

MICROCHIP TECHNOLOGY INC  
Form DEF 14A  
July 11, 2011

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  
Filed by a   
Party other  
than the  
Registrant

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)

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

Payment of Filing Fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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Aggregate number of securities to which transaction applies:

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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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MICROCHIP TECHNOLOGY INCORPORATED  
2355 West Chandler Boulevard, Chandler, Arizona 85224-6199

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
August 19, 2011

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

PLACE: Microchip Technology Incorporated  
2355 West Chandler Boulevard  
Chandler, Arizona 85224-6199

ITEMS OF BUSINESS: (1)The election of each of Steve Sanghi, Albert J. Hugo-Martinez, L.B. Day, Matthew W. Chapman 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 an amendment and restatement of our Executive Management Incentive Compensation Plan (the "EMICP") to revise the definition of "performance goals" for purposes of Section 162(m) of the Internal Revenue Code.

(3)To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of Microchip for the fiscal year ending March 31, 2012.

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

(5)To hold an advisory (non-binding) vote regarding the frequency of holding an advisory vote on 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 DATE: Holders of Microchip common stock of record at the close of business on June 24, 2011 are entitled to vote at the annual meeting.

ANNUAL REPORT: Microchip's fiscal 2011 Annual Report, which is not a part of the proxy soliciting material, is enclosed.

PROXY: 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 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

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting  
of Stockholders to be Held on August 19, 2011

The Microchip Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K (and Form 10-K/A) for the fiscal year ended March 31, 2011 are available at [www.microchip.com/annual\\_reports](http://www.microchip.com/annual_reports).

Chandler, Arizona  
July 11, 2011

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MICROCHIP TECHNOLOGY INCORPORATED  
2355 West Chandler Boulevard  
Chandler, Arizona 85224-6199

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PROXY STATEMENT

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You are cordially invited to attend our annual meeting on Friday, August 19, 2011, 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 2011 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 2012 refer to the 12-month period from April 1, 2011 through March 31, 2012; references to fiscal 2011 refer to the 12-month period from April 1, 2010 through March 31, 2011; and references to fiscal 2010 refer to the 12-month period from April 1, 2009 through March 31, 2010.

We anticipate first mailing this proxy statement and accompanying form of proxy on July 11, 2011 to holders of Microchip's common stock on June 24, 2011, the Record Date for the annual meeting.

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 24, 2011, 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 190,561,279 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 19, 2011, 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 Three 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 Executive Management Incentive Compensation 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 to our Executive Management Incentive Compensation Plan (the "EMICP") 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 EMICP, and thus will not affect the outcome of the voting on such proposal.

#### Ratification of Independent Registered Public Accounting Firm (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 ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of Microchip for the fiscal year ending March 31, 2012. 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 this proposal.

Advisory Vote Regarding the Compensation of our Named Executives (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 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.



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

A plurality of the votes duly cast is required to indicate, on an advisory (non-binding) basis, the frequency of shareholder voting on the compensation of our named executive officers (i.e., the selection receiving the greatest number of votes will be the advisory election). Abstentions and broker "non-votes" will be treated as if no vote were cast with respect to this proposal.

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

This proxy statement and our fiscal 2011 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. 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 5 times in fiscal 2011. During fiscal 2011, 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 Messrs. Day and Meyercord who each 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 2011:

Membership on Board Committees in Fiscal 2011

Name	Audit	Compensation	Nominating and Governance
Mr. Chapman	C		.
Mr. Day		C	.
Mr. Hugo-Martinez	.	.	.
Mr. Meyercord	.	.	C
Meetings held in fiscal 2011	8	9	1

C = Chair

• = 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, as last amended on May 13, 2007, is available at the Corporate/Investors section under Mission Statement/Corporate Governance 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 a revised policy to include matters

with respect to complaints 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 Corporate/Investors section under Mission Statement/Corporate Governance 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 as adopted on January 29, 2007. A copy of the Compensation Committee Charter 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 and NASDAQ listing standards. For more information on our Compensation Committee, please refer to the "Compensation Discussion and Analysis" at page 18.

#### 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 Corporate/Investors section under Mission Statement/Corporate Governance 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 2012 Annual Meeting of Stockholders; Discretionary Authority to Vote on Stockholder Proposals" at page 39. 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 2010 annual meeting of stockholders.

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#### REPORT OF THE AUDIT COMMITTEE \*

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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, as last amended on May 13, 2007, is available at the Corporate/Investors section under Mission Statement/Corporate Governance 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. What this means is 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.

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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.

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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 2011 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, 2011 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, 2011 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

#### 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 5, 2010, non-employee directors received an annual retainer of \$60,000, paid in quarterly installments, \$3,000 for each meeting attended in person, and did not receive any additional amounts for serving as a committee chair. From April 1, 2010 through May 4, 2010, non-employee directors received an annual retainer of \$28,500, paid in quarterly installments, \$3,000 for each meeting attended in person and did not receive any additional amounts for serving as a committee chair. Also, during the entire fiscal year, directors did not receive any compensation for telephonic meetings of the Board of Directors or for meetings of committees of the Board.

##### Equity Compensation

Under the terms of our 2004 Equity Incentive Plan, each non-employee director is automatically granted:

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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 \$80,000 (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 20, 2010, each of Mr. Chapman, Mr. Day, Mr. Hugo-Martinez and Mr. Meyercord was granted 2,796 RSUs with a fair value of our common stock on the grant date of \$26.03 per share, and an aggregate fair value of \$72,780 on the grant date.

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 (1)	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Steve Sanghi (2)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Matthew W. Chapman	69,058	72,780	---	---	---	141,838
L.B. Day	69,058	72,780	---	---	---	141,838
Albert J. Hugo-Martinez	69,058	72,780	---	---	---	141,838
Wade F. Meyercord	69,058	72,780	---	---	---	141,838

(1)The stock award is based on the fair value on the grant date of \$26.03 per share. The market value on the grant date was \$28.61 per share with an aggregate market value of the award of approximately \$80,000.

(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 2011 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 2011, 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 2011, Microchip had no related-party transactions within the meaning of the 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 2011, 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 2011.

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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 2012 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, 2011)

Name	Age	Position(s) Held
Steve Sanghi	55	Chairman, President and CEO
Albert J. Hugo-Martinez	65	Director
L.B. Day	66	Director
Matthew W. Chapman	60	Director
Wade F. Meyercord	70	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 almost 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. In December 2003, Mr. Hugo-Martinez founded HVVi Semiconductor, Inc., a privately held company which develops CMOS High Voltage/Frequency RF transistors, and since that time has been a member of its Board of Directors. Since July 2004, he has also been a member of the Board of Directors of Reaction Design, 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, currently serving on the Boards of Advisors of Willamette University's Atkinson Graduate School of Management and of Lynguent, Inc., a privately held supplier of integrated analog and mixed-signal design development products.

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 Portland Schools 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 has been a member of the Board of Directors of Endwave Corporation, a publicly held company, since March 2004. 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.

PROPOSAL TWO

APPROVAL OF OUR AMENDED AND RESTATED  
EXECUTIVE MANAGEMENT INCENTIVE COMPENSATION PLAN

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Our stockholders previously approved our EMICP at our 2006 Annual Meeting. Under Internal Revenue Service rules, we are required to obtain stockholder re-approval of the EMICP every five years in order to continue to qualify payments under the EMICP as fully deductible performance-based compensation under Internal Revenue Code Section 162(m). Accordingly, this proposal asks our stockholders to approve the material terms of the EMICP, including an updated list of performance metrics that is similar to the list of performance metrics that our stockholders approved in 2009 under our 2004 Equity Incentive Plan. If stockholder approval is not obtained, we will cease making any payments under the EMICP.

The purpose of the EMICP is to motivate our executives to achieve corporate or business unit performance objectives and to reward them when those objectives are satisfied.

Background

Internal Revenue Code Section 162(m) disallows a deduction to Microchip for any compensation paid to a "covered employee" in excess of \$1 million per year, subject to certain exceptions. In general, "covered employees" include the chief executive officer and the three most highly compensated executive officers of Microchip who are employed by Microchip and are officers at the end of the tax year. Among other exceptions, the deduction limit does not apply to compensation that meets the specified requirements for "performance-based compensation." In general, those requirements include the establishment of objective performance goals for the payment of such compensation by a committee of the Board of Directors composed solely of two or more outside directors, stockholder approval of the material terms of such compensation prior to payment, and certification by the committee that the performance goals for the payment of such compensation have been achieved prior to payment.

The Board of Directors believes that it is in the best interests of Microchip and its stockholders to enhance the ability of Microchip to attract and retain executives by continuing to provide annual and, if deemed appropriate, long-term incentive compensation bonus awards to certain officers that would qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code, while at the same time obtaining the highest level of deductibility of compensation paid to covered employees.

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 EMICP. 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 EMICP 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 Executive Management Incentive Compensation Plan.

The EMICP 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 Executive Management Incentive Compensation Plan.

Eligibility. Participants in the EMICP are executive officers and key employees who are chosen solely at the discretion of the Compensation Committee. Our Chief Executive Officer and all of our other executive officers are eligible to be considered for participation in the EMICP. Because our executive officers are eligible to receive awards under the EMICP, our executive officers have an interest in this proposal. No person is automatically entitled to participate in the EMICP in any EMICP year. Microchip may also pay discretionary bonuses, or other types of compensation, outside of the EMICP.



**Purpose.** The purpose of the EMICP is to motivate the participants to achieve our corporate and business unit performance objectives and to reward them when those objectives are satisfied.

**Administration.** The EMICP is administered by the Compensation Committee, consisting of no fewer than two members of the Board.

**Determination of Awards.** Under the EMICP, participants are eligible to receive awards based upon the attainment and certification of certain performance criteria established by the Compensation Committee. The performance criteria the Compensation Committee may choose from include one or more of the following:

- cash flow (including operating cash flow or free cash flow) or cash flow margin
  - cash position
- revenue (on an absolute basis or adjusted for currency effects)
  - gross margin
  - operating margin
- operating expenses or operating expenses as a percentage of revenue
- earnings (which may include, without limitation, earnings before interest and taxes, earnings before taxes and earnings before income, taxes, depreciation and amortization)
  - earnings per share
- operating income (or operating income as a percentage of revenue)
  - net income
  - stock price
  - return on equity
  - total stockholder return
- growth in stockholder value relative to a specified publicly reported index (such as the S&P 500 Index)
  - return on capital
  - return on assets or net assets
    - return on investment
  - economic value added
    - market share
  - contract awards or backlog
- overhead or other expense reduction
  - credit rating
- objective customer indicators (including, without limitation, a customer satisfaction rating)
  - new product invention or innovation
- attainment of research and development milestones
  - improvements in productivity
- attainment of objective operating goals
  - objective employee metrics

The performance measures listed above may apply to either Microchip as a whole or, except with respect to stockholder return metrics, to a region, business unit, affiliate or business segment, and may be measured either on an absolute basis, relative to a pre-established target, to a previous period's results, to a designated comparison group or to another performance measure in each case as specified by the Committee. Financial performance measures 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 may be adjusted by our Compensation Committee when established to exclude or include any items otherwise includable or excludable, respectively, under GAAP or under IASB Principles.

Our Compensation Committee shall appropriately adjust any evaluation of performance under a performance criteria to exclude (i) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial conditions and results of operations appearing in Microchip's reporting with the SEC for the applicable year, and (ii) the effect of any changes in accounting principles affecting Microchip's or a business units' reported results.

Our Compensation Committee retains the discretion to reduce or eliminate any award that would otherwise be payable pursuant to the EMICP.

**Payment of Awards.** All awards are paid in cash as soon as is practicable following determination of the award, unless Microchip establishes a plan to permit deferral of bonus amounts, in which case awards will be paid pursuant to the timing requirements of that plan and applicable law. The Committee may also defer the payment of awards in its discretion, as necessary or desirable to preserve the deductibility of such awards under Code Section 162(m).

**Maximum Award.** The amounts that will be paid pursuant to the EMICP are not currently determinable. The maximum bonus payment that any participant may receive under the EMICP in any performance period (which can be a fiscal quarter, a fiscal year or a longer period not exceeding five fiscal years) is \$2,500,000.

**Amendment and Termination.** The Compensation Committee may amend, suspend or terminate the EMICP, in whole or in part, at any time, including the adoption of amendments deemed necessary or desirable to correct any defect or supply omitted data or reconcile any inconsistency in the EMICP or in any award granted thereunder.

**Indemnification.** Our Board of Directors and Compensation Committee are generally indemnified by Microchip for any liability arising from claims relating to the EMICP.

**Federal Income Tax Consequences.** Under present federal income tax law, participants will recognize ordinary income equal to the amount of the award received in the year of receipt. That income will be subject to applicable income and employment tax withholding by Microchip. If and to the extent that the EMICP payments satisfy the requirements of Section 162(m) of the Code and otherwise satisfy the requirements for deductibility under federal income tax law, we will receive a tax deduction for the amount constituting ordinary income to the participant.

**Awards to be Granted to Certain Individuals and Groups.** Awards under the EMICP are determined based on actual future performance, so future actual awards cannot now be determined.

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### PROPOSAL THREE

#### 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, 2012. 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.

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 recommends that stockholders vote FOR ratification of such appointment under Proposal Three.

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 \$1,849,000 for fiscal 2011 and \$1,058,000 for fiscal 2010. Our audit fees increased significantly during fiscal 2011 due to our acquisition of SST on April 8, 2010. Ernst & Young LLP's fiscal 2011 fees associated with the increased audit activities of SST amounted to approximately \$508,000. The audit fees associated with SST are expected to be significantly lower in future years since the purchase price allocation is complete and SST's activities have now been integrated into our business and financial systems.

#### 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 \$0 for fiscal 2011 and \$36,000 for fiscal 2010.

#### 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 \$304,000 for fiscal 2011 and \$320,000 for fiscal 2010.

#### 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 2011 or fiscal 2010.

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 2011, 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 2011 and fiscal 2010 were compatible with maintaining the independence of Ernst & Young LLP.

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## PROPOSAL FOUR

### 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 18, which discusses how our executive compensation policies implement our compensation philosophy, and the "Compensation of Executive Officers" section of this Proxy Statement, which contains tabular information and narrative discussion about the compensation of our named executive officers, for additional details about our executive compensation

programs, including information about fiscal 2011 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 disclosure.

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 Four, the approval of our executive compensation program, as described in this Proxy Statement.

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## PROPOSAL FIVE

### APPROVAL OF FREQUENCY OF STOCKHOLDER VOTE ON EXECUTIVE COMPENSATION

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In connection with Proposal Four, the Dodd-Frank Act also requires that we include in this Proxy Statement a separate advisory (non-binding) stockholder vote to advise Microchip on how frequently we should seek a Say-on-Pay vote. By voting on this Proposal Five, stockholders may indicate whether they would prefer an advisory vote on executive officer compensation once every one, two, or three years.

Because our compensation programs include both short and long-term components, our Board of Directors believes that Say-on-Pay votes should be conducted every three years. You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstain from voting. Under SEC rules, we will be required to permit our stockholders to vote on the frequency of the Say-on-Pay vote at least once every six years.

Vote Required; Recommendation of the Board of Directors

The selection regarding the frequency of the stockholder vote on executive compensation receiving the highest number of "FOR" votes shall be approved on an advisory (nonbinding) basis. However, because this vote is advisory and not binding on the Board of Directors or us in any way, the Board of Directors may decide that it is in the best interests of our stockholders and us to hold an advisory vote on executive compensation more or less frequently than the option approved by our stockholders.

Our Board of Directors unanimously recommends that stockholders vote to hold Say-on-Pay votes every three years (as opposed to every one or two years) under Proposal Five.



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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 20, 2011 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 (1)	Percent of Common Stock (1)
Capital World Investors (2)	20,948,000	11.0%
Waddell & Reed Financial, Inc. (3)	12,607,690	6.6%
Steve Sanghi (4)	6,045,735	3.2%
Matthew W. Chapman (5)	63,625	*
L.B. Day (6)	45,968	*
Albert J. Hugo-Martinez (7)	59,000	*
Wade F. Meyercord (8)	56,478	*
J. Eric Bjornholt (9)	14,810	*
Stephen V. Drehobl (10)	53,980	*
Mitchell R. Little	9,368	*
Ganesh Moorthy (11)	347,787	*
All directors and executive officers as a group (11 people) (12)	7,312,384	3.8%

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

- (1) 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 20, 2011. There are no stock purchase rights or RSUs that will vest within 60 days of May 21, 2011. 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 20, 2011 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 14, 2011, with the exception of the percentage of common stock held which is based on shares outstanding at May 20, 2011. 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 20,948,000 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 14,128,000 of such shares, and has delegated voting authority to Capital World Investors.

- (3) 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 8, 2011, with the exception of the percentage of common stock held which is based on shares outstanding at May 20, 2011. Such Schedule 13G indicates that (i) Waddell & Reed Financial, Inc. is the parent holding company of a group of investment management companies that hold 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 10,326,163 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 2,281,527 shares of the common stock.
- (4) Includes 1,365,000 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011 and 4,635,181 shares held of record by Steve Sanghi and Maria T. Sanghi as trustees.

- (5) Includes 43,000 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011, 262 shares held in Testamentary Trust of Regan Chapman and 135 shares held by Mr. Chapman's minor children.
- (6) Includes 39,750 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011.
- (7) Includes 39,000 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011 and 20,000 shares held of record by Albert J. Hugo-Martinez and S. Gay Hugo-Martinez as trustees.
- (8) Includes 45,000 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011 and 11,478 shares held of record by Wade F. Meyercord and Phyllis Meyercord as trustees.
- (9) Includes 4,626 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011.
- (10) Includes 44,000 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011.
- (11) Includes 287,160 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011 and 48,441 shares held of record by Ganesh Moorthy and Hema Moorthy as trustees.
- (12) Includes an aggregate of 2,222,785 shares issuable upon exercise of options that are exercisable within 60 days of May 20, 2011.

## EXECUTIVE COMPENSATION

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### COMPENSATION DISCUSSION AND ANALYSIS

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#### Overview of the Compensation Program

The Compensation Committee of the 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 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.

As global economic conditions began to improve in the latter part of fiscal 2010, and continued to improve in fiscal 2011, we adjusted our compensation programs to further incentivize our executives and recognize their performance, dedication and commitment during the economic downturn.

We believe that the overall compensation levels for our executive officers, including our named executive officers, in fiscal 2011 were consistent with our "pay-for-performance" philosophy and were commensurate with our fiscal 2011 performance.

#### Executive Compensation Process

On an annual basis, the Compensation Committee evaluates and establishes the compensation of the 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 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 programs. 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 2011, 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.

#### 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 5% in May 2010 compared to the prior fiscal year. Our CEO's base salary increased by approximately 3.5% in May 2010 compared to the prior fiscal year. These increases were in line with the budget for salary increases for our U.S. employee base in May 2010, which 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 third quarters of fiscal 2011, the following business and financial areas were selected as the basis for calculating bonuses under our management incentive compensation plans:

Performance Metric	Target		Q1		Q2		Q3	
	Quarterly Measurement (1)	Target % of Bonus	Q1 FY11 Performance	Q1 Bonus Payout %	Q2 FY11 Performance	Q2 Bonus Payout %	Q3 FY11 Performance	Q3 Bonus Payout %
Total sequential revenue growth	4.00 %	10.00 %	8.77 %	21.92 %	7.04 %	17.60 %	-3.78 %	-9.45 %
High performance microcontroller sequential revenue growth	15.00 %	5.00 %	28.44 %	9.48 %	20.06 %	6.69 %	-0.55 %	-0.18 %
Analog sequential revenue growth	6.00 %	5.00 %	17.79 %	14.83 %	11.62 %	9.68 %	-4.66 %	-3.88 %
Gross margin percentage (non-GAAP)	60.00 %	15.00 %	62.01 %	22.54 %	60.20 %	15.74 %	59.77 %	14.14 %
Operating expenses as a percentage of	26.20 %	15.00 %	24.96 %	24.30 %	24.04 %	31.18 %	24.12 %	30.60 %



sales (non-GAAP)											
Operating income as a percentage of sales (non-GAAP)	33.00 %	15.00 %	37.04 %	25.10 %	36.15 %	22.89 %	35.65 %	21.62 %			
Earnings per share (quarterly) (non-GAAP)	(2 )	15.00 %	\$ 0.51	36.07 %	\$ 0.63	38.76 %	\$ 0.58	29.19 %			
EMICP Total	N/A	80.00 %	N/A	154.24 %	N/A	142.54 %	N/A	82.04 %			
DMICP Total	Discretionary	20.00 %	N/A	95.76 %	N/A	107.46 %	(3)	N/A	52.96 %		

- (1) In the third quarter of fiscal 2011, the Target Quarterly Measurements included the impact of our acquisition of SST.
- (2) The EMICP quarterly non-GAAP earnings per share (EPS) targets for fiscal 2011 were \$0.42, \$0.48, and \$0.50 for the first through third 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.

(3) For the second quarter of fiscal 2011, the aggregate award under the DMICP was 107.46% of target. This amount was comprised of a first award of 7.46% of target made to all executives, and a second award of 100% of target made only to those executives who had been employed by Microchip prior to December 31, 2008 and had experienced a salary reduction in 2009 due to adverse economic conditions.

In the fourth quarter of fiscal 2011, the licensing business of SST was added as a performance metric and 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		Target % of Bonus		Q4 FY11 Performance		Actual Results Q4 FY11 Bonus Payout %	
Total sequential revenue growth	3.00	%	10.00	%	3.31	%	11.03	%
High performance microcontroller sequential revenue growth	10.00	%	4.00	%	24.96	%	9.99	%
Analog sequential revenue growth	5.00	%	4.00	%	3.49	%	2.79	%
Licensing sequential revenue growth	3.00	%	4.00	%	6.94	%	9.25	%
Gross margin percentage (non-GAAP)	58.00	%	15.00	%	60.23	%	23.36	%
Operating expenses as a percentage of sales (non-GAAP)	26.00	%	14.00	%	24.10	%	27.30	%
Operating income as a percentage of sales (non-GAAP)	31.00	%	14.00	%	36.13	%	25.97	%
Earnings per share (quarterly) (non-GAAP)	\$ 0.51		15.00	%	\$ 0.59		31.02	%
EMICP Total	N/A		80.00	%	N/A		140.71	%
DMICP Total	Discretionary		20.00	%	N/A		29.29	%

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 tables above) and payment of 20% as a discretionary award under the DMICP (as disclosed in the tables above). The aggregate budgeted bonus pool under the various management incentive compensation plans is calculated by multiplying the eligible executive officer's bonus target percentage by his base salary. In fiscal 2011, the quarterly payments under the EMICP for our named executive officers were targeted at an aggregate of approximately \$310,600 for all such officers as a group. In fiscal 2011, the quarterly payments under the DMICP for our named executive officers were targeted at an aggregate of approximately \$77,649 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 2011, 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 60% of his salary; for Mr. Little it was 46% of his salary; for Mr. Drehobl it was 40% of his salary; and for Mr. Bjornholt it was 32% of his salary.

As indicated in the above tables, for each of the first three quarters of fiscal 2011, 10.0% of the quarterly EMICP payment was based on Microchip achieving total sequential revenue growth of 4.0%. Accordingly, if Microchip's total sequential revenue growth for a quarter was 4.0%, 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 3.0%, then each

executive would be paid a corresponding 7.5% of his target bonus amount for the quarter (i.e.,  $\frac{3}{4}$  of the 10.0%) and if Microchip's total sequential revenue growth for a quarter was 5.0%, then each executive would be paid a corresponding 12.5% of his target bonus amount for the quarter (i.e.,  $\frac{5}{4}$  of the 10.0%). A similar methodology is applied each quarter to each of the performance metrics listed in the above tables.

As set forth in the above tables, during fiscal 2011, consistent with our "pay-for-performance" philosophy, our CEO and other executive officers received bonuses under the EMICP for each quarter of fiscal 2011 based on our financial performance. Payments were also made under the DMICP for each quarter of fiscal 2011. Specifically, for the first quarter of fiscal 2011, the award under the EMICP was 154.24% of the target and under the DMICP was 95.76% of the target; for the second quarter of fiscal 2011 the award under the EMICP was 142.54% of target and under the DMICP was 7.46% of the target; for the third quarter of fiscal 2011, the award under the EMICP was 82.04% of the target and under the DMICP was 52.96% of the target; and in the fourth quarter of fiscal 2011, the award under the EMICP was 140.71% of the target and under the DMICP was 29.29% of the target. For the second quarter of fiscal 2011, a second award under the DMICP of 100% of target was awarded only to those executives who had been employed by Microchip prior to December 31, 2008 and had experienced a salary reduction in 2009 due to adverse economic conditions. Applying these award percentages to each named executive officer's participation level in the plans, for fiscal 2011, the total cash bonus payments under the EMICP and the DMICP for our named executive officers, other than our CEO, ranged from \$121,153 to \$324,868. In fiscal 2011, Mr. Sanghi earned an aggregate EMICP bonus of \$1,438,039, and an aggregate DMICP bonus of \$790,170. Please see footnote 4 to the Summary Compensation Table on page 28 of this Proxy Statement which sets forth of the actual amount of the EMICP and DMICP awards to each named executive officer for fiscal 2011. 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.

Microchip also has a Management Incentive Compensation Plan or MICP. All of our management personnel other than executive officers participate in the MICP. Executive officers participate in the EMICP and not the MICP. The MICP has substantially the same performance criteria and payment structure as the EMICP.

**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. In fiscal 2011, 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 2011 were awarded with vesting subject to meeting specified performance goals over identified periods. In fiscal 2011, these performance goals were related to achieving certain levels of operating profit over a specified time frame. Specifically, with respect to the awards made in April 2010, the performance goal was related to achieving non-GAAP operating profit for the three months ended June 30, 2010 of \$40 million or more; with an achievement of \$90 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 2010, the performance goal was related to achieving non-GAAP operating profit for the three

months ended September 30, 2010 of \$50 million or more; with an achievement of \$100 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 2010, the performance goal was related to achieving non-GAAP operating profit for the three months ended December 31, 2010 of \$50 million or more with an achievement of \$100 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 January 2011, the performance goal was related to achieving non-GAAP operating profit for the three months ended March 31, 2011 of \$60 million or more with an achievement of \$110 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%. 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.

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 2011 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, 2011, approximately 48% 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, 2011" at page 30 for information regarding RSUs granted during fiscal 2011 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 2011, all persons subject to this policy 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 short- and long-term disability insurance, accidental death and dismemberment 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 the 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, Alternative Health Care, Long-Term Care, Legal Assistance, and Disability Coverage. We make medical, dental, vision, employee assistance program, flexible spending, alternative health care, long term care, legal assistance, and disability coverage available to all of our U.S. 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 with a benefit of one times the executive's annual salary is provided by Microchip. Since all of our U.S. employees participate in this plan 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 28 pursuant to SEC rules and regulations.

Life Insurance. In fiscal 2011, 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 each quarter of fiscal 2011 equal to \$0.50 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 quarter of fiscal 2011, bonus awards were paid out at 150% of target for all employees; for the second quarter of fiscal 2011, awards were paid out at 150% of target for all employees; for the third quarter of fiscal 2011, awards were paid out at 135% of target for all employees; and for the fourth quarter of fiscal 2011, awards were paid out at 170% of target for all employees. For each of the first quarter of fiscal 2011 and the second quarter of fiscal 2011, a second award under the ECBP of 100% of target was awarded only to those employees who had been employed by Microchip prior to December 31, 2008 and had experienced a salary reduction in 2009 due to adverse economic conditions. Under the ECBP, for fiscal 2011, our named executive officers other than our CEO received payments ranging from \$14,562 to \$20,825, and our CEO received \$42,850.

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 2004 Equity Incentive 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; and
  - 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; and
- 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, and
- 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, and

- 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, 2011, the last business day of our last completed fiscal year.

Name	Salary	Bonus	Equity	Tax Gross-up on Change of Control (2)	Continuation of Certain Benefits (3)
			Compensation Due to Accelerated Vesting (1)		
Steve Sanghi (4)	\$ 1,107,185	\$ 2,256,953	\$ 15,846,635	\$ ---	2 years
Ganesh Moorthy (5)	269,042	171,773	6,081,106	2,896,827	1 year
Mitchell R. Little (5)	263,014	131,103	3,641,814	1,483,023	1 year
Stephen V. Drehobl (5)	205,299	90,016	3,383,878	1,349,768	1 year
J. Eric Bjornholt (5)	188,125	67,436	1,813,875	882,068	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, 2011.
- (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 approved the EMICP at our 2006 annual meeting. This allows us to seek to have such compensation under our EMICP qualify as performance-based compensation under Section 162(m). Additionally, our 2004 Equity Incentive 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 2011. 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 (†)

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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 discussions, 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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(†) 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.

## 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 (1)	Bonus (2)	Stock Awards (3)	Incentive Plan Compensation (4)	Change in Pension Value and Non-Qualified Deferred Compensation (5)	All Other Compensation (6)	Total
Steve Sanghi, President and CEO	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
	2009	502,985	3,857	3,657,979	374,413	---	2,496	4,541,730
Ganesh Moorthy, Executive VP and COO	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
	2009	231,687	1,777	1,573,946	47,450	---	2,623	1,857,483
Mitchell R. Little, VP, Worldwide Sales and Applications	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
	2009	238,971	1,833	846,937	40,919	---	3,123	1,131,783
Stephen V. Drehobl, VP, Security, Microcontroller and Technology Development Division	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
	2009	179,728	1,378	789,449	26,760	---	1,967	999,282
J. Eric Bjornholt, VP and CFO	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
	2009	137,765	998	428,012	9,240	---	1,383	577,398

- (1) Represents the base salary earned by each executive officer in the specified fiscal year.
- (2) Represents bonuses earned by each executive officer in the specified fiscal year under our ECBP.
- (3) Represents the aggregate grant date fair value of awards of RSUs made in fiscal 2011 computed in accordance with ASC 718 Compensation - Stock Compensation. For information on the valuation assumptions made with respect to the grants of RSUs in fiscal 2011, please refer to Note 18, "Equity Incentive Plans" to Microchip's audited financial statements for the fiscal year ended March 31, 2011.
- (4) Represents the aggregate amount of bonuses earned by each executive officer in the specified fiscal year under our EMICP and DMICP, and with respect to Mr. Bjornholt, it also includes our Management

Incentive Compensation Plan or "MICP". The participants in the MICP are all Microchip management personnel other than executive officers. Executive officers participate in the DMICP and the EMICP, and not the MICP. During fiscal 2009, Mr. Bjornholt participated in the MICP prior to becoming an executive officer on January 1, 2009. The MICP has substantially the same performance criteria and payment structure as the EMICP. Each executive officer received the following payments under each of such plans in the specified fiscal year:



Named Executive Officer	Year	MICP	EMICP	DMICP
Steve Sanghi	2011	---	1,438,039	790,170
	2010	---	1,071,388	289,928
	2009	---	374,413	---
Ganesh Moorthy	2011	---	209,663	115,205
	2010	---	155,455	41,049
	2009	---	47,450	---
Mitchell R. Little	2011	---	157,140	86,345
	2010	---	117,075	31,682
	2009	---	40,919	---
Stephen V. Drehobl	2011	---	106,659	58,607
	2010	---	77,295	21,047
	2009	---	26,760	---
J. Eric Bjornholt	2011	---	78,189	42,963
	2010	---	52,581	14,229
	2009	9,240	---	---

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

(6) Consists of company-matching contributions under our 401(k) retirement savings plan and the full dollar value of 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
Steve Sanghi	2011	\$4,986	\$	1,677
	2010	2,469		1,077
	2009	1,599		897
Ganesh Moorthy	2011	4,788		897
	2010	1,194		857
	2009	2,012		611
Mitchell R. Little	2011	4,221		1,677
	2010	1,173		1,596
	2009	1,515		1,608
Stephen V. Drehobl	2011	3,760		518
	2010	889		400
	2009	1,562		405
J. Eric Bjornholt	2011	3,542		276
	2010	808		220
	2009	1,208		175

#### Grants of Plan-Based Awards During Fiscal 2011

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 2004 Equity Incentive 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 2011. Actual payments for our

bonus plans in fiscal 2011 are reflected in the Summary Compensation Table above. Equity awards in the table below were granted in fiscal 2011.

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GRANTS OF PLAN-BASED AWARDS  
For Fiscal Year Ended March 31, 2011

Estimated Future Payouts Under Non-Equity Incentive Plan Awards								
Name	Grant Date	Threshold (\$ (1))	Target (\$)	Maximum (\$ (1))	All Other Stock Awards: Number of Shares or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$ (3))
					(#) (2)	(#)	(\$/Sh)	(3)
Steve Sanghi	04/01/10	---	---	---	25,607	---	---	601,765
	07/01/10	---	---	---	25,995	---	---	601,264
	10/01/10	---	---	---	22,958	---	---	615,045
	01/03/11	---	---	---	22,612	---	---	670,898
	---	---	---	885,748 (4)	---	---	---	---
	---	---	---	221,437 (5)	---	---	---	---
Ganesh Moorthy	04/01/10	---	---	---	10,609	---	---	249,312
	07/01/10	---	---	---	10,769	---	---	249,087
	10/01/10	---	---	---	9,511	---	---	254,800
	01/03/11	---	---	---	9,368	---	---	277,949
	---	---	---	129,140 (4)	---	---	---	---
	---	---	---	32,285 (5)	---	---	---	---
Mitchell R. Little	04/01/10	---	---	---	5,853	---	---	137,546
	07/01/10	---	---	---	5,942	---	---	137,438
	10/01/10	---	---	---	5,248	---	---	140,594
	01/03/11	---	---	---	5,168	---	---	153,335
	---	---	---	96,789 (4)	---	---	---	---
	---	---	---	24,197 (5)	---	---	---	---
Stephen V. Drehobl	04/01/10	---	---	---	5,853	---	---	137,546
	04/01/10	---	---	---	419	---	---	11,347
	07/01/10	---	---	---	5,942	---	---	137,438
	10/01/10	---	---	---	5,248	---	---	140,594
	01/03/11	---	---	---	5,168	---	---	153,335
	---	---	---	65,696 (4)	---	---	---	---
J. Eric Bjornholt	04/01/10	---	---	---	3,292	---	---	77,362
	04/01/10	---	---	---	250	---	---	6,458
	---	---	---	7,896 (6)	---	---	---	---

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07/01/10	---	---	---	3,342	---	---	77,300
07/01/10	---	---	---	250	---	---	6,355
10/01/10	---	---	---	2,952	---	---	79,084
10/01/10	---	---	---	250	---	---	7,253
01/03/11	---	---	---	2,907	---	---	86,251
01/03/11	---	---	---	250	---	---	8,033
---	---	48,160	(4)	---	---	---	---
---	---	12,040	(5)	---	---	---	---
---	---	7,236	(6)	---	---	---	---

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- (1) 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).
- (2) Represents RSUs granted under Microchip's 2004 Equity Incentive Plan.
- (3) This column shows the full grant date fair value of RSU awards granted to the named executives in fiscal 2011. Generally, the full grant date fair value is the amount that Microchip would expense in its financial statements over the award's vesting schedule.
- (4) This annual target represents the percentage of the executive officer's base salary (as measured at the end of fiscal 2011) reflected in dollar terms targeted for estimated future payout in fiscal 2012 under Microchip's EMICP.
- (5) This annual target represents the percentage of the executive officer's base salary (as measured at the end of fiscal 2011) reflected in dollar terms targeted for estimated future payout in fiscal 2012 under Microchip's DMICP.
- (6) 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 18 of the "Compensation Discussion and Analysis" section of this proxy statement for further explanation of our ECBP.

#### 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 38% to 53% for our named executive officers in fiscal 2011. 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 2011 YEAR END

Name	Option Awards					Stock Awards				Equity Incentive Plan
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) Available	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 Awards: Incentive Market Plan or Awards: Payout Number Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)	Equity Awards: Incentive Market Plan or Awards: Payout Number Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)	Equity Awards: Incentive Market Plan or Awards: Payout Number Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)
Steve Sanghi	26,457 (1)	---	---	24.27	01/22/12	---	---	---	---	---
	303,750(1)	---	---	24.04	10/25/12	---	---	---	---	---
	58,541 (1)	---	---	18.48	04/09/13	---	---	---	---	---
	2,602 (1)	---	---	18.48	04/09/13	---	---	---	---	---
	135,000(1)	---	---	18.48	04/09/13	---	---	---	---	---
	70,249 (1)	---	---	26.14	10/09/13	---	---	---	---	---
	23,400 (1)	---	---	27.39	10/24/13	---	---	---	---	---
	145,000(1)	---	---	27.05	04/01/14	---	---	---	---	---
	10,000 (1)	---	---	27.05	04/01/14	---	---	---	---	---
	145,000(1)	---	---	26.25	07/21/14	---	---	---	---	---
	49,939 (1)	---	---	27.15	04/03/12	---	---	---	---	---
	202,500(1)	---	---	27.15	04/03/12	---	---	---	---	---
	47,562 (1)	---	---	21.00	08/01/12	---	---	---	---	---
	145,000(1)	---	---	25.29	04/01/15	---	---	---	---	---
	---	---	---	---	---	17,500 (2)	665,175	---	---	---
	---	---	---	---	---	32,778 (3)	1,245,892	---	---	---
	---	---	---	---	---	37,966 (4)	1,443,088	---	---	---
	---	---	---	---	---	20,029 (5)	761,302	---	---	---
	---	---	---	---	---	38,624 (6)	1,468,098	---	---	---
	---	---	---	---	---	26,700 (7)	1,014,867	---	---	---
	---	---	---	---	---	8,325 (8)	316,433	---	---	---
	---	---	---	---	---	33,400 (9)	1,269,534	---	---	---
	---	---	---	---	---	31,683 (10)	1,204,271	---	---	---

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	---	---	---	---	---	28,570 (11)	1,085,946	---	---
	---	---	---	---	---	24,712 (12)	939,303	---	---
	---	---	---	---	---	19,448 (13)	739,218	---	---
	---	---	---	---	---	25,607 (17)	973,322	---	---
	---	---	---	---	---	25,995 (18)	988,070	---	---
	---	---	---	---	---	22,958 (19)	872,634	---	---
	---	---	---	---	---	22,612 (20)	859,482	---	---
<b>Ganesh</b>									
<b>Moorthy</b>	26,000 (1)	---	---	23.70	12/03/11	---	---	---	---
	26,000 (1)	---	---	24.04	10/25/12	---	---	---	---
	35,000 (1)	---	---	18.48	04/09/13	---	---	---	---
	7,060 (1)	---	---	26.14	10/09/13	---	---	---	---
	40,000 (1)	---	---	27.05	04/01/14	---	---	---	---
	5,000 (1)	---	---	27.05	04/01/14	---	---	---	---
	25,000 (1)	---	---	26.25	07/21/14	---	---	---	---
	3,600 (1)	---	---	27.15	04/03/12	---	---	---	---
	39,000 (1)	---	---	27.15	04/03/12	---	---	---	---
	24,000 (1)	---	---	27.15	04/03/12	---	---	---	---
	16,500 (1)	---	---	27.15	04/03/12	---	---	---	---
	40,000 (1)	---	---	25.29	04/01/15	---	---	---	---

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	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 Shares, Units or Other Rights that Have Not Vested (#)	Market Value of Shares, Units or Other Rights that Have Not Vested (\$)
Ganesh									
Moorthy, cont'd.	---	---	---	---	---	5,500 (2)	209,055	---	---
	---	---	---	---	---	10,302 (3)	391,579	---	---
	---	---	---	---	---	11,932 (4)	453,535	---	---
	---	---	---	---	---	3,000 (4)	114,030	---	---
	---	---	---	---	---	7,439 (5)	282,756	---	---
	---	---	---	---	---	14,346 (6)	545,291	---	---
	---	---	---	---	---	10,000 (7)	380,100	---	---
	---	---	---	---	---	4,500 (8)	171,045	---	---
	---	---	---	---	---	12,406 (9)	471,552	---	---
	---	---	---	---	---	11,768 (10)	447,302	---	---
	---	---	---	---	---	11,428 (11)	434,378	---	---
	---	---	---	---	---	9,885 (12)	375,729	---	---
	---	---	---	---	---	7,224 (13)	274,584	---	---
	---	---	---	---	---	10,609 (17)	403,248	---	---
	---	---	---	---	---	10,769 (18)	409,330	---	---
	---	---	---	---	---	9,511 (19)	361,513	---	---
	---	---	---	---	---	9,368 (20)	356,078	---	---
Mitchell R. Little	---	---	---	---	---	4,000 (2)	152,040	---	---
	---	---	---	---	---	7,492 (3)	284,771	---	---
	---	---	---	---	---	8,678 (4)	329,851	---	---
	---	---	---	---	---	4,578 (5)	174,010	---	---
	---	---	---	---	---	8,828 (6)	335,552	---	---
	---	---	---	---	---	6,200 (7)	235,662	---	---
	---	---	---	---	---	2,325 (8)	88,373	---	---
	---	---	---	---	---	7,634 (9)	290,168	---	---



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	---	---	---	---	---	7,242	(10)	275,268	---	---
	---	---	---	---	---	6,530	(11)	248,205	---	---
	---	---	---	---	---	5,649	(12)	214,718	---	---
	---	---	---	---	---	4,445	(13)	168,954	---	---
	---	---	---	---	---	5,853	(17)	222,473	---	---
	---	---	---	---	---	5,942	(18)	225,855	---	---
	---	---	---	---	---	5,248	(19)	199,476	---	---
	---	---	---	---	---	5,168	(20)	196,436	---	---
Stephen V. Drehobl	24,000	(1)	---	---	27.05	04/01/2014	---	---	---	---
	20,000	(1)	---	---	25.29	04/01/2015	---	---	---	---
	---	---	---	---	---	---	3,500	(2)	133,035	---
	---	---	---	---	---	---	6,556	(3)	249,194	---
	---	---	---	---	---	---	7,593	(4)	288,610	---
	---	---	---	---	---	---	4,006	(5)	152,268	---
	---	---	---	---	---	---	7,725	(6)	293,627	---
	---	---	---	---	---	---	5,400	(7)	205,254	---
	---	---	---	---	---	---	2,589	(8)	98,408	---
	---	---	---	---	---	---	6,680	(9)	253,907	---

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	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 Awards: Number of Shares, Units or Rights that Have Not Vested (#)	Equity Awards: Market or Payout Value of Unearned Shares, Units or Rights that Have Not Vested (\$)	
Stephen V. Drehobl, cont'd.	---	---	---	---	---	6,337 (10)	240,869	---	---	
	---	---	---	---	---	5,714 (11)	217,189	---	---	
	---	---	---	---	---	5,295 (12)	201,263	---	---	
	---	---	---	---	---	5,001 (13)	190,088	---	---	
	---	---	---	---	---	419 (21)	15,926	---	---	
	---	---	---	---	---	5,853 (17)	222,473	---	---	
	---	---	---	---	---	5,942 (18)	225,855	---	---	
	---	---	---	---	---	5,248 (19)	199,476	---	---	
	---	---	---	---	---	5,168 (20)	196,436	---	---	
J. Eric Bjornholt	326 (1)	---	---	28.31	02/02/2014	---	---	---	---	
	1,000 (1)	---	---	26.25	07/21/2014	---	---	---	---	
	3,300 (1)	---	---	25.29	04/01/2015	---	---	---	---	
	---	---	---	---	---	425 (2)	16,154	---	---	
	---	---	---	---	---	425 (14)	16,154	---	---	
	---	---	---	---	---	430 (3)	16,344	---	---	
	---	---	---	---	---	521 (4)	19,803	---	---	
	---	---	---	---	---	190 (2)	7,222	---	---	
	---	---	---	---	---	679 (5)	25,809	---	---	
	---	---	---	---	---	213 (14)	8,096	---	---	
	---	---	---	---	---	760 (15)	28,888	---	---	
	---	---	---	---	---	77 (16)	2,927	---	---	
	---	---	---	---	---	237 (3)	9,008	---	---	
	---	---	---	---	---	846 (7)	32,156	---	---	
	---	---	---	---	---	4,000 (4)	152,040	---	---	
	---	---	---	---	---	4,500 (6)	171,045	---	---	

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---	---	---	---	---	4,414	(6)	167,776	---	---
---	---	---	---	---	3,817	(9)	145,084	---	---
---	---	---	---	---	3,621	(10)	137,634	---	---
---	---	---	---	---	3,673	(11)	139,611	---	---
---	---	---	---	---	3,177	(12)	120,758	---	---
---	---	---	---	---	2,223	(13)	84,496	---	---
---	---	---	---	---	250	(22)	9,503	---	---
---	---	---	---	---	3,292	(17)	125,129	---	---
---	---	---	---	---	250	(23)	9,503	---	---
---	---	---	---	---	3,342	(18)	127,029	---	---
---	---	---	---	---	250	(24)	9,503	---	---
---	---	---	---	---	2,952	(19)	112,206	---	---
---	---	---	---	---	250	(25)	9,503	---	---
---	---	---	---	---	2,907	(20)	110,495	---	---

(1) The option is fully vested.

(2) The award vested in full on May 1, 2011, subject to continued service on such date.

(3) The award vests in full on November 1, 2011, subject to continued service on such date.

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

- (5) The award vests in full on May 1, 2012, subject to continued service on such date.  
 (6) The award vests in full on February 1, 2013, subject to continued service on such date.  
 (7) The award vests in full on November 1, 2012, subject to continued service on such date.  
 (8) The award vests quarterly over a two-year period commencing on February 1, 2010, subject to continued service on such dates.  
 (9) The award vests in full on May 1, 2013, subject to continued service on such date.  
 (10) The award vests in full on August 15, 2013, subject to continued service on such date.  
 (11) The award vests in full on November 15, 2013, subject to continued service on such date.  
 (12) The award vests in full on February 15, 2014, subject to continued service on such date.  
 (13) The award vests quarterly over a two-year period, commencing on February 15, 2011, subject to continued service on such dates.  
 (14) The award vests in full on August 1, 2011, subject to continued service on such date.  
 (15) The award vests in full on August 1, 2012, subject to continued service on such date.  
 (16) The award vests quarterly over a two-year period commencing on August 1, 2009, subject to continued service on such dates.  
 (17) The award vests in full on May 15, 2014, subject to continued service on such date.  
 (18) The award vests in full on August 15, 2014, subject to continued service on such date.  
 (19) The award vests in full on November 15, 2014, subject to continued service on such date.  
 (20) The award vests in full on February 15, 2015, subject to continued service on such date.  
 (21) The award vested in full on May 15, 2011, subject to continued service on such date.  
 (22) The award vests in full on May 15, 2012, subject to continued service on such date.  
 (23) The award vests in full on August 15, 2012, subject to continued service on such date.  
 (24) The award vests in full on November 15, 2012, subject to continued service on such date.  
 (25) The award vests in full on February 15, 2013, subject to continued service on such date.  
 (26) Represents number of RSUs multiplied by \$38.01, the closing price of our common stock on March 31, 2011.

OPTION EXERCISES AND STOCK VESTED  
 For Fiscal Year Ended March 31, 2011

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 (\$)
Steve Sanghi, President and CEO	4,756	105,299	16,250	482,138
	---	---	2,775	82,334
	---	---	16,250	498,063
	---	---	2,775	85,054
	---	---	16,250	520,813
	---	---	2,775	88,939
	---	---	16,250	604,338
	---	---	2,775	103,202
	---	---	2,778	105,238
	---	---	8,925	338,101
	20,000	233,082	4,250	126,098

Ganesh Moorthy, Executive Vice  
President and COO

	4,700	62,510	1,500	44,505
	8,300	110,545	4,250	130,263
	13,000	185,900	1,500	45,975

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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 (\$)
Ganesh Moorthy, cont'd	---	---	4,250	136,213
	---	---	1,500	48,075
	---	---	4,250	158,058
	---	---	1,500	55,785
	---	---	2,000	74,380
	---	---	1,031	39,057
Mitchell R. Little, VP, Worldwide Sales and Applications	28,000	139,336	3,500	103,845
	27,978	89,986	775	22,994
	---	---	3,500	107,275
	---	---	775	23,754
	---	---	3,500	112,175
	---	---	775	24,839
	---	---	3,500	130,165
	---	---	775	28,822
	---	---	635	24,055
Stephen V. Dreobl, VP, Security, Microcontroller and Technology Development Division	4,340	72,968	3,200	94,944
	12,000	121,740	862	25,576
	4,000	40,735	3,200	98,080
	10,000	109,838	862	26,420
	2,000	20,368	3,200	102,560
	---	---	862	27,627
	---	---	3,200	119,008
	---	---	863	32,095
	---	---	714	27,048
J. Eric Bjornholt, VP and CFO	823	11,653	77	2,285
	1,782	14,266	339	10,058
	864	6,917	311	9,227
	356	3,958	77	2,360
	457	4,978	339	10,390
	1,172	12,985	349	10,697
	1,500	15,254	77	2,468
	3,000	30,507	388	12,435
	---	---	339	10,865
	---	---	77	2,864
	---	---	337	12,533



Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized
	Acquired on Exercise (#)	on Exercise (\$)	Acquired on Vesting (#)	on Vesting (\$)
J. Eric Bjornholt, cont'd	---	---	3,500	130,165
	---	---	86	3,258
	---	---	317	12,009

#### Non-Qualified Deferred Compensation for Fiscal Year 2011

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, 2011.

#### NON-QUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last FY (1)	Registrant Contributions in Last FY	Aggregate Earnings in Last FY (1)	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE (1)
Steve Sanghi	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Ganesh Moorthy	---	---	18,057	---	108,073
Mitchell R. Little	---	---	---	---	---
Stephen V. Drehobl	---	---	1,847	---	6,719
J. Eric Bjornholt	20,116	---	9,776	---	74,073

(1) The executive contribution amounts shown in the table were previously reported in the "Summary Compensation Table" as salary and/or bonus for fiscal 2011 or prior fiscal years. The earnings amounts shown in the table were



not previously reported for fiscal 2011 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, 2011, 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,
    - Microchip 2004 Equity Incentive Plan, and
  - PowerSmart, Inc. 1998 Stock 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 (1)	8,501,682	(2) \$ 25.45	(3) 10,321,803
Equity Compensation Plans Not Approved by Stockholders (4)	2,236,548	\$ 24.86	---
<b>Total</b>	<b>10,738,230</b>	<b>\$ 25.21</b>	<b>10,321,803</b>

(1) 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 2011, our Board of Directors approved 941,530 shares be 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 2011, our Board of Directors approved 188,306 shares be authorized for issuance under the IESPP, which represented approximately 0.1 % of our then outstanding shares of common stock.

(2) Includes 5,241,306 shares issuable upon the vesting of RSUs granted under our 2004 Equity Incentive Plan, and 1,239,681 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 various plans.

(3)

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

(4) Substantially all of these options are outstanding under our 1997 Nonstatutory Stock Option Plan. No additional options may be granted under these plans.

#### 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

On May 3, 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. Our Board of Directors amended and restated our code of ethics on May 10, 2011. A copy of the code of ethics is available on our website at the Corporate/Investors section under Mission Statement/Corporate Governance 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 2012 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 2012 annual meeting, our Secretary must receive the proposal at our principal executive offices by March 13, 2012. 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 2012 annual meeting must do so no later than April 12, 2012.
- However, if we hold our 2012 annual meeting on a date that is not within 30 days before or after the anniversary date of our 2011 annual meeting, we must receive the notice no later than the close of business on the later of the 90th day prior to our 2012 annual meeting or the 10th 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 2012 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 2011 Annual Report are available online (see "Electronic Access to Proxy Statement and Annual Report" on page 4), 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 11, 2011.

APPENDIX A

MICROCHIP TECHNOLOGY INCORPORATED  
EXECUTIVE MANAGEMENT INCENTIVE COMPENSATION PLAN

(As amended and restated by the Board of Directors on May 10, 2011, subject to stockholder approval)

1. Purposes of the Plan. The Plan is intended to increase shareholder value and the success of the Company by motivating key executives to: (1) perform to the best of their abilities, and (2) achieve the Company's objectives. The Plan's goals are to be achieved by providing such executives with incentive awards based on the achievement of goals relating to the performance of the Company or upon the achievement of objectively determinable individual performance goals. The Plan is intended to permit the payment of bonuses that may qualify as performance-based compensation under Code Section 162(m).

2. Definitions.

(a) "Award" means, with respect to each Participant, the award determined pursuant to Section 8(a) below for a Performance Period. Each Award is determined by a Payout Formula for a Performance Period, subject to the Committee's authority under Section 8(a) to eliminate or reduce the Award otherwise payable.

(b) "Base Salary" means as to any Performance Period, the Participant's annualized salary rate on the last day of the Performance Period. Such Base Salary shall be before both (a) deductions for taxes or benefits, and (b) deferrals of compensation pursuant to Company-sponsored plans.

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

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

(e) "Committee" means the Compensation Committee of the Board, or a sub-committee of the Compensation Committee, which shall, with respect to payments hereunder intended to qualify as performance-based compensation under Code Section 162(m), consist solely of two or more members of the Board who are not employees of the Company and who otherwise qualify as "outside directors" within the meaning of Section 162(m).

(f) "Company" means Microchip Technology Incorporated or any of its subsidiaries (as such term is defined in Code Section 424(f)).

(g) "Determination Date" means the latest possible date that will not jeopardize a Target Award or Award's qualification as Performance-Based Compensation.

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

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

(j) "Maximum Award" means as to any Participant for any Performance Period, \$2.5 million.

(k) "Participant" means an executive officer of the Company participating in the Plan for a Performance Period.

(l) "Payout Formula" means as to any Performance Period, the formula or payout matrix established by the Committee pursuant to Section 7 in order to determine the Awards (if any) to be paid to Participants. The formula or matrix may

differ from Participant to Participant.

(m) "Performance-Based Compensation" means compensation that is intended to qualify as "performance-based compensation" within the meaning of Section 162(m).

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(n) "Performance Goals" means the goal(s) (or combined goal(s)) determined by the Committee (in its discretion) to be applicable to a Participant with respect to an Award. As determined by the Committee, 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, and measured either on an absolute basis or relative to a pre-established target, to a previous period's results to a designated comparison group, and/or to another Performance Goal 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: (i) cash flow (including operating cash flow or free cash flow) or cash flow margin, (ii) cash position, (iii) revenue (on an absolute basis or adjusted for currency effects), (iv) gross margin, (v) operating margin, (vi) operating expenses or operating expenses as a percentage of revenue, (vii) earnings (which may include, without limitation, earnings before interest and taxes, earnings before taxes and earnings before income, taxes, depreciation and amortization), (viii) earnings per share, (ix) operating income or operating income as a percentage of revenue, (x) net income, (xi) stock price, (xiii) return on equity, (xiii) total stockholder return, (xiv) growth in stockholder value relative to a specified publicly reported index (such as the S&P 500 Index), (xv) return on capital, (xvi) return on assets or net assets, (xvii) return on investment, (xviii) economic value added, (xix) market share, (xx) contract awards or backlog, (xxi) overhead or other expense reduction, (xxii) credit rating, (xxiii) objective customer indicators (including, without limitation, a customer satisfaction rating), (xxiv) new product invention or innovation, (xxv) attainment of research and development milestones, (xxvi) improvements in productivity, (xxvii) attainment of objective operating goals, and (xxviii) objective employee metrics. The Committee shall appropriately adjust any evaluation of performance under a Performance Goal to exclude (i) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial conditions and results of operations appearing in the Company's reporting with the Securities and Exchange Commission for the applicable year, and (ii) the effect of any changes in accounting principles affecting the Company's or a business unit's reported results.

(o) "Performance Period" means any Fiscal Quarter or Fiscal Year, or such other longer period but not in excess of five Fiscal Years, as determined by the Committee in its sole discretion.

(p) "Plan" means this Performance Bonus Plan.

(q) "Plan Year" means the Company's fiscal year.

(r) "Section 162(m)" means Section 162(m) of the Code, or any successor to Section 162(m), as that Section may be interpreted from time to time by the Internal Revenue Service, whether by regulation, notice or otherwise.

(s) "Target Award" means the target award payable under the Plan to a Participant for the Performance Period, expressed as a percentage of his or her Base Salary or a specific dollar amount, as determined by the Committee in accordance with Section 6.

### 3. Plan Administration.

(a) The Committee shall be responsible for the general administration and interpretation of the Plan and for carrying out its provisions. Subject to the requirements for qualifying compensation as Performance-Based Compensation, the Committee may delegate specific administrative tasks to Company employees or others as appropriate for proper administration of the Plan. Subject to the limitations on Committee discretion imposed under Section 162(m), the Committee shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of

limitation, the following powers and duties, but subject to the terms of the Plan:

i) discretionary authority to construe and interpret the terms of the Plan, and to determine eligibility, Awards and the amount, manner and time of payment of any Awards hereunder;

ii) to prescribe forms and procedures for purposes of Plan participation and distribution of Awards; and

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iii) to adopt rules, regulations and bylaws and to take such actions as it deems necessary or desirable for the proper administration of the Plan.

(b) Any rule or decision by the Committee that is not inconsistent with the provisions of the Plan shall be conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

4. Eligibility. The employees eligible to participate in the Plan for a given Performance Period shall be executive officers of the Company who are designated by the Committee in its sole discretion. No person shall be automatically entitled to participate in the Plan.

5. Performance Goal Determination. The Committee, in its sole discretion, shall establish the Performance Goals for each Participant for the Performance Period. Such Performance Goals shall be set forth in writing prior to the Determination Date.

6. Target Award Determination. The Committee, in its sole discretion, shall establish a Target Award for each Participant. Each Participant's Target Award shall be determined by the Committee in its sole discretion, and each Target Award shall be set forth in writing prior to the Determination Date.

7. Determination of Payout Formula or Formulae. On or prior to the Determination Date, the Committee, in its sole discretion, shall establish a Payout Formula or Formulae for purposes of determining the Award (if any) payable to each Participant. Each Payout Formula shall (a) be set forth in writing prior to the Determination Date, (b) be based on a comparison of actual performance to the Performance Goals, (c) provide for the payment of a Participant's Target Award if the Performance Goals for the Performance Period are achieved, and (d) provide for an Award greater than or less than the Participant's Target Award, depending upon the extent to which actual performance exceeds or falls below the Performance Goals. Notwithstanding the preceding, in no event shall a Participant's Award for any Performance Period exceed the Maximum Award.

8. Determination of Awards; Award Payment.

(a) Determination and Certification. After the end of each Performance Period, the Committee shall certify in writing (which may be by approval of the minutes in which the certification was made) the extent to which the Performance Goals applicable to each Participant for the Performance Period were achieved or exceeded. The Award for each Participant shall be determined by applying the Payout Formula to the level of actual performance that has been certified by the Committee. Notwithstanding any contrary provision of the Plan, the Committee, in its sole discretion, may eliminate or reduce the Award payable to any Participant below that which otherwise would be payable under the Payout Formula but shall not have the right to increase the Award above that which would otherwise be payable under the Payout Formula.

(b) Right to Receive Payment. Each Award under the Plan shall be paid solely from the general assets of the Company. Nothing in this Plan shall be construed to create a trust or to establish or evidence any Participant's claim of any right to payment of an Award other than as an unsecured general creditor with respect to any payment to which he or she may be entitled. A Participant needs to be employed by the Company through the payment date in order to be eligible to receive an Award payout hereunder.

(c) Form of Distributions. The Company shall distribute all Awards to the Participant in cash.

(d) Timing of Distributions. Subject to Section 8(e) below, the Company shall distribute amounts payable to Participants as soon as is practicable following the determination and written certification of the Award for a

Performance Period.

(e) Deferral. The Committee may defer payment of Awards, or any portion thereof, to Covered Employees as the Committee, in its discretion, determines to be necessary or desirable to preserve the deductibility of such amounts under Section 162(m). In addition, the Committee, in its sole discretion, may permit a Participant to defer receipt of the payment of cash that would otherwise be delivered to a Participant under the Plan. Any such deferral elections shall be subject to such rules and procedures as shall be determined by the Committee in its sole discretion.

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9. Term of Plan. Subject to its re-approval at the 2011 annual meeting of the Company's stockholders, the Plan shall continue until terminated under Section 10 of the Plan.

10. Amendment and Termination of the Plan. The Committee may amend, modify, suspend or terminate the Plan, in whole or in part, at any time, including the adoption of amendments deemed necessary or desirable to correct any defect or to supply omitted data or to reconcile any inconsistency in the Plan or in any Award granted hereunder; provided, however, that no amendment, alteration, suspension or discontinuation shall be made which would (i) impair any payments to Participants made prior to such amendment, modification, suspension or termination, unless the Committee has made a determination that such amendment or modification is in the best interests of all persons to whom Awards have theretofore been granted; provided further, however, that in no event may such an amendment or modification result in an increase in the amount of compensation payable pursuant to such Award or (ii) cause compensation that is, or may become, payable hereunder to fail to qualify as Performance-Based Compensation. To the extent necessary or advisable under applicable law, including Section 162(m), Plan amendments shall be subject to shareholder approval. At no time before the actual distribution of funds to Participants under the Plan shall any Participant accrue any vested interest or right whatsoever under the Plan except as otherwise stated in this Plan.

11. Withholding. Distributions pursuant to this Plan shall be subject to all applicable federal and state tax and withholding requirements.

12. At-Will Employment. No statement in this Plan should be construed to grant any employee an employment contract of fixed duration or any other contractual rights, nor should this Plan be interpreted as creating an implied or an expressed contract of employment or any other contractual rights between the Company and its employees. The employment relationship between the Company and its employees is terminable at-will. This means that an employee of the Company may terminate the employment relationship at any time and for any reason or no reason.

13. Successors. All obligations of the Company under the Plan, with respect to awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

14. Indemnification. Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from (a) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any award, and (b) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

15. Nonassignment. The rights of a Participant under this Plan shall not be assignable or transferable by the Participant except by will or the laws of intestacy.

16. Governing Law. The Plan shall be governed by the laws of the State of Arizona, without regard to conflicts of law provisions thereunder.

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MICROCHIP TECHNOLOGY INCORPORATED

2011 ANNUAL MEETING OF STOCKHOLDERS

Friday, August 19, 2011  
9:00 a.m. Mountain Standard Time

2355 West Chandler Boulevard  
Chandler, Arizona 85224-6199

Microchip Technology Incorporated  
2355 West Chandler Boulevard  
Chandler, Arizona 85224-6199

This Proxy is solicited on behalf of the Board of  
Directors  
2011 ANNUAL MEETING OF STOCKHOLDERS

I (whether one or more of us) appoint Steve Sanghi and J. Eric Bjornholt, and each of them, each with full power of substitution, to be my Proxies. The Proxies may vote on my behalf, in accordance with my instructions, all of my shares entitled to vote at the 2011 Annual Meeting of Stockholders of Microchip Technology Incorporated and any adjournment(s) of that meeting. The meeting is scheduled for August 19, 2011, at 9:00 a.m., Mountain Standard Time, at the company's Chandler, Arizona facility at 2355 West Chandler Boulevard, Chandler, Arizona 85224-6199. The Proxies may vote on my behalf as if I were personally present at the meeting.

This Proxy will be voted as directed or, if no contrary direction is indicated, will be voted for the election of directors; for the amendment and restatement of our Executive Management Incentive Compensation Plan; for the ratification of Ernst & Young LLP as Microchip's independent registered public accounting firm for the fiscal year ending March 31, 2012; for approval of the compensation of our named executives; for holding an advisory vote every three years regarding compensation of our named executives; and as my Proxies deem advisable on such other matters as may properly come before the meeting or any adjournment(s) thereof. The proposals described in the accompanying proxy statement have been proposed by the Board of Directors.

IF VOTING BY MAIL, PLEASE COMPLETE, DATE AND SIGN ON REVERSE SIDE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

Vote by Internet, Telephone or Mail  
24 Hours a Day, 7 Days a Week

Your phone or Internet vote authorizes the named proxies to vote your shares

in the same manner as if you marked, signed and returned your proxy card.

: ( INTERNET PHONE \*  
www.eproxy.com/mchp 1-800-560-1965 MAIL

Edgar Filing: MICROCHIP TECHNOLOGY INC - Form DEF 14A

Use the Internet to vote your proxy until 12:00 p.m. (CT) on August 18, 2011.    Use a touch-tone telephone to vote August 18, 2011.    Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.

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Shareowner ServicesSM  
 P.O. Box 64945  
 St. Paul, MN 55164-0945

Address Change? Mark box, sign, and indicate changes below:

COMPANY #

TO VOTE BY  
 INTERNET  
 OR  
 TELEPHONE,  
 SEE  
 REVERSE  
 SIDE OF THIS  
 PROXY  
 CARD

TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS BELOW,  
 SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD.

The Board of Directors recommends you vote FOR the following:

1. Election of directors:	01 Steve Sanghi	04 Matthew W. Chapman	<input type="checkbox"/> Vote FOR	<input type="checkbox"/> Vote WITHHELD
	02 Albert J. Hugo-Martinez	05 Wade F. Meyercord	<input type="checkbox"/> all nominees (except as marked)	<input type="checkbox"/> from all nominees
	03 L.B. Day			

(Instructions: To withhold authority to vote for any  
 indicated nominee, write the number(s) of  
 the nominee(s) in the box provided to the right.)

The Board of Directors recommends you vote FOR proposals 2, 3 and 4.

2.	Proposal to amend and restate our Executive Management Incentive Compensation Plan to revise the definition of "performance goals" for purposes of Section 162(m) of the Internal Revenue Code.	For	Against	Abstain
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		For	Against	Abstain

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3. Proposal to ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of Microchip for the fiscal year ending March 31, 2012.

4. Proposal to approve an advisory vote on the compensation of our named executives.  For  Against  Abstain

The Board of Directors recommends you vote 3 YEARS on the following proposal:

5. Proposal regarding the frequency of holding an advisory vote on the compensation of our named executives.  3 years  2 years  1 year  Abstain

Multiple stockholder publications. Please check here to stop mailing of stockholder publications for this account, since multiple copies come to this address.

Date \_\_\_\_\_ Signature(s) in Box

Please sign exactly as your name(s) appears on proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.