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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**Date of Report (date of earliest event reported):  
September 8, 2006**

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**MONOLITHIC POWER SYSTEMS, INC.**

(Exact name of Registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**000-51026**  
(Commission File Number)

**77-0466789**  
(I.R.S. Employer  
Identification Number)

**983 University Avenue, Building A  
Los Gatos, California 95032**  
(Address of principal executive offices) (Zip Code)

**(408) 357-6600**  
(Registrant's telephone number, including area code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry into a Material Definitive Agreement.**

On September 8, 2006, the board of directors (the “**Board**”) of Monolithic Power Systems, Inc. (the “**Company**”) appointed Victor Lee to the Board, effective September 14, 2006. Pursuant to a letter of agreement between the Company and Mr. Lee, dated September 8, 2006, the Company committed to grant Mr. Lee a non-qualified stock option to purchase 30,000 shares of the Company’s common stock with an exercise price equal to the closing fair market value of the underlying stock on the date of grant, which was September 14, 2006. The shares underlying the option vest at the rate of fifty percent (50%) on the date one year after the date of grant and an additional fifty percent (50%) on the date two years after the date of grant, subject to his continued service on the Board on the applicable vesting date. The option is subject to the terms and conditions of the Company’s 2004 Equity Incentive Plan and the respective grant agreements. In addition, the Company agreed to provide an annual retainer of \$15,000 to Mr. Lee in connection with his services to the Company.

In connection with the appointment of Mr. Lee to the Board, the Company entered into an indemnification agreement with Mr. Lee, the terms of which are identical in all material respects to the form of indemnification agreement that the Company has previously entered into with each of its directors, which was filed with the SEC as Exhibit 10.4 of the Company’s Form S-1 Registration filed on November 15, 2004.

A copy of the letter of agreement between the Company and Mr. Lee dated September 8, 2006 is attached to this Current Report as Exhibit 10.1.

**Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers**

On September 14, 2006, the Company issued a press release announcing that Mr. Victor Lee is being appointed to the Board of the Company as a Class I director, effective September 14, 2006. The Board has determined that Mr. Lee will serve on the Compensation, Audit and Nominating committees. There are no relationships or related transactions between Mr. Lee and the Company that would be required to be reported under Section 404(a) of Regulation S-K.

Mr. Lee currently serves as Chief Financial Officer and Secretary of Leadis Technology Inc., a fabless semiconductor company. From February 2001 until December 2002, Mr. Lee was engaged as an independent consultant and from December 1999 to January 2001, Mr. Lee served as the Chief Financial Officer and Secretary of SINA Corporation, an Internet portal network company. From September 1998 to August 1999, Mr. Lee was the Vice President and Acting Chief Financial Officer of VLSI Technology, Inc., a semiconductor manufacturer, and from 1997 to 1998, Vice President, Corporate Controller of VLSI Technology, Inc. From 1989 to 1997, Mr. Lee was a finance director at Advanced Micro Devices, Inc. Mr. Lee holds a B.S. in Industrial Engineering and Operations Research and an M.B.A. from the University of California, Berkeley.

On September 8, 2006, Mr. Jim Jones resigned from the Company’s Board and the Compensation, Audit and Nominating committees, effective September 14, 2006. Mr. Jones was the first venture capital investor in the Company, and his departure from the Board did not result from or involve any disagreement with the Company.

A press release announcing the appointment of Mr. Lee and the departure of Mr. Jones was issued on September 14, 2006, a copy of which is being filed as Exhibit 99.1 to this Form 8-K and which is incorporated herein by reference in its entirety.

**Item 9.01. Financial Statements and Exhibits****(d) Exhibits.**

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| <b>10.1</b>        | <b>Letter of agreement between the Company and Victor Lee, dated September 8, 2006</b> |
| <b>99.1</b>        | <b>Press release dated September 14, 2006</b>  |

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**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 10.1               | Letter of agreement between the Company and Victor Lee, dated September 8, 2006 |
| 99.1               | Press release dated September 14, 2006  |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 14, 2006

By: \_\_\_\_\_ /s/ C. Richard Neely, Jr.  
**C. Richard Neely, Jr.**  
**Chief Financial Officer**  
**(Principal Financial and Accounting Officer**  
**and Duly Authorized Officer)**



Monolithic Power Systems, Inc.  
983 University Avenue, Building A  
Los Gatos, CA 95032  
September 8, 2006

Mr. Victor Lee  
1539 Queenstown Ct.  
Sunnyvale, CA 94087

Dear Victor:

I am pleased to offer you a seat on the Board of Directors (the "Board") of Monolithic Power Systems, Inc. (the "Company") as a Class I director. Your appointment to the Board will be effective on September 14, 2006. With the hope and expectation that you will accept this offer, I have summarized a few related matters below for your reference.

First, should you accept this offer, the Company will, upon the effective date of your joining the Board, recommend that the Board grant you an option (the "Option") to purchase up to 30,000 shares of the Company's Common Stock under the 2004 Equity Incentive Plan (the "Plan") at an exercise price equal to the fair market value of the shares on the date of grant. We will provide your Option grant paperwork promptly after such grant has been made. Subject to the terms of the Plan and your related option agreement, your Option will vest as to 50% of the shares one year from the date referred to as the "Vesting Commencement Date", and as to an additional 50% of the shares one year thereafter such that your Option will be fully vested on the two-year anniversary of the Vesting Commencement Date.

In addition to the time-based vesting described in the preceding paragraph, if you are a Director of the Company on the date of a Change of Control (as defined below) that occurs before the two-year anniversary of the Vesting Commencement Date, in the event that a successor corporation refuses to assume or substitute the Option with an equivalent option or right, 100% of the shares subject to the Option shall immediately vest as of the effective date of such Change of Control. Notwithstanding any accelerated vesting contained in this paragraph, your total number of shares subject to the Option granted herein shall not increase by virtue of a Change of Control.

“Change of Control” means the occurrence of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities; or

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets;

(iii) A change in the composition of the Board occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. “Incumbent Directors” means directors who either (A) are Directors as of the effective date of the Plan, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but will not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company); or

(iv) The consummation of a merger or consolidation 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 or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Second, in addition to the indemnification rights you, in your capacity as a director of the Company, will be entitled to under the Company’s Bylaws and Certificate of Incorporation, we propose to grant you the additional contractual indemnification and related rights provided in the enclosed Indemnification Agreement.

Third, you will receive an annual retainer of \$15,000.

Activities in connection with your seat on the Board of Directors will include participation on the Audit Committee, Compensation Committee and Nominating Committee.

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Letter to Victor Lee  
September 8, 2006  
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Finally, as you know, the Company's intellectual property and other proprietary information is one of our most important assets and we must all be vigilant in our protection of it. Although it goes without saying, I feel it is appropriate to remind all new directors of their fiduciary duties of loyalty and care to the Company. These include the duty to maintain the confidentiality of the Company's confidential and proprietary information and the duty to not use such information other than to promote the Company's best interests. I am sure that you can appreciate the importance of these matters to us.

Again, I am happy to extend this invitation to you. Your participation on our Board would be of great benefit to the Company.

Best Regards,

/s/ Michael Hsing  
Michael Hsing, CEO

Acknowledged and agreed:

/s/ Victor Lee  
Victor Lee

Date: September 8, 2006



**Monolithic Power Systems, Inc.**  
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Los Gatos, CA 95032 USA  
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[www.monolithicpower.com](http://www.monolithicpower.com)

PRESS RELEASE

**Monolithic Power Systems, Inc. Appoints Replacement for  
Departing Venture Capital Board Member**  
*Victor Lee Brings Over 25 Years Experience to MPS Board*

**LOS GATOS, Calif., September 14, 2006** – Monolithic Power Systems, Inc. (MPS) (Nasdaq: MPWR), a leading fabless manufacturer of high-performance analog and mixed-signal semiconductors, today announced the appointment of Mr. Victor Lee as a Class I director and the resignation of Mr. Jim Jones from the company's board of directors and the compensation, audit and nominating committees.

"I am proud to have been part of the great success of MPS over these past four years," said Jim Jones. "The company has enjoyed phenomenal growth, and I look forward to their continued success."

"We wish to thank Mr. Jones for his commitment and service to MPS," said Michael Hsing, president and chief executive officer. "As we move into our next phase of growth as a public company, we are extremely excited to have someone of Mr. Lee's caliber join our board of directors. His extensive background in finance and the semiconductor industry make him an ideal addition to our board."

"I am delighted to join the board of directors of such a dynamic company," said Mr. Lee. "MPS has impressive power management technology, and I am excited to participate in the significant opportunity that this company has going forward."

Mr. Lee brings over 25 years of experience in the semiconductor industry to the board of MPS. He currently serves as chief financial officer and secretary of fabless semiconductor manufacturer, Leadis Technology Inc., which he led to a successful IPO in 2004. Previously Mr. Lee served as chief financial officer and secretary of SINA Corporation, an Internet portal network company. Mr. Lee has also held senior management roles at VLSI Technology, Inc., a semiconductor manufacturer, and Advanced Micro Devices, Inc. Mr. Lee holds a B.S. in Industrial Engineering and Operations Research and an M.B.A. from the University of California, Berkeley.

**About Monolithic Power Systems, Inc.**

Monolithic Power Systems, Inc. (MPS) develops and markets proprietary, advanced analog and mixed-signal semiconductors. The company combines advanced process technology with its highly experienced analog designers to produce high-performance power management integrated circuits (ICs) for DC to DC converters, LED drivers, Cold Cathode Fluorescent Lamp (CCFL) backlight controllers, Class D audio amplifiers, and Linear ICs. MPS products are used extensively in computing and network communications products, LCD monitors and TVs, and a



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wide variety of consumer and portable electronics products. MPS partners with world-class manufacturing organizations to deliver top quality, ultra-compact, high-performance solutions through the most productive, cost-efficient channels. Founded in 1997 and headquartered in Los Gatos, California, the company has expanded its global presence with sales offices in Taiwan, China, Korea, Japan, and Europe, which operate under MPS International, Ltd.

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Monolithic Power Systems, MPS, and the MPS logo are registered trademarks of Monolithic Power Systems, Inc. in the U.S. and trademarked in certain other countries.

**Contact:**

Rick Neely  
Chief Financial Officer  
Monolithic Power Systems, Inc.  
408-357-6777