEO and other executive officers received bonuses under the EMICP for each quarter of fiscal 2012 based on our financial performance. Payments were also made under the DMICP for the second, third and fourth quarters of fiscal 2012. Specifically, for the first quarter of fiscal 2012, the award under the EMICP was 72.30% of the target and under the DMICP was 0% of the target; for the second quarter of fiscal 2012 the award under the EMICP was 27.81% of target and under the DMICP was 0.19% of the target; for the third quarter of fiscal 2012, the award under the EMICP was 51.75% of the target and under the DMICP was 14.98% of the target; and in the fourth quarter of fiscal 2012, the award under the EMICP was 76.79% of the target and under the DMICP was 5.21% of the target. Applying these award percentages to each named executive officer's participation level in the plans, for fiscal 2012, the total bonus payments under the EMICP and the DMICP for our named executive officers, other than our CEO, ranged from \$31,452 to \$84,926. In fiscal 2012, Mr. Sanghi earned an aggregate EMICP bonus of \$529,111, and an aggregate DMICP bonus of \$60,360. In fiscal 2012, the Compensation Committee approved an additional \$80,000 bonus under the DMICP to Mr. Sanghi for his outstanding performance and leadership of the Company. With respect to the EMICP and DMICP bonuses for the fourth quarter of fiscal 2012 which totaled 82% of the target, 32% of the target amount was in cash and 50% of the target amount was in the form of performance-based RSUs. All other payments under the EMICP and DMICP for fiscal 2012 were in cash. Please see footnote 4 to the Summary Compensation Table on page 33 of this Proxy Statement which sets forth the actual amount of the EMICP and DMICP awards to each named executive officer for fiscal 2012. The differences in the levels of compensation under these programs for the various executive officers are based upon their relative contribution, performance, experience, and responsibility level within the organization.

**Equity Compensation.** Equity compensation, such as RSUs, constitutes a significant portion of our incentive compensation program because we believe that executive officers and key employees should hold a long-term equity stake in Microchip to align their collective interests with the interests of our stockholders. Accordingly, in fiscal 2012, equity grants in the form of RSUs were a significant portion of our executive officers' total compensation package. We typically make equity compensation grants to executive officers and key employees in connection with their initial employment, and we also typically make quarterly evergreen grants of equity to incentivize employees on a continuing basis as their initial equity awards vest. In setting the amount of the equity compensation grants, the estimated value of the grants is considered, as well as the intrinsic value of the outstanding equity compensation held by the executive officer, both the unvested retention value and the vested amount. In setting these amounts and any performance goals, the Compensation Committee uses its judgment after considering the effect of the overall RSU

amounts and the percentage of RSUs granted to executive officers in connection with the overall financial results and performance of the corporation.

The evergreen grants of RSUs for fiscal 2012 were awarded with vesting subject to meeting specified performance goals over identified periods. In fiscal 2012, these performance goals were related to achieving certain levels of operating profit or operating expenses over a specified time frame. Specifically, with respect to the awards made in April 2011, the performance goal was related to achieving non-GAAP operating profit for the three months ended June 30, 2011 of \$65 million or more; with an achievement of \$115 million of non-GAAP operating profit necessary for full vesting of the award. Based on the actual operating profit for such period, these awards will vest at 100%.

With respect to the awards made in July 2011, the performance goal was related to achieving non-GAAP operating profit for the three months ended September 30, 2011 of



\$55 million or more; with an achievement of \$105 million of non-GAAP operating profit necessary for full vesting of the award. Based on the actual operating profit for such period, these awards will vest at 100%. With respect to the awards made in October 2011, the performance goal was related to achieving non-GAAP operating expenses for the three months ended December 31, 2011 of \$104.5 million or less with an achievement of \$94.5 million of non-GAAP operating expenses necessary for full vesting of the award. Based on the actual operating expenses for such period, these awards will vest at 100%. With respect to the awards made in January 2012, the performance goal was related to achieving non-GAAP operating expenses for the three months ended March 31, 2012 of \$104.5 million or less with an achievement of \$94.5 million of non-GAAP operating expenses necessary for full vesting of the award. Based on the actual operating expenses for such period, these awards will vest at 100%. With respect to the performance goals for the RSU grants, the goals exclude the impact of any acquisitions completed by Microchip during the performance period. In addition to the performance-based vesting requirements, the vesting of each of the foregoing awards is subject to the continued service of the officer on the vesting date which is approximately four years from the grant date.

In addition to our regular quarterly evergreen grants, a special performance-based RSU grant was made on September 1, 2011. The performance-based goal for this grant was related to achieving non-GAAP operating expenses for the three months ended December 31, 2011 of \$104 million or less with an achievement of \$94 million of non-GAAP operating expenses necessary for full vesting of the award. Based on the actual operating expenses for such period, these awards will vest at 100%. In addition to the performance-based vesting requirements, the vesting of the special performance-based grant is subject to the continued service of the officer over the vesting period, which is approximately 18 months.

Grants of RSUs may also be made in connection with promotions, other changes in responsibilities or in recognition of other individual or Microchip developments or achievements. Grants of RSUs in fiscal 2012 typically were scheduled to vest approximately four years from the grant date. RSUs do not have a purchase price and therefore have immediate value to recipients upon vesting. On March 31, 2012, approximately 40% of our employees worldwide held RSUs or options to purchase our common stock. Since the middle of fiscal 2006, RSUs have been the principal equity compensation vehicle for Microchip executive officers and key employees.

In granting equity compensation awards to executive officers, we consider numerous factors, including:

- the individual's position, experience, and responsibilities,
- the individual's future potential to influence our mid- and long-term growth,
- the vesting schedule of the awards, and
- the number and value of awards previously granted.

We do not separately target the equity element of our executive officer compensation programs at a specific percentage of overall compensation. However, overall total compensation is structured to be competitive so that we can attract and retain executive officers. In setting equity award levels, we also take into consideration the impact of the equity-based awards on the dilution of our stockholders' ownership interests in our common stock.

The Compensation Committee grants RSUs to executive officers and current employees on a quarterly basis in an attempt to more evenly record stock-based compensation expense. Grants of RSUs to new employees are made once per month by the Employee Committee at a meeting of such committee. Microchip does not have any program, plan or practice to time grants of RSUs in coordination with the release of material non-public information. Microchip does not time, nor do we plan to time, the release of material non-public information for the purposes of affecting the value of executive compensation.

See the table under "Grants of Plan-Based Awards for Fiscal Year Ended March 31, 2012" at page 35 for information regarding RSUs granted during fiscal 2012 to our named executive officers.

Stock Ownership Guidelines for Key Employees and Directors. To help ensure alignment of the interests of our management and Board of Directors with those of our stockholders, we have put in place a stock holding policy that applies to each member of our management and Board of Directors. This policy was proposed by our Nominating and Governance Committee and ratified by our Board of Directors at its October 24, 2003 meeting. Under this policy, effective April 1, 2004, each of our directors, executive officers, vice presidents and internal director-level employees must maintain a specified minimum level of ownership of our stock during their tenure in their respective office or position. During fiscal 2012, all of our executive officers were in compliance with its terms.

Microchip does not permit executive officers to speculate in Microchip stock, which includes a prohibition on short selling, buying and selling options (including writing covered calls) or hedging or any type of arrangement that has a similar economic effect.

Other Compensation and Employee Benefits Generally Available to All Employees. We maintain compensation and employee benefits that are generally available to all Microchip employees, including:

- our employee stock purchase plan,
- medical, dental, vision, employee assistance program, flexible spending, and disability insurance,
- life insurance benefits,
- a 401(k) retirement savings plan,
- an employee cash bonus plan, and
- vacation and paid time off.

Since these programs are generally available to all employees, these forms of compensation are not independently evaluated by the Compensation Committee in connection with the annual determination of executive officer compensation.

**Employee Stock Purchase Plan.** Our 2001 Employee Stock Purchase Plan is a Section 423 qualified employee stock purchase plan that allows all U.S. employees the opportunity to purchase our common stock through payroll deduction at 85% of the fair market value at the lower of the price as of the opening of the two-year offering period or at the end of any six-month purchase period. A significant portion of our international employees have the ability to participate in our 1994 International Employee Stock Purchase Plan that allows them the opportunity to purchase our common stock through payroll deduction at 85% of the fair market value at the lower of the price as of the opening or the end of any six-month offering period.

**Medical, Dental, Vision, Employee Assistance Program, Flexible Spending, Disability Insurance and Accidental Death and Dismemberment.** We make medical, dental, vision, employee assistance program, flexible spending, and disability insurance generally available to all of our employees through our active benefit plans. Under these generally available plans, our named executive officers are eligible to receive between \$1,000 and \$7,500 per month in long-term disability coverage depending on which plan they elect. Short-term disability coverage is provided which allows for 100% of base salary to be paid for six months in the event of disability. Accidental death and dismemberment insurance, which is generally available to our U.S. employees, is provided by Microchip to our executives with a benefit of one times the executive's annual salary. Since all of our U.S. employees participate in these plans on a non-discriminatory basis, the value of these benefits to our named executive officers is not required to be included in the Summary Compensation Table on page 33 pursuant to SEC rules and regulations.

**Life Insurance.** In fiscal 2012, we provided life insurance coverage to our named executive officers in the amount up to one and a half times the executive's annual salary (up to a maximum of \$500,000). The named executive officers may purchase supplemental life insurance at their own expense.

**401(k).** We maintain a 401(k) plan for the benefit of all of our U.S. employees to allow our employees to save for retirement. We contribute to our 401(k) plan each year based on our profitability during the year, subject to maximum contributions and other rules prescribed by Federal law governing such plans. Our named executive officers are permitted to participate in the plans to the same extent as our other U.S. employees. Our Compensation Committee approved discretionary matching contributions for the first, second, and third quarters of fiscal 2012 equal to \$0.25 for each dollar contributed by the employee for the first 4% of their salary contributions. For the fourth quarter of fiscal 2012, our Compensation Committee approved discretionary matching contributions equal to \$0.15 for each dollar contributed by the employee for the first 4% of their salary contributions. There are no required matching contributions under the plan.

**Employee Cash Bonus Plan.** All of our employees worldwide participate in our Employee Cash Bonus Plan or ECBP. The ECBP is a discretionary bonus plan designed to allow our full-time employees, not just our executive officers, to share in the success of the company. The target bonus under the ECBP is 2.5 days of base salary per quarter, or on an annual basis, two weeks of annual base salary which may be granted by the Compensation Committee if certain Microchip operating profitability objectives are achieved. Under the ECBP, the Compensation Committee can set the eligibility requirements and targets and has discretion to pay more or less than the stated target. Other eligibility terms also apply, such as an attendance requirement and a performance requirement.

The pay-out under the ECBP is approved by the Compensation Committee based on our actual quarterly operating results. For the first and third quarters of fiscal 2012, bonus awards were paid out at 50% of target for all employees;

and for the second and fourth quarters of fiscal 2012, no awards were paid out. Under the ECBP, for fiscal 2012, our named executive officers other than our CEO received total payments ranging from \$1,899 to \$2,690 and our CEO received \$5,696.

**Vacation and Paid Time-Off Benefits.** We provide vacation and other paid holidays to all of our employees, including our named executive officers. We believe our vacation and holidays are comparable to others in the industry.

**Non-Qualified Deferred Compensation Plan.** We maintain a non-qualified deferred compensation plan for certain employees, including our named executive officers, who receive compensation in excess of the 401(k) contribution limits imposed under the Internal Revenue Code and desire to defer more compensation than they would otherwise be permitted

under a tax-qualified retirement plan, such as our 401(k) plan. Microchip does not make contributions to this non-qualified deferred compensation plan. This plan allows our executive officers to make pre-tax contributions to this plan which would be fully taxed to the executive officers after the executive officer's termination of employment with Microchip.

We do not have pension plans or other retirement plans for our named executive officers or our other U.S. employees. **Employment Contracts, Termination of Employment and Change of Control Arrangements** We do not have employment contracts with our CEO, CFO or any of our executive officers, nor agreements to pay severance on involuntary termination (other than as stated in the change of control agreements below) or upon retirement. Our CEO, CFO, and our executive officers have entered into change of control agreements with us.

The change of control agreements were designed to help ensure the continued services of our key executive officers in the event that a change of control of the company is effected, and to assist our key executive officers in transitioning from the company if as a result of a change of control, they lose their positions. We believe that the benefits provided by these agreements help to ensure that our management team will be incentivized to remain employed with Microchip during a change of control. Capitalized terms used herein and not defined shall have the meanings set forth in the change of control agreements. Additionally, our Plan has a change of control provision which provides that any successor company shall assume each outstanding award or provide an equivalent substitute award; however, if the successor fails to do so, vesting of awards shall accelerate. The Compensation Committee considered prevalent market practices in determining the severance amounts and the basis for selecting the events triggering payment in the agreements.

With respect to our CEO, CFO and VP of Worldwide Sales, if the executive officer's employment terminates for reasons other than Cause within the Change of Control Period, the executive officer will be entitled to receive severance benefits consisting of the following primary components:

- a one-time payment of his base salary in effect immediately prior to the Change of Control or termination date, whichever is greater, for the following periods: (1) in the case of the CEO, two years; (2) in the case of the CFO and the VP of Worldwide Sales, one year;

- a one-time payment of his bonuses for which he was or would have been eligible in the year in which the Change of Control occurred or for the year in which termination occurred, whichever is greater, for the following periods: (1) in the case of the CEO, two years; (2) in the case of the CFO and the VP of Worldwide Sales, one year;

- a continuation of medical and dental benefits (subject to any required employee contributions) for the following periods: (1) in the case of the CEO, two years; (2) in the case of the CFO and VP of Worldwide Sales, one year; provided in each case that such benefits would cease sooner if and when the executive officer becomes covered by the plans of another employer; and

- a payment to cover any excise tax that may be due under Section 4999 of the Code, if the payments provided for in the change of control agreement constitute "parachute payments" under Section 280G of the Code and the value of such payments is more than three times the executive officer's "base amount" as defined by Section 280G(b)(3) of the Code.

With respect to our CEO, the CFO and the VP of Worldwide Sales, immediately prior to a Change of Control (regardless of whether the executive officer's employment terminates), all equity compensation held by the executive officer shall become fully vested.

With respect to our executive officers other than the CEO, the CFO and the VP of Worldwide Sales, if the executive officer terminates his employment for Good Reason, or the executive's employment is terminated for reasons other than Cause within the Change of Control Period, the executive officer will be entitled to receive severance benefits consisting of the following primary components:

- a one-time payment of his base salary in effect immediately prior to the Change of Control or termination date, whichever is greater, for one year,
-

a one-time payment of his bonuses for which he was or would have been eligible in the year in which the Change of Control occurred or for the year in which termination occurred, whichever is greater, for one year, a continuation of medical and dental benefits (subject to any required employee contributions) for one year (provided in each case that such benefits would cease sooner if and when the executive officer becomes covered by the plans of another employer), and

a payment to cover any excise tax that may be due under Section 4999 of the Code, if the payments provided for in the change of control agreement constitute "parachute payments" under Section 280G of the Code and the value of such payments is more than three times the executive officer's "base amount" as defined by Section 280G(b)(3) of the Code.

With respect to our executive officers other than the CEO, the CFO and the VP of Worldwide Sales, immediately upon termination during the Change of Control Period other than for Cause, all equity compensation held by the executive officer shall become fully vested.

The following table sets forth the aggregate dollar value of payments, to the extent calculable, in the event of a termination of a named executive officer on March 31, 2012, the last business day of our last completed fiscal year.

Name	Salary	Bonus	Equity Compensation Due to Accelerated Vesting <sup>(1)</sup>	Tax Gross-up on Change of Control <sup>(2)</sup>	Continuation of Certain Benefits <sup>(3)</sup>
Steve Sanghi <sup>(4)</sup>	\$1,184,688	\$2,414,940	\$17,392,786	\$—	2 years
Ganesh Moorthy <sup>(5)</sup>	279,803	181,442	6,007,986	—	1 year
Mitchell R. Little <sup>(5)</sup>	273,535	136,347	3,452,309	—	1 year
Stephen V. Drehobl <sup>(5)</sup>	215,564	98,828	3,270,103	—	1 year
J. Eric Bjornholt <sup>(5)</sup>	197,531	70,807	1,966,355	—	1 year

(1) Value represents the gain our named executive officers would receive, calculated as the amount of unvested RSUs multiplied by our stock price on March 31, 2012.

(2) This payment covers any excise tax that may be payable under Section 4999 of the Code if the payments provided for under the change of control agreement constitute "parachute payments" under section 280G of the Code and the value of the payments is more than three times the executive officer's "base amount" as defined by Section 280G(b)(3) of the Code.

(3) Benefits continued under the change of control agreements are limited to company-paid medical, dental, vision and life insurance coverage at the same level of coverage the executive was provided immediately prior to termination of employment with Microchip. Amounts are not determinable at this time and are dependent on each executive officer's individual circumstances.

(4) The change of control payment includes an amount equal to twice the annual salary of the executive plus a bonus equal to two times the targeted annual amount payable to such executive under our management incentive compensation plans (EMICP and DMICP) and ECBP.

(5) The change of control payment includes an amount equal to one times the annual salary of the executive plus a bonus equal to the targeted annual amounts payable to such executive under our management incentive compensation plans (EMICP and DMICP) and ECBP.

#### Performance-Based Compensation and Financial Restatement

To date, Microchip has not experienced a financial restatement and has not considered or implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to its executive officers and other employees where such payments were predicated upon the achievement of certain financial results that would subsequently be the subject of a restatement.

#### Tax Deductibility

Section 162(m) of the Code disallows a corporate income tax deduction for executive compensation paid to our named executive officers in excess of \$1,000,000 per year, unless that income meets permitted exceptions. In order to enhance our ability to obtain tax deductions for executive compensation, our stockholders have approved our EMICP. This allows us to seek to have such compensation under our EMICP qualify as performance-based compensation under Section 162(m). Additionally, our Plan allows for the granting of performance-based awards such as RSUs. To the extent that we grant awards with such performance-based limitations, we would expect them to qualify as performance-based awards for purposes of 162(m).





To maintain flexibility in compensating Microchip's executive officers in a manner designed to promote varying corporate goals, it is not the policy of the Compensation Committee that executive compensation must be tax deductible. We intend to review the deductibility of executive officer compensation from time to time to determine whether any additional actions are advisable to obtain deductibility.

Conclusion

We believe that our executive team provided outstanding service to Microchip in fiscal 2012. We will work to assure that the executive compensation programs continue to meet Microchip's strategic goals as well as the overall objectives of the compensation program.

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COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION <sup>(a)</sup>

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The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the Compensation Committee of the Board of Directors:

L.B. Day (Chair)

Albert J. Hugo-Martinez

Wade F. Meyercord

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<sup>(a)</sup> The Compensation Committee Report on executive compensation is not "soliciting" material and is not deemed "filed" with the SEC, and is not incorporated by reference into any filings of Microchip under the Securities Act of 1933 or the Securities Exchange Act of 1934 whether made before or after the date hereof and irrespective of any general incorporation language contained in such filings.

## COMPENSATION OF NAMED EXECUTIVE OFFICERS

## SUMMARY COMPENSATION TABLE

The following table lists the annual compensation for our CEO, our CFO and our three other most highly compensated executive officers (referred to as the "named executive officers") earned in the last three fiscal years:

Name and Principal Position	Year	Salary <sup>(1)</sup>	Bonus <sup>(2)</sup>	Stock Awards <sup>(3)</sup>	Non-Equity Incentive Plan Compensation <sup>(4)</sup>	Change in Pension Value and Non-Qualified Deferred Compensation Earnings <sup>(5)</sup>	All Other Compensation <sup>(6)</sup>	Total
Steve Sanghi, President and CEO	2012	\$590,002	\$5,696	\$4,941,248	\$669,471	\$ —	\$3,763	\$6,210,180
	2011	550,712	42,850	2,488,972	2,228,209	—	6,663	5,317,406
	2010	505,762	17,404	3,165,451	1,361,316	—	3,546	5,053,479
Ganesh Moorthy, Executive VP and COO	2012	279,596	2,690	1,235,085	84,926	—	3,213	1,605,510
	2011	267,450	20,825	1,031,147	324,868	—	5,685	1,649,975
	2010	242,483	8,418	1,117,493	196,504	—	2,051	1,566,949
Mitchell R. Little, VP, Worldwide Sales and Applications	2012	273,332	2,630	665,603	62,608	—	4,196	1,008,369
	2011	261,646	20,358	568,912	243,486	—	5,898	1,100,300
	2010	240,290	8,269	666,901	148,757	—	2,769	1,066,986
Stephen V. Dreihobl, VP, Security, Microcontroller and Technology Development Division	2012	215,169	2,073	676,537	45,049	—	2,689	941,517
	2011	203,795	15,891	580,259	165,265	—	4,278	969,488
	2010	181,059	6,303	623,903	98,342	—	1,289	910,897
J. Eric Bjornholt, VP and CFO	2012	197,169	1,899	390,623	31,452	—	2,129	623,272
	2011	186,106	14,562	348,095	121,153	—	3,818	673,734
	2010	165,476	5,694	352,711	66,810	—	1,028	591,719

<sup>(1)</sup> Represents the base salary earned by each executive officer in the specified fiscal year.

<sup>(2)</sup> Represents bonuses earned by each executive officer in the specified fiscal year under our ECBP.

Represents the aggregate grant date fair value of awards of RSUs made in the specified fiscal year computed in accordance with ASC 718 Compensation - Stock Compensation. For information on the valuation assumptions

<sup>(3)</sup> made with respect to the grants of RSUs in fiscal 2012, please refer to Note 19, "Equity Incentive Plans" to Microchip's audited financial statements for the fiscal year ended March 31, 2012 included in our Annual Report on Form 10-K filed with the SEC on May 30, 2012.

<sup>(4)</sup> Represents the aggregate amount of bonuses earned by each executive officer in the specified fiscal year under our EMICP and DMICP. Each executive officer received the following payments under each of such plans in the

specified fiscal year:

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Named Executive Officer	Year	EMICP	DMICP
	2012	\$529,111	\$140,360
Steve Sanghi	2011	1,438,039	790,170
	2010	1,071,388	289,928
	2012	76,230	8,696
Ganesh Moorthy	2011	209,663	115,205
	2010	155,455	41,049
	2012	56,197	6,411
Mitchell R. Little	2011	157,140	86,345
	2010	117,075	31,682
	2012	40,436	4,613
Stephen V. Dreihobl	2011	106,659	58,607
	2010	77,295	21,047
	2012	28,231	3,221
J. Eric Bjornholt	2011	78,189	42,963
	2010	52,581	14,229

Any contributions under our non-qualified deferred compensation plan are invested at the discretion of the  
<sup>(5)</sup> executive officer and there are no above-market or preferential earnings on such amounts made or provided by Microchip.

Consists of company-matching contributions under our 401(k) retirement savings plan and the full dollar value of  
<sup>(6)</sup> premiums paid by Microchip for life insurance for the benefit of the named executive officer in the amounts shown below:

Named Executive Officer	Year	401(k)	Life Insurance
	2012	\$2,129	\$1,634
Steve Sanghi	2011	4,986	1,677
	2010	2,469	1,077
	2012	2,281	932
Ganesh Moorthy	2011	4,788	897
	2010	1,194	857
	2012	2,285	1,911
Mitchell R. Little	2011	4,221	1,677
	2010	1,173	1,596
	2012	1,908	782
Stephen V. Dreihobl	2011	3,760	518
	2010	889	400
	2012	1,824	305
J. Eric Bjornholt	2011	3,542	276
	2010	808	220

#### Grants of Plan-Based Awards During Fiscal 2012

The following table sets forth information with respect to our EMICP, our DMICP, and our ECBP, as well as RSUs granted to our named executive officers under our Plan, including the grant date fair value of the RSUs. Amounts listed in the "Estimated Future Payouts Under Non-Equity Incentive Plan Awards" column are annual targets based on the salaries of the named executive officers at the end of fiscal 2012. Actual payments for our bonus plans in fiscal 2012 are reflected in the Summary Compensation Table above. Equity awards in the table below were granted in

fiscal 2012.

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## GRANTS OF PLAN-BASED AWARDS

For Fiscal Year Ended March 31, 2012

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(2)</sup>	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(3)</sup>
		Threshold (\$) <sup>(1)</sup>	Target (\$)	Maximum (\$) <sup>(1)</sup>				
Steve Sanghi	4/1/2011	—	—	—	14,000	—	—	492,660
	4/1/2011	—	—	—	14,000	—	—	474,600
	4/1/2011	—	—	—	14,000	—	—	457,240
	4/1/2011	—	—	—	24,894	—	—	813,038
	7/1/2011	—	—	—	24,901	—	—	814,512
	9/1/2011	—	—	—	9,107	—	—	279,038
	10/3/2011	—	—	—	31,022	—	—	805,021
	1/3/2012	—	—	—	26,398	—	—	805,139
	—	—	944,003 <sup>(4)</sup>	—	—	—	—	—
	—	—	236,001 <sup>(5)</sup>	—	—	—	—	—
	—	—	22,692 <sup>(6)</sup>	—	—	—	—	—
	4/1/2011	—	—	—	9,187	—	—	300,047
Ganesh Moorthy	7/1/2011	—	—	—	9,190	—	—	300,605
	9/1/2011	—	—	—	1,312	—	—	40,200
	10/3/2011	—	—	—	11,449	—	—	297,102
	1/3/2012	—	—	—	9,742	—	—	297,131
	—	—	136,443 <sup>(4)</sup>	—	—	—	—	—
	—	—	34,111 <sup>(5)</sup>	—	—	—	—	—
	—	—	10,754 <sup>(6)</sup>	—	—	—	—	—
	4/1/2011	—	—	—	4,890	—	—	159,707
	7/1/2011	—	—	—	4,891	—	—	159,985
	9/1/2011	—	—	—	967	—	—	29,629
Mitchell R. Little	10/3/2011	—	—	—	6,094	—	—	158,139
	1/3/2012	—	—	—	5,185	—	—	158,143
	—	—	100,586 <sup>(4)</sup>	—	—	—	—	—
	—	—	25,147 <sup>(5)</sup>	—	—	—	—	—
	—	—	10,513 <sup>(6)</sup>	—	—	—	—	—
	4/1/2011	—	—	—	5,038	—	—	164,541
	7/1/2011	—	—	—	5,039	—	—	164,826
Stephen V. Drehobl	9/1/2011	—	—	—	696	—	—	21,325
	10/3/2011	—	—	—	6,278	—	—	162,914
	1/3/2012	—	—	—	5,342	—	—	162,931
	—	—	72,297 <sup>(4)</sup>	—	—	—	—	—
	—	—	18,074 <sup>(5)</sup>	—	—	—	—	—
	—	—	8,276 <sup>(6)</sup>	—	—	—	—	—
	4/1/2011	—	—	—	2,815	—	—	91,938
	7/1/2011	—	—	—	2,816	—	—	92,111
J. Eric Bjornholt	9/1/2011	—	—	—	486	—	—	14,891
	10/3/2011	—	—	—	3,508	—	—	91,033

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1/3/2012	—	—	—	3,300	—	—	100,650
—	—	50,475 <sup>(4)</sup>	—	—	—	—	—
—	—	12,619 <sup>(5)</sup>	—	—	—	—	—
—	—	7,583 <sup>(6)</sup>	—	—	—	—	—

- Individual awards under our EMICP, DMICP and ECBP are made quarterly and are not stated in terms of a threshold or maximum amount for an award period. The EMICP does provide that the maximum amount payable to any participant is \$2.5 million for any performance period (which can be a fiscal quarter, a fiscal year or a longer period not exceeding five fiscal years).
- (1) Represents RSUs granted under Microchip's 2004 Equity Incentive Plan.  
This column shows the full grant date fair value of RSU awards granted to the named executives in fiscal 2012.
  - (2) Generally, the full grant date fair value is the amount that Microchip would expense in its financial statements over the award's vesting schedule.
  - (3) This annual target represents the portion of the executive officer's base salary (as measured at the end of fiscal 2012) targeted for estimated future payout in fiscal 2013 under Microchip's EMICP.
  - (4) This annual target represents the portion of the executive officer's base salary (as measured at the end of fiscal 2012) targeted for estimated future payout in fiscal 2013 under Microchip's DMICP.
  - (5) Microchip's ECBP annual target is based on 2.5 days of base salary per quarter, or on an annual basis, two weeks of the executive officer's annual base salary. See page 23 of the "Compensation Discussion and Analysis" section of this proxy statement for further explanation of our ECBP.
  - (6)

#### Summary Compensation Table and Grants of Awards Table Discussion

Based on the data stated in the Summary Compensation Table, the level of salary, bonus, non-equity incentive plan compensation, and other compensation in proportion to total compensation ranged from approximately 20.4% to 37.3% for our named executive officers in fiscal 2012. See the "Compensation Discussion and Analysis" section of this proxy statement for further discussion of overall compensation and how compensation is determined.

We do not have employment contracts with our named executive officers, nor agreements to pay severance on involuntary termination (other than as stated in the change of control agreements discussed above under the heading "Employment Contracts, Termination of Employment and Change of Control Arrangements") or retirement.

For a discussion of the material terms of the awards listed in the Grants of Awards Table, see our discussion of the equity awards and incentive cash bonuses in the "Compensation Discussion and Analysis" section of this proxy statement under the headings "Incentive Cash Bonuses," "Equity Compensation," and "Employee Cash Bonus Plan." Microchip has not repriced any stock options or made any material modifications to any equity-based awards during the last fiscal year.



## Outstanding Equity Awards at Fiscal 2012 Year End

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(27)</sup> (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Steve Sanghi	183,750 <sup>(1)</sup>	—	—	24.04	10/25/2012	—	—	—	—
	2,602 <sup>(1)</sup>	—	—	18.48	4/9/2013	—	—	—	—
	58,541 <sup>(1)</sup>	—	—	18.48	4/9/2013	—	—	—	—
	135,000 <sup>(1)</sup>	—	—	18.48	4/9/2013	—	—	—	—
	70,249 <sup>(1)</sup>	—	—	26.14	10/9/2013	—	—	—	—
	23,400 <sup>(1)</sup>	—	—	27.39	10/24/2013	—	—	—	—
	10,000 <sup>(1)</sup>	—	—	27.05	4/1/2014	—	—	—	—
	145,000 <sup>(1)</sup>	—	—	27.05	4/1/2014	—	—	—	—
	145,000 <sup>(1)</sup>	—	—	26.25	7/21/2014	—	—	—	—
	145,000 <sup>(1)</sup>	—	—	25.29	4/1/2015	—	—	—	—
	—	—	—	—	—	20,029 <sup>(2)</sup>	745,079	—	—
	—	—	—	—	—	26,700 <sup>(3)</sup>	993,240	—	—
	—	—	—	—	—	38,624 <sup>(4)</sup>	1436813	—	—
	—	—	—	—	—	33,400 <sup>(5)</sup>	1242480	—	—
	—	—	—	—	—	31,683 <sup>(6)</sup>	1178608	—	—
	—	—	—	—	—	28,570 <sup>(7)</sup>	1062804	—	—
	—	—	—	—	—	8,336 <sup>(8)</sup>	310099	—	—
	—	—	—	—	—	24,712 <sup>(9)</sup>	919286	—	—
	—	—	—	—	—	25,607 <sup>(10)</sup>	952580	—	—
	—	—	—	—	—	25,995 <sup>(11)</sup>	967,014	—	—
	—	—	—	—	—	22,958 <sup>(12)</sup>	854,038	—	—
	—	—	—	—	—	22,612 <sup>(13)</sup>	841,166	—	—
	—	—	—	—	—	14,000 <sup>(14)</sup>	520,800	—	—
	—	—	—	—	—	14,000 <sup>(15)</sup>	520,800	—	—
	—	—	—	—	—	14,000 <sup>(16)</sup>	520,800	—	—
	—	—	—	—	—	24,894 <sup>(17)</sup>	926,057	—	—
	—	—	—	—	—	24,901 <sup>(18)</sup>	926,317	—	—
	—	—	—	—	—	9,107 <sup>(19)</sup>	338,780	—	—
	—	—	—	—	—	31,022 <sup>(20)</sup>	1,154,018	—	—
	—	—	—	—	—	26,398 <sup>(21)</sup>	982,006	—	—

## Outstanding Equity Awards at Fiscal 2012 Year End

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(27)</sup> (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Ganesh Moorthy	26,000 <sup>(1)</sup>	—	—	24.04	10/25/2012	—	—	—	—
	35,000 <sup>(1)</sup>	—	—	18.48	4/9/2013	—	—	—	—
	7,060 <sup>(1)</sup>	—	—	26.14	10/9/2013	—	—	—	—
	5,000 <sup>(1)</sup>	—	—	27.05	4/1/2014	—	—	—	—
	40,000 <sup>(1)</sup>	—	—	27.05	4/1/2014	—	—	—	—
	25,000 <sup>(1)</sup>	—	—	26.25	7/21/2014	—	—	—	—
	40,000 <sup>(1)</sup>	—	—	25.29	4/1/2015	—	—	—	—
	—	—	—	—	—	7,439 <sup>(2)</sup>	276,731	—	—
	—	—	—	—	—	10,000 <sup>(3)</sup>	372,000	—	—
	—	—	—	—	—	14,346 <sup>(4)</sup>	533,671	—	—
	—	—	—	—	—	12,406 <sup>(5)</sup>	461,503	—	—
	—	—	—	—	—	11,768 <sup>(6)</sup>	437,770	—	—
	—	—	—	—	—	11,428 <sup>(7)</sup>	425,122	—	—
	—	—	—	—	—	3,096 <sup>(8)</sup>	115,171	—	—
	—	—	—	—	—	9,885 <sup>(9)</sup>	367,722	—	—
	—	—	—	—	—	10,609 <sup>(10)</sup>	394,655	—	—
	—	—	—	—	—	10,769 <sup>(11)</sup>	400,607	—	—
	—	—	—	—	—	9,511 <sup>(12)</sup>	353,809	—	—
	—	—	—	—	—	9,368 <sup>(13)</sup>	348,490	—	—
	—	—	—	—	—	9,187 <sup>(17)</sup>	341,756	—	—
	—	—	—	—	—	9,190 <sup>(18)</sup>	341,868	—	—
	—	—	—	—	—	1,312 <sup>(19)</sup>	48,806	—	—
	—	—	—	—	—	11,449 <sup>(20)</sup>	425,903	—	—
	—	—	—	—	—	9,742 <sup>(21)</sup>	362,402	—	—

## Outstanding Equity Awards at Fiscal 2012 Year End

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(27)</sup> (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Mitchell R. Little	—	—	—	—	—	4,578 <sup>(2)</sup>	170,302	—	—
	—	—	—	—	—	6,200 <sup>(3)</sup>	230,640	—	—
	—	—	—	—	—	8,828 <sup>(4)</sup>	328,402	—	—
	—	—	—	—	—	7,634 <sup>(5)</sup>	283,985	—	—
	—	—	—	—	—	7,242 <sup>(6)</sup>	269,402	—	—
	—	—	—	—	—	6,530 <sup>(7)</sup>	242,916	—	—
	—	—	—	—	—	1,905 <sup>(8)</sup>	70,866	—	—
	—	—	—	—	—	5,649 <sup>(9)</sup>	210,143	—	—
	—	—	—	—	—	5,853 <sup>(10)</sup>	217,732	—	—
	—	—	—	—	—	5,942 <sup>(11)</sup>	221,042	—	—
	—	—	—	—	—	5,248 <sup>(12)</sup>	195,226	—	—
	—	—	—	—	—	5,168 <sup>(13)</sup>	192,250	—	—
	—	—	—	—	—	4,890 <sup>(17)</sup>	181,908	—	—
	—	—	—	—	—	4,891 <sup>(18)</sup>	181,945	—	—
	—	—	—	—	—	967 <sup>(19)</sup>	35,972	—	—
	—	—	—	—	—	6,094 <sup>(20)</sup>	226,697	—	—
	—	—	—	—	—	5,185 <sup>(21)</sup>	192,882	—	—

## Outstanding Equity Awards at Fiscal 2012 Year End

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(27)</sup> (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Stephen V. Dreihobl	—	—	—	—	—	4,006 <sup>(2)</sup>	149,023	—	—
	—	—	—	—	—	5,400 <sup>(3)</sup>	200,880	—	—
	—	—	—	—	—	7,725 <sup>(4)</sup>	287,370	—	—
	—	—	—	—	—	6,680 <sup>(5)</sup>	248,496	—	—
	—	—	—	—	—	6,337 <sup>(6)</sup>	235,736	—	—
	—	—	—	—	—	5,714 <sup>(7)</sup>	212,561	—	—
	—	—	—	—	—	2,145 <sup>(8)</sup>	79,794	—	—
	—	—	—	—	—	5,295 <sup>(9)</sup>	196,974	—	—
	—	—	—	—	—	5,853 <sup>(10)</sup>	217,732	—	—
	—	—	—	—	—	5,942 <sup>(11)</sup>	221,042	—	—
	—	—	—	—	—	5,248 <sup>(12)</sup>	195,226	—	—
	—	—	—	—	—	5,168 <sup>(13)</sup>	192,250	—	—
	—	—	—	—	—	5,038 <sup>(17)</sup>	187,414	—	—
	—	—	—	—	—	5,039 <sup>(18)</sup>	187,451	—	—
	—	—	—	—	—	696 <sup>(19)</sup>	25,891	—	—
	—	—	—	—	—	6,278 <sup>(20)</sup>	233,542	—	—
	—	—	—	—	—	5,342 <sup>(21)</sup>	198,722	—	—

## Outstanding Equity Awards at Fiscal 2012 Year End

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
J. Eric Bjornholt	—	—	—	—	—	679 <sup>(2)</sup>	25,259	—	—
	—	—	—	—	—	760 <sup>(22)</sup>	28,272	—	—
	—	—	—	—	—	846 <sup>(3)</sup>	31,471	—	—
	—	—	—	—	—	4,500 <sup>(4)</sup>	167,400	—	—
	—	—	—	—	—	4,414 <sup>(4)</sup>	164,201	—	—
	—	—	—	—	—	3,817 <sup>(5)</sup>	141,992	—	—
	—	—	—	—	—	3,621 <sup>(6)</sup>	134,701	—	—
	—	—	—	—	—	3,673 <sup>(7)</sup>	136,636	—	—
	—	—	—	—	—	954 <sup>(8)</sup>	35,489	—	—
	—	—	—	—	—	3,177 <sup>(9)</sup>	118,184	—	—
	—	—	—	—	—	250 <sup>(23)</sup>	9,300	—	—
	—	—	—	—	—	3,292 <sup>(10)</sup>	122,462	—	—
	—	—	—	—	—	250 <sup>(24)</sup>	9,300	—	—
	—	—	—	—	—	3,342 <sup>(11)</sup>	124,322	—	—
	—	—	—	—	—	250 <sup>(25)</sup>	9,300	—	—
	—	—	—	—	—	2,952 <sup>(12)</sup>	109,814	—	—
	—	—	—	—	—	250 <sup>(26)</sup>	9,300	—	—
	—	—	—	—	—	2,907 <sup>(13)</sup>	108,140	—	—
	—	—	—	—	—	2,815 <sup>(17)</sup>	104,718	—	—
	—	—	—	—	—	2,816 <sup>(18)</sup>	104,755	—	—
	—	—	—	—	—	486 <sup>(19)</sup>	18,079	—	—
	—	—	—	—	—	3,508 <sup>(20)</sup>	130,498	—	—
	—	—	—	—	—	3,300 <sup>(21)</sup>	122,760	—	—

(1) The option is fully vested.

(2) The award vested in full on May 1, 2012, subject to continued service on such date.

(3) The award vests in full on November 1, 2012, subject to continued service on such date.

(4) The award vests in full on February 1, 2013, subject to continued service on such date.

(5) The award vests in full on May 1, 2013, subject to continued service on such date.

(6) The award vests in full on August 15, 2013, subject to continued service on such date.

(7) The award vests in full on November 15, 2013, subject to continued service on such date.

(8) The award vests quarterly over three quarters commencing on May 15, 2012, subject to continued service on such dates.

(9) The award vests in full on February 15, 2014, subject to continued service on such date.

<sup>(10)</sup> The award vests in full on May 15, 2014, subject to continued service on such date.

<sup>(11)</sup> The award vests in full on August 15, 2014, subject to continued service on such date.

- (12) The award vests in full on November 15, 2014, subject to continued service on such date.
- (13) The award vests in full on February 15, 2015, subject to continued service on such date.
- (14) The award vests quarterly over a one-year period, commencing on May 15, 2012, subject to continued service on such dates.
- (15) The award vests quarterly over a one-year period commencing on May 15, 2013, subject to continued service on such dates.
- (16) The award vests quarterly over a one-year period commencing on May 15, 2014, subject to continued service on such dates.
- (17) The award vests in full on May 15, 2015, subject to continued service on such date.
- (18) The award vests in full on August 15, 2015, subject to continued service on such date.
- (19) The award vests quarterly in two installments commencing on November 15, 2012, subject to continued service on such date.
- (20) The award vests in full on November 15, 2015, subject to continued service on such date.
- (21) The award vests in full on February 15, 2016, subject to continued service on such date.
- (22) The award vested in full on August 1, 2012, subject to continued service on such date.
- (23) The award vests in full on May 15, 2012, subject to continued service on such date.
- (24) The award vests in full on August 15, 2012, subject to continued service on such date.
- (25) The award vests in full on November 15, 2012, subject to continued service on such date.
- (26) The award vests in full on February 15, 2013, subject to continued service on such date.
- (27) Represents the number of RSUs multiplied by \$37.20, the closing price of our common stock on March 31, 2012.

#### OPTION EXERCISES AND STOCK VESTED

For Fiscal Year Ended March 31, 2012

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
	26,457	334,797	17,500	711,025
	49,939	487,824	2,775	112,748
	100,000	977,100	2,778	111,981
	9,411	91,741	2,775	93,573
Steve Sanghi,	93,089	916,927	2,778	89,841
President and CEO	47,562	767,494	2,775	95,682
	50,000	659,000	32,778	1,130,185
	50,000	656,305	2,778	102,425
	20,000	262,948	37,966	1,426,003
	—	—	2,778	101,953

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
	23,100	306,925	5,500	223,465
	26,000	435,235	1,500	60,945
	10,000	98,507	1,032	41,600
	16,000	158,200	1,500	50,580
Ganesh Moorthy,	900	9,699	1,032	33,375
Executive Vice	3,600	38,795	1,500	51,720
President and COO	6,500	70,047	10,302	355,213
	23,000	247,860	1,032	38,050
	—	—	3,000	112,680
	—	—	11,932	448,166
	—	—	1,032	37,874
	—	—	4,000	162,520
	—	—	775	31,488
	—	—	635	25,597
	—	—	775	26,133
Mitchell R. Little,	—	—	635	20,536
President and COO	—	—	775	26,722
	—	—	7,492	258,324
	—	—	635	23,412
	—	—	8,678	325,946
	—	—	635	23,305
	20,000	306,398	3,500	142,205
	24,000	325,438	863	35,064
	—	—	419	16,890
Stephen V. Dreobl,	—	—	714	28,781
VP, Security,	—	—	863	29,100
Microcontroller and	—	—	714	23,091
Technology	—	—	863	29,756
Development	—	—	6,556	226,051
Division	—	—	714	26,325
	—	—	7,593	285,193
	—	—	714	26,204



Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
J. Eric Bjornholt, VP and CFO	326	4,263	77	3,129
	1,000	15,138	190	7,720
	3,300	53,124	425	17,268
	—	—	317	12,778
	—	—	213	7,182
	—	—	425	14,331
	—	—	317	10,252
	—	—	237	8,172
	—	—	430	14,826
	—	—	317	11,688
	—	—	521	19,569
	—	—	4,000	150,240
	—	—	318	11,671

## Non-Qualified Deferred Compensation for Fiscal Year 2012

All of our U.S. employees in director-level and above positions, including our executive officers, are eligible to defer a portion of their salary and cash bonuses into our Non-Qualified Deferred Compensation Plan, or the Deferred Compensation Plan. Pursuant to the Deferred Compensation Plan, eligible employees can defer up to 50% of their base salary and/or cash bonuses. In general, deferral elections are made prior to January of each year for amounts to be earned in the upcoming year. Participants may invest amounts in various funds available under the Deferred Compensation Plan (in general, any of those funds traded on a nationally recognized exchange). Plan earnings are calculated by reference to actual earnings of mutual funds or other securities chosen by individual participants. Except for a change in control or certain unforeseeable emergencies (as defined under the Deferred Compensation Plan), benefits under the plan will not be distributed until a "distribution event" has occurred. The distribution event occurs upon termination of employment.

We incur incidental expenses for administration of the Deferred Compensation Plan, and the receipt of any tax benefit we might obtain based on payment of a participant's compensation is delayed until funds (including earnings or losses on the amounts invested pursuant to the plan) are eventually distributed. We do not pay any additional compensation or guarantee minimum returns to any participant in the Deferred Compensation Plan.

The following table shows the non-qualified deferred compensation activity for each named executive officer for the fiscal year ended March 31, 2012.

## NON-QUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last FY <sup>(1)</sup>	Registrant Contributions in Last FY	Aggregate Earnings in Last FY <sup>(1)</sup>	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE <sup>(1)</sup>
Steve Sanghi	\$—	\$—	\$—	\$—	\$—
Ganesh Moorthy	—	—	9,009	—	117,082
Mitchell R. Little	—	—	—	—	—
Stephen V. Drehobl	13,265	—	1,040	—	19,366
J. Eric Bjornholt	18,244	—	(6,842	)—	84,943

The executive contribution amounts shown in the table were previously reported in the "Summary Compensation Table" as salary and/or bonus for fiscal 2012 or prior fiscal years. The earnings amounts shown in the table were

<sup>(1)</sup> not previously reported for fiscal 2012 or prior years under applicable SEC rules as such earnings were not under a defined benefit or actuarial pension plan and there were no above-market or preferential earnings on such amounts made or provided by Microchip.

## Equity Compensation Plan Information

The table below provides information about our common stock that, as of March 31, 2012, may be issued upon the vesting of RSUs, exercise of options and rights under the following equity compensation plans (which are all of our equity compensation plans):

- ♣Microchip 1993 Stock Option Plan,
- ♣Microchip 1994 International Employee Stock Purchase Plan,
- ♣Microchip 1997 Nonstatutory Stock Option Plan,
- ♣Microchip 2001 Employee Stock Purchase Plan, and
- ♣Microchip 2004 Equity Incentive Plan.



Plan Category	(a) Number of securities to be issued upon exercise of outstanding options and vesting of RSUs	(b) Weighted-average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Stockholders <sup>(1)</sup>	7,715,639 <sup>(2)</sup>	\$ 25.36 <sup>(3)</sup>	11,604,633
Equity Compensation Plans Not Approved by Stockholders <sup>(4)</sup>	1,137,578	\$ 24.60	—
Total	8,853,217	\$ 25.12	11,604,633

Beginning January 1, 2005, the shares authorized for issuance under our 2001 Employee Stock Purchase Plan, or the ESPP, are subject to an annual automatic increase equal to the lesser of (i) 1,500,000 shares, (ii) one-half of one percent (0.5%) of the then outstanding shares of our common stock, or (iii) such lesser amount as is approved by our Board of Directors. In fiscal 2012, our Board of Directors approved an increase of 960,269 shares authorized for issuance under the ESPP, which represented approximately 0.5% of our then outstanding shares of common stock. Beginning January 1, 2007, the shares authorized for issuance under our 1994 International Employee Stock Purchase Plan, or the IESPP, are subject to an annual automatic increase of equal to one-tenth of one percent (0.10%) of the then outstanding shares of our common stock. In fiscal 2012, our Board of Directors approved an increase of 192,054 shares authorized for issuance under the IESPP, which represented approximately 0.1% of our then outstanding shares of common stock.

Includes 5,492,220 shares issuable upon the vesting of RSUs granted under our 2004 Equity Incentive Plan, and 1,002,226 shares issuable upon the exercise of outstanding options granted under our 2004 Equity Incentive Plan. The remaining balance consists of outstanding stock option grants under the 1993 Stock Option Plan.

The weighted average exercise price does not take into account the shares issuable upon vesting of outstanding RSUs, which have no exercise price.

All of these options are outstanding under our 1997 Nonstatutory Stock Option Plan. No additional options may be granted under this plan.

#### Equity Compensation Plans Not Approved by Stockholders

##### Microchip Technology Incorporated 1997 Nonstatutory Stock Option Plan

In November 1997, our Board of Directors approved the Microchip 1997 Nonstatutory Stock Option Plan, or our 1997 Plan. Under our 1997 Plan, nonqualified stock options were granted to employees who were not officers or directors of Microchip and to our consultants. The 1997 Plan was not submitted to our stockholders for approval because doing so was not required under applicable rules and regulations in effect at the time the plan was initially adopted or when it was amended.

The expiration date, maximum number of shares purchasable, and other provisions of options granted under the 1997 Plan, including vesting provisions, were established at the time of grant by either the Compensation Committee or the Employee Committee appointed by the Board of Directors, provided that the exercise price of an option could not be less than the fair market value of our common stock on the date of grant and no option could have a term of more than 10 years. If Microchip is acquired by merger, consolidation or asset sale, each outstanding option that is not assumed by the successor corporation or otherwise replaced with a comparable option will automatically accelerate and vest in full. In connection with a change of control of Microchip by tender offer or proxy contest for board membership, our Board of Directors can accelerate the vesting of outstanding options. Our Board of Directors or Compensation Committee may amend or terminate the 1997 Plan without stockholder approval, but no amendment or termination of

the 1997 Plan may adversely affect any award previously granted under the 1997 Plan without the written consent of the stock option holder.

## CODE OF ETHICS

In May, 2004, our Board of Directors adopted a code of ethics for our directors, officers (including our chief executive officer and chief financial officer), and employees. A copy of the code of ethics, as amended to date, is available on our website at the About Us/Corporate Responsibility section under Ethics and Conduct on [www.microchip.com](http://www.microchip.com).

We intend to post on our website any amendment to, or waiver from, a provision of our code of ethics within four business days following the date of such amendment or waiver or such other time period required by SEC rules.

## OTHER MATTERS

### Other Matters to be Presented at the Annual Meeting

At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the annual meeting.

### Requirements, Including Deadlines, for Receipt of Stockholder Proposals for the 2013 Annual Meeting of Stockholders; Discretionary Authority to Vote on Stockholder Proposals

Under SEC rules, if a stockholder wants us to include a proposal in our proxy statement and form of proxy for our 2013 annual meeting, our Secretary must receive the proposal at our principal executive offices by March 14, 2013. Stockholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of applicable securities laws. The submission of a stockholder proposal does not guarantee that it will be included in our proxy statement.

Under our Bylaws, stockholders must follow certain procedures to nominate a person for election as a director or to introduce an item of business at our annual meeting. Under these procedures, stockholders must submit the proposed nominee or item of business by delivering a notice addressed to our Secretary at our principal executive offices. We must receive notice as follows:

Normally we must receive notice of a stockholder's intention to introduce a nomination or proposed item of business for an annual meeting not less than 90 days before the first anniversary of the date on which we first mailed our proxy statement to stockholders in connection with the previous year's annual meeting of stockholders. Accordingly, a stockholder who intends to submit a nomination or proposal for our 2013 annual meeting must do so no later than April 13, 2013.

However, if we hold our 2013 annual meeting on a date that is not within 30 days before or after the anniversary date of our 2012 annual meeting, we must receive the notice no later than the close of business on the later of the 90<sup>th</sup> day prior to our 2013 annual meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of such annual meeting is first made.

- A stockholder's submission must include certain specified information concerning the proposal or nominee, as the case may be, and information as to the stockholder's ownership of our common stock. Proposals or nominations not meeting these requirements will not be considered at our 2013 annual meeting.

If a stockholder does not comply with the requirements of this advance notice provision, the proxies may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such proposal or nomination submitted by a stockholder.

To make any submission or to obtain additional information as to the proper form and content of submissions, stockholders should contact our Secretary in writing at 2355 West Chandler Boulevard, Chandler, Arizona 85224-6199.

#### Householding of Annual Meeting Materials

Some brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of our proxy statement and annual report may have been sent to multiple stockholders in a stockholder's household. Additionally, you may have notified us that multiple stockholders share an address and thus you requested to receive only one copy of our proxy statement and annual report. While our proxy statement and 2012 Annual Report are available online (see "Electronic Access to Proxy Statement and Annual Report" on page 3), we will promptly deliver a separate copy of either document to any stockholder who contacts our investor relations department at 480-792-7761 or by mail addressed to Investor Relations, Microchip Technology Incorporated, 2355 West Chandler Boulevard,

Chandler, Arizona 85224-6199, requesting such copies. If a stockholder is receiving multiple copies of our proxy statement and annual report at the stockholder's household and would like to receive a single copy of the proxy statement and annual report for a stockholder's household in the future, stockholders should contact their broker, or other nominee record holder to request mailing of a single copy of the proxy statement and annual report.

Stockholders receiving multiple copies of these documents directly from us, and who would like to receive single copies in the future, should contact our investor relations department to make such a request.

#### Date of Proxy Statement

The date of this proxy statement is July 12, 2012.



APPENDIX A

MICROCHIP TECHNOLOGY INCORPORATED  
2004 EQUITY INCENTIVE PLAN

(As amended and restated by the Board of Directors on May 22, 2012, subject to stockholder approval)

1.Purposes of the Plan. The purposes of this 2004 Equity Incentive Plan are:

to attract and retain the best available personnel,  
to provide additional incentive to Service Providers, and  
to promote the success of the Company's business.

Awards granted under the Plan may be Nonstatutory Stock Options, Restricted Stock, Stock Appreciation Rights, Performance Shares, Performance Units or Deferred Stock Units, as determined by the Administrator at the time of grant.

2.Definitions. As used herein, the following definitions shall apply:

(a)"Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b)"Applicable Laws" means the legal requirements relating to the administration of equity compensation plans under state and federal corporate and securities laws and the Code.

(c)"Award" means, individually or collectively, a grant under the Plan of Options, Restricted Stock, Stock Appreciation Rights, Performance Shares, Performance Units or Deferred Stock Units.

(d)"Award Agreement" means the written agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e)"Awarded Stock" means the Common Stock subject to an Award.

(f)"Board" means the Board of Directors of the Company.

(g) "Change of Control" means the occurrence of any of the following events, in one or a series of related transactions:

(1)any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act, other than the Company, a subsidiary of the Company or a Company employee

benefit plan, including any trustee of such plan acting as trustee, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; or

(2) a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(3) the sale or disposition by the Company of all or substantially all of the Company's assets; or

(4) a change in the composition of the Board, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are Directors as of the date this Plan is approved by the Board, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors and whose election or nomination was not in connection with any transaction described in (1) or (2) above or in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(h) "Code" means the Internal Revenue Code of 1986, as amended.

(i) "Committee" means a committee appointed by the Board in accordance with Section 4 of the Plan.

(j) "Common Stock" means the common stock of the Company.

(k) "Company" means Microchip Technology Incorporated.

(l) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services. The term Consultant shall not include Directors who are compensated by the Company only for their service as Directors.

(m) "Deferred Stock Unit" means a deferred stock unit Award granted to a Participant pursuant to Section 13.

(n) "Director" means a member of the Board.

(o) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(p)"Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(q)"Exchange Act" means the Securities Exchange Act of 1934, as amended.

(r)"Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(1)If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market of the National Association of Securities Dealers, Inc. Automated Quotation ("Nasdaq") System, the Fair Market Value of a Share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such system or exchange (or the exchange with the greatest volume of trading in Common Stock) on the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(2)If the Common Stock is quoted on the Nasdaq System (but not on the Nasdaq National Market thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(3)In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(s)"Fiscal Year" means a fiscal year of the Company.

(t)"Fiscal Quarter" means a fiscal quarter of the Company.

(u)"Non-Employee Director" means a member of the Board who is not an Employee.

(v)"Nonstatutory Stock Option" means an Option not intended to qualify as an incentive stock option under Section 422 of the Code and regulations promulgated thereunder.

(w)"Notice of Grant" means a written or electronic notice evidencing certain terms and conditions of an individual Award. The Notice of Grant is part of the Option Agreement.

(x)"Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(y)"Option" means a stock option granted pursuant to the Plan.

(z)"Option Agreement" means a written or electronic agreement between the Company and a Participant evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(aa)"Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(ab)"Participant" means the holder of an outstanding Award granted under the Plan.

(ac)"Performance Goals" means the goal(s) (or combined goal(s)) determined by the Administrator (in its discretion) to be applicable to a Participant with respect to an Award. As determined by the Administrator, the performance measures for any performance period will be any one or more of the following objective performance criteria, applied to either the Company as a whole or, except with respect to stockholder return metrics, to a region, business unit, affiliate or business segment or specific product or products, and measured either on an absolute basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, and, with respect to financial metrics, which may be determined in accordance with United States Generally Accepted Accounting Principles ("GAAP"), in accordance with accounting principles established by the International Accounting Standards Board ("IASB Principles") or which may be adjusted when established to exclude any items otherwise includable under GAAP or under IASB Principles or any other objectively determinable items including, without limitation, (a) any extraordinary non-recurring items, (b) the effect of any merger, acquisition, or other business combination or divestiture, or (c) the effect of any changes in accounting principles affecting the Company's or a business units', region's, affiliate's or business segment's reported results: (i) cash flow (including operating cash flow or free cash flow), (ii) cash position, (iii) revenue (on an absolute basis or adjusted for currency effects), (iv) revenue growth, (v) contribution margin, (vi) gross margin or gross margin as a percentage of revenue, (vii) operating margin or operating margin as a percentage of revenue (viii) operating expenses or operating expenses as a percentage of revenue, (ix) earnings (which may include earnings before interest and taxes, earnings before taxes and net earnings), (x) earnings per share, (xi) net income, (xii) stock price, (xiii) return on equity, (xiv) total stockholder return, (xv) growth in stockholder value relative to a specified publicly reported index (such as the S&P 500 Index), (xvi) return on capital, (xvii) return on assets or net assets, (xviii) return on investment, (xix) operating profit or net operating profit, (xx) market share (which may include ranking for a specific product line or market share percentage for a given product line), (xxi) contract awards or backlog, (xxii) overhead or other expense reduction, (xxiii) credit rating, (xxiv) objective customer indicators, (xxv) new product invention or innovation, (xxvi) attainment of research and development milestones, (xxvii) improvements in productivity, (xxviii) attainment of objective operating goals, and (xxix) objective employee metrics. The Performance Goals may differ from Participant to Participant and from Award to Award.

(ad)"Performance Share" means a performance share Award granted to a Participant pursuant to Section 11.

(ae) "Performance Unit" means a performance unit Award granted to a Participant pursuant to Section 12.

(af) "Plan" means this 2004 Equity Incentive Plan.

(ag) "Restricted Stock" means Shares granted pursuant to Section 10 of the Plan.

(ah) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(ai) "Section 16(b)" means Section 16(b) of the Exchange Act, as amended.

(aj) "Service Provider" means an Employee, Consultant or Non-Employee Director.

(ak) "Share" means a share of the Common Stock, as adjusted in accordance with Section 19 of the Plan.

(al) "Stock Appreciation Right" or "SAR" means an Award granted pursuant to Section 9 of the Plan.

(am) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 19 of the Plan, the maximum aggregate number of Shares which may be issued under the Plan is 30,300,000 Shares plus any Shares subject to any outstanding options under the Company's 1993 or 1997 Nonstatutory Stock Option Plans that expire unexercised, up to a maximum of an additional 5,000,000 Shares.

The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Award expires or becomes unexercisable without having been exercised in full, or with respect to Restricted Stock, Performance Shares, Performance Units or Deferred Stock Units, is forfeited to or repurchased by the Company, the unpurchased Shares (or for Awards other than Options and SARs, the forfeited or repurchased Shares) which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to SARs, only Shares actually issued pursuant to an SAR shall cease to be available under the Plan; all remaining Shares under SARs shall remain available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan under any Award shall not be returned to the Plan and shall not become available for future distribution under the Plan; provided, however, that if Shares of Restricted Stock, Performance Shares, Performance Units or Deferred Stock Units are repurchased by the Company at their original purchase price or are forfeited to the Company, such Shares shall become available for future grant under the Plan. Shares used to pay the exercise price or purchase price, if applicable, of an Award shall become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash

rather than stock, such cash payment shall not result in reducing the number of Shares available for issuance under the Plan.

4. Administration of the Plan.

(a) Procedure.

(1) Multiple Administrative Bodies. The Plan may be administered by different Committees with respect to different groups of Service Providers.

(2) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as “performance-based compensation” within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more “outside directors” within the meaning of Section 162(m) of the Code.

(3) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

(4) Other Administration. Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which committee shall be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(1) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(u) of the Plan;

(2) to select the Service Providers to whom Awards may be granted hereunder (other than the automatic grants to Non-Employee Directors provided for in Section 17 of the Plan);

(3) to determine whether and to what extent Awards or any combination thereof, are granted under the Plan;

(4) to determine the number of shares of Common Stock or equivalent units to be covered by each Award granted under the Plan;

(5) to approve forms of agreement for use under the Plan;

(6) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted under the Plan. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or SARs may be exercised or other

Awards vest (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(7)to construe and interpret the terms of the Plan and Awards;

(8)to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(9)to modify or amend each Award (subject to Sections 8(c), 9(b) and 21(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options and SARs longer than is otherwise provided for in the Plan;

(10)to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(11)to allow Participants to satisfy withholding tax obligations by electing to have the Company withhold from the Shares or cash to be issued upon exercise or vesting of an Award (or distribution of a Deferred Stock Unit) that number of Shares or cash having a Fair Market Value equal to the minimum amount required to be withheld (but no more). The Fair Market Value of any Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares or cash withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

(12)to determine the terms and restrictions applicable to Awards; and

(13)to make all other determinations deemed necessary or advisable for administering the Plan.

(c)Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Participants and any other holders of Awards.

5.Eligibility. Restricted Stock, Performance Shares, Performance Units, Stock Appreciation Rights, Deferred Stock Units and Nonstatutory Stock Options may be granted to Service Providers. Non-Employee Directors shall only receive Awards pursuant to Section 17 of the Plan.

6.Limitations.

(a)Nonstatutory Stock Option. Each Option shall be designated in the Notice of Grant as a Nonstatutory Stock Option.

(b)No Employment Rights. Neither the Plan nor any Award shall confer upon a Participant any right with respect to continuing the Participant's employment with the Company or its Subsidiaries, nor shall they interfere in any way with the Participant's right or the Company's or Subsidiary's right, as the case may be, to terminate such employment at any time, with or without cause or notice.

(c)162(m) Limitations. The following limitations shall apply to grants of Options and Stock Appreciation Rights to Participants:

(1)No Participant shall be granted, in any Fiscal Year, Options and Stock Appreciation Rights to purchase more than 1,500,000 Shares; provided, however, that such limit shall be 4,000,000 Shares in the Participant's first Fiscal Year of Company service.

(2)The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 19(a).

7.Term of Plan. The Plan is effective as of October 1, 2004 (the "Effective Date"). It shall continue in effect until May 22, 2022, unless sooner terminated under Section 21 of the Plan.

8.Stock Options.

(a)Term. The term of each Option shall be stated in the Notice of Grant; provided, however, that the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Notice of Grant.

(b)Option Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator and shall be no less than 100% of the Fair Market Value per share on the date of grant.

(c)No Repricing. The exercise price for an Option may not be reduced. This shall include, without limitation, a repricing of the Option as well as an Option exchange program whereby the Participant agrees to cancel an existing Option in exchange for an Option, SAR, other Award or cash.

(d)Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In so doing, the Administrator may specify that an Option may not be exercised until the completion of a service period.

(e)Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. Subject to Applicable Laws, such consideration may consist entirely of:



- (1) cash;
  - (2) check;
  - (3) other Shares which (A) in the case of Shares acquired upon exercise of an option have been owned by the Participant for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;
  - (4) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale proceeds required to pay the exercise price;
  - (5) any combination of the foregoing methods of payment; or
  - (6) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.
- (f) Exercise of Option.

Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the optioned stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 19 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available for sale under the Option, by the number of Shares as to which the Option is exercised.

(g)Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's misconduct, death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for three (3) months following the Participant's termination. If, on the date of termination, the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Participant does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(h)Disability. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Option Agreement to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for six (6) months following the Participant's termination. If, on the date of termination, the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option shall revert to the Plan. If, after termination, the Participant does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(i)Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Option Agreement (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Option Agreement), by the personal representative of the Participant's estate, provided such representative has been designated prior to Participant's death in a form acceptable to the Administrator. If no such representative has been designated by the Participant, then such Option may be exercised by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Option Agreement, the Option shall remain exercisable for twelve (12) months following Participant's death. If the Option is not so exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

#### 9. Stock Appreciation Rights.

(a)Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Administrator, in its sole discretion. The Administrator shall have complete discretion to determine the number of SARs granted to any Participant.

(b)Exercise Price and Other Terms. Subject to Section 4(c) of the Plan, the Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of SARs granted under the Plan; provided, however, that no SAR may have a term of more than ten (10) years from the date of grant. The per share exercise price for the Shares

or cash to be issued pursuant to exercise of an SAR shall be determined by the Administrator and shall be no less than 100% of the Fair Market Value per share on the date of grant. The exercise price may not be reduced. This shall include, without limitation, a repricing of the SAR as well as an SAR exchange program whereby the Participant agrees to cancel an existing SAR in exchange for an Option, SAR, other Award or cash.

(c) Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(1) the difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(2) the number of Shares with respect to which the SAR is exercised.

(d) Payment Upon Exercise of SAR. At the discretion of the Administrator, payment for an SAR may be in cash, Shares or a combination thereof.

(e) SAR Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, shall determine.

(f) Expiration of SARs. An SAR granted under the Plan shall expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement.

(g) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's death or Disability termination, the Participant may exercise his or her SAR within such period of time as is specified in the SAR Agreement to the extent that the SAR is vested on the date of termination (but in no event later than the expiration of the term of such SAR as set forth in the SAR Agreement). In the absence of a specified time in the SAR Agreement, the SAR shall remain exercisable for three (3) months following the Participant's termination. If, on the date of termination, the Participant is not vested as to his or her entire SAR, the Shares covered by the unvested portion of the SAR shall revert to the Plan. If, after termination, the Participant does not exercise his or her SAR within the time specified by the Administrator, the SAR shall terminate, and the Shares covered by such SAR shall revert to the Plan.

(h) Disability. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her SAR within such period of time as is specified in the SAR Agreement to the extent the SAR is vested on the date of termination (but in no event later than the expiration of the term of such SAR as set forth in the SAR Agreement). In the absence of a specified time in the SAR Agreement, the SAR shall remain exercisable for six (6) months following the Participant's termination. If, on the date of termination, the Participant is not vested as to his or her entire SAR, the Shares covered by the unvested portion of the SAR shall

revert to the Plan. If, after termination, the Participant does not exercise his or her SAR within the time specified herein, the SAR shall terminate, and the Shares covered by such SAR shall revert to the Plan.

(i)Death of Participant. If a Participant dies while a Service Provider, the SAR may be exercised following the Participant's death within such period of time as is specified in the SAR Agreement (but in no event may the SAR be exercised later than the expiration of the term of such SAR as set forth in the SAR Agreement), by the personal representative of the Participant's estate, provided such representative has been designated prior to Participant's death in a form acceptable to the Administrator. If no such representative has been designated by the Participant, then such SAR may be exercised by the person(s) to whom the SAR is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the SAR Agreement, the SAR shall remain exercisable for twelve (12) months following Participant's death. If the SAR is not so exercised within the time specified herein, the SAR shall terminate, and the Shares covered by such SAR shall revert to the Plan.

#### 10.Restricted Stock.

(a)Grant of Restricted Stock. Subject to the terms and conditions of the Plan, Restricted Stock may be granted to Participants at any time as shall be determined by the Administrator, in its sole discretion. The Administrator shall have complete discretion to determine (i) the number of Shares subject to a Restricted Stock award granted to any Participant (provided that during any Fiscal Year, no Participant shall be granted more than 300,000 Shares of Restricted Stock); provided, however, that such limit shall be 750,000 Shares in the Participant's first Fiscal Year of Company service, and (ii) the conditions that must be satisfied, which typically will be based principally or solely on continued provision of services but may include a performance-based component, upon which is conditioned the grant or vesting of Restricted Stock.

(b)Restricted Stock Units. Restricted Stock may be granted in the form of Restricted Stock or units to acquire Shares. Each such unit shall be the equivalent of one Share for purposes of determining the number of Shares subject to an Award. With respect to the units to acquire Shares, until the Shares are issued, no right to vote or receive dividends or any other rights as a stockholder shall exist.

(c)Other Terms. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of Restricted Stock granted under the Plan. Restricted Stock grants shall be subject to the terms, conditions, and restrictions determined by the Administrator at the time the stock is awarded. The Administrator may require the recipient to sign a Restricted Stock Award agreement as a condition of the award. Any certificates representing the Shares of stock awarded shall bear such legends as shall be determined by the Administrator.

(d)Restricted Stock Award Agreement. Each Restricted Stock grant shall be evidenced by an agreement that shall specify the purchase price (if any) and such other terms and conditions as the Administrator, in its sole discretion, shall determine; provided, however, that if the Restricted Stock grant has a purchase price, such purchase price must be paid no more than ten (10) years following the date of grant.

(e)Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock as “performance-based compensation” under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the Restricted Stock to qualify as “performance-based compensation” under Section 162(m) of the Code. In granting Restricted Stock which is intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock under Section 162(m) of the Code (e.g., in determining the Performance Goals).

#### 11.Performance Shares.

(a)Grant of Performance Shares. Subject to the terms and conditions of the Plan, Performance Shares may be granted to Participants at any time as shall be determined by the Administrator, in its sole discretion. The Administrator shall have complete discretion to determine (i) the number of Shares subject to a Performance Share award granted to any Participant (provided that during any Fiscal Year, no Participant shall be granted more than 300,000 units of Performance Shares); provided, however, that such limit shall be 750,000 Shares in the Participant’s first Fiscal Year of Company service, and (ii) the conditions that must be satisfied, which typically will be based principally or solely on achievement of performance milestones but may include a service-based component, upon which is conditioned the grant or vesting of Performance Shares. Performance Shares shall be granted in the form of units to acquire Shares. Each such unit shall be the equivalent of one Share for purposes of determining the number of Shares subject to an Award. Until the Shares are issued, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the units to acquire Shares.

(b)Other Terms. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of Performance Shares granted under the Plan. Performance Share grants shall be subject to the terms, conditions, and restrictions determined by the Administrator at the time the stock is awarded, which may include such performance-based milestones as are determined appropriate by the Administrator. The Administrator may require the recipient to sign a Performance Shares agreement as a condition of the award. Any certificates representing the Shares of stock awarded shall bear such legends as shall be determined by the Administrator.

(c)Performance Share Award Agreement. Each Performance Share grant shall be evidenced by an agreement that shall specify such other terms and conditions as the Administrator, in its sole discretion, shall determine.

(d)Section 162(m) Performance Restrictions. For purposes of qualifying grants of Performance Shares as “performance-based compensation” under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the Performance Shares to qualify as “performance-based compensation” under Section 162(m) of the Code. In granting Performance Shares which are intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it

from time to time to be necessary or appropriate to ensure qualification of the Performance Shares under Section 162(m) of the Code (e.g., in determining the Performance Goals).

#### 12. Performance Units.

(a) Grant of Performance Units. Performance Units are similar to Performance Shares, except that they shall be settled in a cash equivalent to the Fair Market Value of the underlying Shares, determined as of the vesting date. Subject to the terms and conditions of the Plan, Performance Units may be granted to Participants at any time and from time to time as shall be determined by the Administrator, in its sole discretion. The Administrator shall have complete discretion to determine the conditions that must be satisfied, which typically will be based principally or solely on achievement of performance milestones but may include a service-based component, upon which is conditioned the grant or vesting of Performance Units. Performance Units shall be granted in the form of units to acquire Shares. Each such unit shall be the cash equivalent of one Share of Common Stock. No right to vote or receive dividends or any other rights as a stockholder shall exist with respect to Performance Units or the cash payable thereunder.

(b) Number of Performance Units. The Administrator will have complete discretion in determining the number of Performance Units granted to any Participant, provided that during any Fiscal Year, no Participant shall receive Performance Units having an initial value greater than \$1,500,000, provided, however, that such limit shall be \$4,000,000 in the Participant's first Fiscal Year of Company service.

(c) Other Terms. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of Performance Units granted under the Plan. Performance Unit grants shall be subject to the terms, conditions, and restrictions determined by the Administrator at the time the stock is awarded, which may include such performance-based milestones as are determined appropriate by the Administrator. The Administrator may require the recipient to sign a Performance Unit agreement as a condition of the award. Any certificates representing the Shares awarded shall bear such legends as shall be determined by the Administrator.

(d) Performance Unit Award Agreement. Each Performance Unit grant shall be evidenced by an agreement that shall specify such terms and conditions as the Administrator, in its sole discretion, shall determine.

(e) Section 162(m) Performance Restrictions. For purposes of qualifying grants of Performance Units as "performance-based compensation" under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the Performance Units to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting Performance Units which are intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Performance Units under Section 162(m) of the Code (e.g., in determining the Performance Goals).

13. Deferred Stock Units.

(a) Description. Deferred Stock Units shall consist of a Restricted Stock, Performance Share or Performance Unit Award that the Administrator, in its sole discretion permits to be paid out in installments or on a deferred basis, in accordance with rules and procedures established by the Administrator. Deferred Stock Units shall remain subject to the claims of the Company's general creditors until distributed to the Participant.

(b) 162(m) Limits. Deferred Stock Units shall be subject to the annual 162(m) limits applicable to the underlying Restricted Stock, Performance Share or Performance Unit Award.

14. Death of Participant. In the event that a Participant dies while a Service Provider, then 100% of his or her Awards shall immediately vest.

15. Leaves of Absence. Unless the Administrator provides otherwise or as otherwise required by Applicable Laws, vesting of Awards granted hereunder shall cease commencing on the first day of any unpaid leave of absence and shall only recommence upon return to active service.

16. Misconduct. Should (i) the Participant's service be terminated for misconduct (including, but not limited to, any act of dishonesty, willful misconduct, fraud or embezzlement), or (ii) the Participant makes any unauthorized use or disclosure of confidential information or trade secrets of the Company or any Parent or Subsidiary, then in any such event all outstanding Awards held by the Participant under the Plan shall terminate immediately and cease to be outstanding, including as to both vested and unvested Awards.

17. Non-Employee Director Options.

(a) Initial Grants. Each Non-Employee Director who first becomes a Non-Employee Director on or after May 5, 2010 (excluding any Non-Employee Director who previously served on the Board), shall be automatically granted that number of Restricted Stock Units equal to \$160,000 divided by the Fair Market Value, rounded down to the nearest whole Share (the "Initial RSU Grant"), as of the date that the individual first is appointed or elected as a Non-Employee Director. The Initial RSU Grant will vest in equal 25% annual installments on each of the four anniversaries of the tenth business day of the second month of the Company's fiscal quarter in which the grant is made. All vesting of the Initial RSU Grant is contingent upon the Non-Employee Director maintaining continued status as a Non-Employee Director through the applicable vesting date.

(b) Annual Grants. On the date of the Company's annual stockholders' meeting, each Non-Employee Director who has served as a Non-Employee Director for at least three months on that date shall be automatically granted that number of Restricted Stock Units equal to \$84,000 divided by the Fair Market Value, rounded down to the nearest whole Share (the "Annual RSU Grant"), provided that such Non-Employee Director has been elected by the stockholders to serve as a member of the Board at that annual meeting. The Annual RSU Grant will vest in equal 50% annual installments on each of the two anniversaries of the tenth day of the second month of the

Company's fiscal quarter in which the grant is made. All vesting of the Annual RSU Grant is contingent upon the Non-Employee Director maintaining continued status as a Non-Employee Director through the applicable vesting date.

18. Non-Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the recipient, only by the recipient. In no event may an Award be transferred in exchange for consideration. If the Administrator makes an Award transferable, such Award shall contain such additional terms and conditions as the Administrator deems appropriate.

19. Adjustments Upon Changes in Capitalization, Dissolution or Liquidation or Change of Control.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Award, the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the price per share of Common Stock covered by each such outstanding Award and the 162(m) fiscal year share issuance limits under Sections 6(c), 10(a) and 11(a) shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that any such change in capitalization shall not affect the number of shares awarded under the automatic grants to Non-Employee Directors described in Sections 17(a) and (b), and provided that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for a Participant to have the right to exercise his or her Option or SAR until ten (10) days prior to such transaction as to all of the Awarded Stock covered thereby, including Shares as to which the Award would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option or forfeiture rights applicable to any Award shall lapse 100%, and that any Award vesting shall accelerate 100%, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised (with respect to Options and SARs) or vested (with respect to other Awards), an Award will terminate immediately prior to the consummation of such proposed action.



(c)Change of Control.

(1)Stock Options and SARs. In the event of a Change of Control, each outstanding Option and SAR shall be assumed or an equivalent option or SAR substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Option or SAR, the Participant shall fully vest in and have the right to exercise the Option or SAR as to all of the Awarded Stock, including Shares as to which it would not otherwise be vested or exercisable. If an Option or SAR becomes fully vested and exercisable in lieu of assumption or substitution in the event of a Change of Control, the Administrator shall notify the Participant in writing or electronically that the Option or SAR shall be fully vested and exercisable for a period of thirty (30) days from the date of such notice, and the Option or SAR shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option or SAR shall be considered assumed if, following the Change of Control, the option or stock appreciation right confers the right to purchase or receive, for each Share of Awarded Stock subject to the Option or SAR immediately prior to the Change of Control, the consideration (whether stock, cash, or other securities or property) received in the Change of Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change of Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or SAR, for each Share of Awarded Stock subject to the Option or SAR, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change of Control.

(2)Restricted Stock, Performance Shares, Performance Units and Deferred Stock Units. In the event of a Change of Control, each outstanding Restricted Stock, Performance Share, Performance Unit and Deferred Stock Unit award shall be assumed or an equivalent Restricted Stock, Performance Share, Performance Unit and Deferred Stock Unit award substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Restricted Stock, Performance Share, Performance Unit or Deferred Stock Unit award, the Participant shall fully vest in the Restricted Stock, Performance Share, Performance Unit or Deferred Stock Unit including as to Shares (or with respect to Performance Units, the cash equivalent thereof) which would not otherwise be vested. For the purposes of this paragraph, a Restricted Stock, Performance Share, Performance Unit and Deferred Stock Unit award shall be considered assumed if, following the Change of Control, the award confers the right to purchase or receive, for each Share (or with respect to Performance Units, the cash equivalent thereof) subject to the Award immediately prior to the Change of Control, the consideration (whether stock, cash, or other securities or property) received in the Change of Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change of Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received, for each Share and each unit/right to acquire a Share

subject to the Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change of Control.

20.Date of Grant. The date of grant of an Award shall be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Participant within a reasonable time after the date of such grant.

21.Amendment and Termination of the Plan.

(a)Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b)Stockholder Approval. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Section 422 of the Code (or any successor rule or statute or other applicable law, rule or regulation, including the requirements of any exchange or quotation system on which the Common Stock is listed or quoted). Such stockholder approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

(c)Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company.

22.Conditions Upon Issuance of Shares.

(a)Legal Compliance. Shares shall not be issued pursuant to the exercise of an Award unless the exercise of the Award or the issuance and delivery of such Shares (or with respect to Performance Units, the cash equivalent thereof) shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b)Investment Representations. As a condition to the exercise or receipt of an Award, the Company may require the person exercising or receiving such Award to represent and warrant at the time of any such exercise or receipt that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

23.Liability of Company.

(a)Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's

counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

(b)Grants Exceeding Allotted Shares. If the Awarded Stock covered by an Award exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional stockholder approval, such Award shall be void with respect to such excess Awarded Stock, unless stockholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 21(b) of the Plan.

24.Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

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