UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB/A

(Mark One)

[X]

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

[ ]

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from __________ to __________

Commission file number **0-30620**

UNITY WIRELESS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	**91-1940650**
(State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification Number

7438 Fraser Park Drive, Burnaby, British Columbia, Canada, V5J 5B9
(Address of principal executive offices)

(800) 337-6642
(Issuer's Telephone Number)

not applicable

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ]   No [X]

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APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

93,216,464 common shares outstanding as of August 1, 2006

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

Explanatory Note:

This Quarterly Report on Form 10-QSB/A is being filed as Amendment Number 1 to our Quarterly Report on Form 10-QSB which was originally filed with the Securities and Exchange Commission (SEC) on August 14, 2006. We are filing this form 10-QSB/A to restate our financial statements for the period ended June 30, 2006 to reflect a change in the accounting for the $2.2 million convertible debentures and related warrants issued in February 2006 based on comments received from the staff at the Securities and Exchange Commission. Previously, the Corporation had classified the beneficial conversion option related to the debentures and the warrants as equity items, recording the intrinsic value of the beneficial conversion option and the relative fair value of the warrants as additional paid-in-capital. However, the Corporation did not have sufficient authorized shares available to permit the full conversion of the convertible debentures and the exercise of these warrants into common shares and the debenture itself limited the conversion of debentures and warrants to a maximum of 10,000,000 shares.

Therefore, Emerging Issues Task Force (EITF) 00-19 requires that the conversion feature related to debentures which cannot be converted into common shares, due to restrictions as noted above, and all of the warrants related to the debenture be classified as liabilities at their fair value. The Corporation has recalculated the fair value of the warrants issued to be $1,056,170 based on the Black-Scholes option pricing model. The fair value of the conversion feature related to the debentures which cannot be converted into common shares has been calculated as $311,952 based on the Black-Scholes option pricing model. Both amounts have been reclassified to Warrants and conversion feature liability on the consolidated balance sheet with a reduction in additional paid-in-capital of $686,881 and a reduction to the residual recorded as convertible debenture of $681,241.

As a result of the reduction in the amount recorded as a convertible debenture, the amount of accretion expense recorded on the residual value assigned to the convertible debenture, using the effective interest method, has decreased by $97,551.

The value of the conversion feature and warrants, classified as a liability, are required to be carried at their fair value with any changes in fair value recorded in the consolidated statement of operations until such an increase in authorized share capital is approved by the Corporation s stockholders. The fair value adjustments relating to the conversion feature and warrants included in liabilities is $645,714 for the period from the date of issuance of the debenture to June 30, 2006.

As a result of the revision to the accounting for the convertible debenture, the Corporation has amended its consolidated interim financial statements included in Form 10-QSB s for the three and six months ended June 30, 2006 as follows:

	As previously reported	Adjustments	As restated
As at June 30, 2006:			
Convertible debenture	$ 3,078,804	$ (778,792)	$ 2,300,012
Warrants and conversion feature liability	-	722,408	722,408
Additional paid-in capital	28,620,137	(686,881)	27,933,256
Accumulated deficit	(31,014,695)	743,265	(30,271,430)
Shareholders deficiency	(2,370,166)	56,384	(2,313,782)
Three months ended June 30, 2006:			
Fair value adjustment on warrants and conversion feature liability	-	420,268	420,268
Accretion of interest and loss on debt settlement	(99,935)	73,202	(26,733)
Loss for the period	(1,167,404)	493,470	(673,934)
Basic and diluted loss per common share	$ (0.01)	-	$ (0.01)
Six months ended June 30, 2006:			
Fair value adjustment on warrants and conversion feature liability	-	645,714	645,714
Accretion of interest and loss on debt settlement	(1,715,900)	97,551	(1,618,349)
Loss for the period	(3,742,209)	743,265	(2,998,944)
Basic and diluted loss per common share	$ (0.04)	$ 0.01	$ (0.03)

This Form 10-QSB/A amends and restates only certain information in the following sections as a result of the restatement described above:

Part I Item 1. Financial Statements

Part I Item 2. Management s Discussion and Analysis or Plan of Operation

In addition, we are also including currently dated Sarbanes Oxley Act Section 302 and Section 906 certifications of the Chief Executive Officer and Chief Financial Officer that are attached to this Form 10-QSB/A as Exhibits 31.1, 31.2, 32.1, and 32.2.

For the convenience of the reader, this Form 10-QSB/A sets forth the entire Form 10-QSB which was prepared and relates to the Company as of June 30, 2006. However, this Form 10-QSB/A only amends and restates the Items described above to reflect the effects of the restatement and no attempt has been made to modify or update other disclosures presented in our Form 10-QSB for the quarter ended June 30, 2006. Accordingly, except for the foregoing amended information, this Form 10-QSB/A continues to speak as of August 14, 2006 (the original filing date of the Form 10-QSB for the quarter ended June 30, 2006), and does not reflect events occurring after the filing of our Form 10-QSB for the period ended June 30, 2006, nor does it modify or update those disclosures affected by subsequent events. Furthermore, forward looking statements made in our Form 10-QSB for the second quarter ended June 30, 2006 have not been revised to reflect events, results or developments that have become known to us after the date of the original filing (other than the current restatements described herein), and such forward looking statements should be read in their historical context.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Financial Statements

(Expressed in United States dollars)

UNITY WIRELESS CORPORATION

(Prepared in accordance with United States
generally accepted accounting principles)

Three and six months ended June 30, 2006 and 2005 (unaudited)

UNITY WIRELESS CORPORATION

Consolidated Balance Sheets

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

		June 30, 2006 (unaudited - as restated note 2)		December 31, 2005
Assets				
Current assets:				
Cash and cash equivalents	$	558,950	$	157,046
Accounts receivable less allowance for doubtful accounts of $nil (December 31, 2005 - $nil)		2,150,423		708,828
Inventory (note 5)		1,449,647		1,124,485
Prepaid expenses and deposits		154,131		74,466
		4,313,151		2,064,825
Long-term deposits		68,750		-
Amounts funded for employees rights upon retirement (note 10)		446,000		-
Equipment, net		1,901,457		1,160,539
Goodwill and intangibles (note 4)		3,392,764		741,596
	$	10,122,122	$	3,966,960
Liabilities and Stockholders' Deficiency				
Current liabilities:				
Bank loan (note 6)	$	900,000	$	-
Accounts payable and accrued liabilities (note 7)		5,427,375		2,895,507
Obligations under capital leases (note 8)		374,834		345,622
Convertible debenture (note 9)		1,805,051		766,109
Product warranty (note 14(c))		146,795		42,961
		8,654,055		4,050,199
Obligations under capital lease (note 8)		260,429		452,567
Convertible debenture (note 9)		2,300,012		224,194
Warrants and conversion feature liability (note 9(d))		722,408		-

Employees rights upon retirement (note 10)	499,000	-
	12,435,904	4,726,960
Stockholders' deficiency:		
Common stock, $0.001 par value 150,000,000 authorized, 93,216,464 (2005 - 90,885,396) issued and outstanding	93,216	90,885
Additional paid-in capital	27,933,256	26,490,425
Accumulated deficit	(30,271,430)	(27,272,486)
Accumulated other comprehensive income:		
Cumulative translation adjustments	(68,824)	(68,824)
	(2,313,782)	(760,000)
	$ 10,122,122	$ 3,966,960

Commitments (note 13)

Contingent liabilities (note 14)

See accompanying notes to consolidated financial statements.

UNITY WIRELESS CORPORATION

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(unaudited as restated note 2)	(unaudited)	(unaudited as restated note 2)	(unaudited)
Net sales	$ 1,998,397	$ 1,716,888	$ 3,140,027	$ 3,684,458
Cost of goods sold (3 month data includes stock- based compensation expense of $4,862 in 2006 and $8,762 in 2005; 6 month data includes stock-based compensation expense of $11,411 in 2006 and $11,988 in 2005 and excludes depreciation and amortization shown separately below)	1,597,679	1,224,026	2,478,975	2,846,709
	400,718	492,862	661,052	837,749
Expenses:				
Research and development (3 month data includes stock-based compensation expense (recovery) of ($1,323) in 2006 and $16,959 in 2005; 6 months data includes stock-based compensation of $39,678 in 2006 and $37,284 in 2005)	495,749	530,197	891,633	1,248,449
Royalty payments for government grant (note 14(b))	29,089	25,753	46,213	55,267
Sales and marketing (3 month data includes stock-	296,769	187,983	455,067	262,274

based compensation expense of $18,974 in 2006				
and $15,609 in 2005; 6 month data includes stock-				
based compensation expenses (recovery) of				
$29,176 in 2006 and ($39,459) in 2005.)				
Depreciation and amortization	89,986	53,846	153,601	93,912
Exchange loss	34,052	66,982	49,526	42,038
Interest expense, excluding accretion of interest and				
loss on debt settlement	115,853	76,273	201,113	131,039
General and administrative (3 month data includes				
stock-based compensation expense of $66,009 in				
2006 and $144,563 in 2005; 6 month data includes				
$168,587 in 2006 and $393,312 in 2005)	406,689	463,091	890,208	953,128
	1,468,187	1,404,125	2,687,361	2,786,107
Operating loss for the period	(1,067,469)	(911,263)	(2,026,309)	(1,948,358)
Fair value adjustment on warrants and conversion				
feature liability (note 9(d))	420,268	-	645,714	-
Accretion of interest and loss on debt				
settlement (note 9)	(26,733)	(454,141)	(1,618,349)	(595,221)
Loss for the period	(673,934)	(1,365,404)	(2,998,944)	(2,543,579)
Deficit, beginning of period	(29,597,496)	(23,000,253)	(27,272,486)	(21,822,078)
Deficit, end of period	$ (30,271,430)	$ (24,365,657)	$ (30,271,430)	$ (24,365,657)
Basic and diluted loss per common share (note 11(b))	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.03)

See accompanying notes to consolidated financial statements.

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UNITY WIRELESS CORPORATION

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
	(unaudited as restated note 2)	(unaudited)	(unaudited as restated note 2)	(unaudited)
Operations:				
Loss for the period	$(673,934)	$(1,365,404)	$(2,998,944)	$(2,543,579)
Adjustments to reconcile net loss to net cash used in operating activities:				
Accretion of interest and loss on debt settlement	26,733	454,141	1,618,349	595,221
Fair value adjustment on warrants and conversion feature liability	(420,268)	-	(645,714)	
Depreciation and amortization	89,986	53,846	153,601	93,912
Stock-based compensation	88,522	185,893	248,852	403,125
Changes in non-cash working capital relating to operations:				
Accounts receivable	(692,938)	(363,868)	(1,174,442)	(1,430,848)
Inventory	179,187	(181,393)	220,682	(228,796)
Prepaid expenses	(52,689)	(12,571)	(74,039)	(20,717)
Accounts payable and accrued liabilities	704,954	325,097	654,432	1,146,319
	(750,447)	(904,259)	(1,997,223)	(1,985,363)
Investments:				
Acquisition of equipment	(3,086)	(40,875)	(3,086)	(87,779)
Cash assumed on acquisition, less acquisition costs(note 4)	448,165	-	448,165	-
Change in deposit, net	994	-	994	-
	446,073	(40,875)	446,073	(87,779)
Financing:				
Amount funded for employees upon	(2,000)	-	(2,000)	-

retirement				
Capital lease obligation	(79,414)	(43,168)	(162,926)	(84,633)
Convertible debentures (note 9)	-	-	2,200,000	2,000,000
Cash proceeds on issuance of common shares	-	322,033	106,222	401,700
Share issue costs	-	(2,750)	(218,861)	(236,298)
	(81,414)	276,115	1,922,435	2,080,769
Effect of foreign exchange rate changes on cash and cash equivalents	26,919	(689)	30,619	(113,932)
Increase (decrease) in cash and cash equivalents	(358,869)	(669,708)	401,904	(106,305)
Cash and cash equivalents, beginning of period	917,819	772,949	157,046	209,546
Cash and cash equivalents, end of period	$ 558,950	$ 103,241	$ 558,950	$ 103,241
Supplementary information (note 15)				

See accompanying notes to consolidated financial statements.

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UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2006 and 2005 (unaudited)

1.

Basis of presentation:

The accompanying interim unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by the United States generally accepted accounting principles for a complete set of annual consolidated financial statements. In the opinion of management, all adjustments (consisting solely of normally recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006 or for any other period.

For further information, refer to the consolidated financial statements and footnotes thereto included in Unity Wireless Corporation s (the Corporation) annual report on Form 10-KSB for the year ended December 31, 2005. Except as indicated in note 11(c), the accounting policies applied in the preparation of these interims consolidated financial statements are consistent with those applied in the consolidated financial statements filed with the Corporation s annual report.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

These financial statements have been prepared on the going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Operations to date have been significantly financed by debt and equity transactions. At June 30, 2006, the Corporation requires additional financing to continue to operate at current levels throughout the year. Accordingly, the Corporation s future operations are dependent upon the identification and successful completion of additional debt and equity financing, the continued support of creditors and stockholders, and, ultimately, the achievement of profitable operations. There can be no assurances that the Corporation will be successful. If it is not, the Corporation will be required to reduce operations or liquidate assets. The Corporation will continue to evaluate its projected expenditures relative to its available cash and to seek additional means of financing in order to satisfy its working capital and other cash requirements. The consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern.

UNITY WIRELESS CORPORATION

Notes to Consolidated Financial Statements

(Expressed in United States dollars)

(Prepared in accordance with United States generally accepted accounting principles)

Three and six months ended June 30, 2006 and 2005 (unaudited)

2. Restatement:

This Quarterly Report on Form 10-QSB/A is being filed as Amendment Number 1 to our Quarterly Report on Form 10-QSB which was originally filed with the Securities and Exchange Commission (SEC) on August 14, 2006. We are filing this form 10-QSB/A to restate our financial statements for the period ended June 30, 2006 to reflect a change in the accounting for the $2.2 million convertible debentures and related warrants issued in February 2006 based on comments received from the staff at the Securities and Exchange Commission. Previously, the Corporation had classified the beneficial conversion option related to the debentures and the warrants as equity items, recording the intrinsic value of the beneficial conversion option and the relative fair value of the warrants as additional paid-in-capital. However, the Corporation did not have sufficient authorized shares available to permit the full conversion of the convertible debentures and the exercise of these warrants into common shares and the debenture itself limited the conversion of debentures and warrants to a maximum of 10,000,000 shares.

Therefore, Emerging Issues Task Force (EITF) 00-19 requires that the conversion feature related to debentures which cannot be converted into common shares, due to restrictions as noted above, and all of the warrants related to the debenture be classified as liabilities at their fair value. The Corporation has recalculated the fair value of the warrants issued to be $1,056,170 based on the Black-Scholes option pricing model. The fair value of the conversion feature related to the debentures which cannot be converted into common shares has been calculated as $311,952 based on the Black-Scholes option pricing model. Both amounts have been reclassified to Warrants and conversion feature liability on the consolidated balance sheet with a reduction in additional paid-in-capital of $686,881 and a reduction to the residual recorded as convertible debenture of $681,241.

As a result of the reduction in the amount recorded as a convertible debenture, the amount of accretion expense recorded on the residual value assigned to the convertible debenture, using the effective interest method, has decreased by $97,551.

The value of the conversion feature and warrants, classified as a liability, are required to be carried at their fair value with any changes in fair value recorded in the consolidated statement of operations until such an increase in authorized share capital is approved by the Corporation s stockholders. The fair value adjustments relating to the conversion feature and warrants included in liabilities is $645,714 for the period from the date of issuance of the debenture to June 30, 2006.

2. Restatement (continued):

As a result of the revision to the accounting for the convertible debenture, the Corporation has amended its consolidated interim financial statements included in Form 10-QSB s for the three and six months ended June 30, 2006 as follows:

pre
rep

As at June 30, 2006:

PROPOSAL ONE

ELECTION OF DIRECTORS

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.

The term of office of each person who is elected as a director at the annual meeting will continue until the 2009 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, 2008)

Name	Age	Position(s) Held
Steve Sanghi	52	Chairman, President and CEO
Albert J. Hugo-Martinez	62	Director
L.B. Day	63	Director
Matthew W. Chapman	57	Director
Wade F. Meyercord	67	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. Since May 2004, he has been a member of the Board of Directors of Xyratex Ltd., a storage and network technology company. 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.

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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. During 2007, he became Chairman of two companies he co-founded, HVVi Semiconductors, Inc., which is developing a CMOS High Voltage/Frequency RF transistor and also PCN Technology, Inc., which has developed software and hardware which transceives data, audio and video over power lines. In June 2007, Mr. Hugo-Martinez became a member of the Board of Directors of Lynguent, Inc., a supplier of integrated analog and mixed-signal design development products. In his career, Mr. Hugo-Martinez has served as Chief Operating Officer of Burr-Brown Corp., Sr. Vice President and General Manager at TRW, and Chief Executive Officer of Applied Micro Circuits Corporation and GTI Corporation. He has previously served on the public company boards of Amkor Technology, Inc., ON Semiconductor Corp. and as Chairman of Ramtron International Corporation.

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 also serves on the Board of Advisors of Willamette University's Atkinson Graduate School of Management. In September 2006, he became a member of the Board of Directors of Lynguent, Inc., a supplier of integrated analog and mixed-signal design development products.

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, an 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 software provider 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. From 1988 until August 2000 he served as CEO, and from 1991 until August 2000 as Chairman of Concentrex Incorporated, a supplier of integrated software solutions and services to financial institutions throughout the United States.

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 management consulting firm specializing in high technology company compensation matters (CEO, executive officer and board) and in stock plan consulting, a position he previously held part time beginning in 1987. From June 1999 to October 2002, Mr. Meyercord served as Senior Vice President and CFO of Rioport.com, an Internet applications service provider for the music industry. Mr. Meyercord served as a member of the Board of Directors of Magma Design Automation, Inc. from January 2004 to June 2005. Mr. Meyercord has been a member of the Board of Directors of California Micro Devices Corporation since January 1993 and of Endwave Corporation since March 2004.

PROPOSAL TWO

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2009. 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.

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 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 $1,188,000 for fiscal 2008 and $1,007,000 for fiscal 2007. The majority of the increase in audit fees from fiscal 2007 to fiscal 2008 was related to fees associated with our $1.15 billion principal amount of 2.125% junior subordinated convertible debentures issued in December 2007.

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 $85,000 for fiscal 2008 and $54,000 for fiscal 2007.

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 $262,000 for fiscal 2008 and $306,000 for fiscal 2007.

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 2008 and $10,000 of such fees in fiscal 2007.

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 2008, 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 2008 and fiscal 2007 were compatible with maintaining the independence of Ernst & Young LLP.

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SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS,
DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning the beneficial ownership of our common stock as of May 23, 2008 for: (a) each director, (b) our CEO, 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 five percent 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)	18,746,000	10.1%
Capital Research Global Investors (3)	18,521,630	10.0%
FMR Corp. (4)	14,180,725	7.7%
Steve Sanghi (5)	5,661,792	3.0%
Matthew W. Chapman (6)	59,647	*
L.B. Day (7)	54,000	*
Albert J. Hugo-Martinez (8)	87,250	*
David S. Lambert (9)	471,104	*
Mitchell R. Little (10)	23,986	*
Wade F. Meyercord (11)	47,000	*
Ganesh Moorthy (12)	286,732	*
Gordon W. Parnell (13)	88,572	*
All directors and executive officers as a group (11 people) (14)	7,098,357	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 person pursuant to stock options and stock purchase rights that may be exercised within 60 days of May 23, 2008. In calculating the percentage of ownership, share amounts which are subject to outstanding options are deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by such person but are not deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by any other stockholder.

(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 11, 2008, with the exception of the percentage of common stock held which is based on shares outstanding at May 23, 2008. 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 an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 and is deemed to be the beneficial owner of 18,746,000 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.

(3) Address is 333 South Hope Street, Los Angeles, CA 90071. All information is based solely on the Schedule 13G filed by Capital Research Global Investors dated February 12, 2008, with the exception of the percentage of common stock held which is based on shares outstanding at May 23, 2008. Such Schedule 13G indicates that (i) Capital Research Global Investors has sole power to dispose of and direct the disposition of the common stock, and (ii) Capital

Research Global Investors is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 and is deemed to be the beneficial owner of 18,521,630 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

(4) Address is 82 Devonshire Street, Boston, MA 02109. All information is based solely on the Schedule 13G filed by FMR Corp. dated February 14, 2008, with the exception of the percentage of common stock held which is based on shares outstanding at May 23, 2008. Such Schedule 13G indicates that (i) FMR Corp. has sole power to vote or direct the vote and to dispose of and direct the disposition of the common stock, (ii) FMR Corp. 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, and (iii) the number of shares owned by the investment management companies included 14,639 shares of Common Stock resulting from the assumed conversion of $500,000 principal amount of Microchip's Convertible Subordinated Debentures (29.2793 shares of Common Stock for each $1,000 principal amount of debenture).

(5) Includes 1,703,601 shares issuable upon exercise of options and 3,927,244 shares held of record by Steve Sanghi and Maria T. Sanghi as trustees.
(6) Includes 52,250 shares issuable upon exercise of options, 262 shares held in Testamentary Trust of Regan Chapman and 135 shares held by Mr. Chapman's minor children.
(7) Includes 49,000 shares issuable upon exercise of options.
(8) Includes 57,250 shares issuable upon exercise of options and 30,000 shares held of record by Albert J. Hugo-Martinez and S. Gay Hugo-Martinez as trustees.
(9) Includes 313,922 shares issuable upon exercise of options, 2,789 shares held by Mr. Lambert's children, and 70,516 shares held by David S. Lambert and Carol Lambert as trustees.
(10) Includes 17,003 shares issuable upon exercise of options.
(11) Includes 45,000 shares issuable upon exercise of options and 2,000 shares held of record by Wade Meyercord and Phyllis Meyercord as trustees.
(12) Includes 263,160 shares issuable upon exercise of options and 21,865 shares held of record by Ganesh Moorthy and Hema Moorthy as trustees.
(13) Includes 80,308 shares issuable upon exercise of options and 5,534 shares held of record by Gordon W. Parnell and Jeanette Parnell as trustees.
(14) Includes an aggregate of 2,815,884 shares issuable upon exercise of options.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview of the Compensation Program

The Compensation Committee of the Board of Directors, presently comprised of Mr. Day 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 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, restricted stock units (RSUs), and other benefits described below.

Our Executive Compensation Policy and Objectives

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

- rewards performance that may contribute to increased stockholder value,
- attracts, retains, motivates and rewards individuals with competitive compensation opportunities,
- aligns an executive officer's total compensation with our business objectives,
- fosters a team environment among our management that focuses their energy on achieving our financial and business

objectives consistent with Microchip's "guiding values,"

- balances short-term and long-term strategic goals, and
- builds and encourages ownership of our common stock.

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

We believe that the overall compensation levels for our executive officers, including our named executive officers, in fiscal 2008 were consistent with our “pay-for-performance” philosophy and are commensurate with our fiscal 2008 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 his own. 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 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.

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 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 Executive MICP and Discretionary MICP programs. The Compensation Committee recognizes that Mr. Sanghi’s total compensation package is significantly higher than that of our other executive officers and the Committee believes this is appropriate in consideration of Mr. Sanghi's superior leadership of Microchip over a long period of time. In particular, the Committee believes that Mr. Sanghi’s leadership has been key to the substantial revenue growth, strong market position and substantial increase in the market value of Microchip over the last 15 years.

For fiscal 2008, 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. In accordance with Microchip's compensation philosophy, we do not offer perquisites to our executive officers. 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 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. We may also consider the salaries of executive officers in similar positions with comparable companies in the semiconductor industry. 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 were increased by an average of approximately 4.7% in May 2007 compared to the prior fiscal year. Our CEO's base salary increased by approximately 3.4% in May 2007 compared to the prior fiscal year. These increases were in line with the budget for salary increases for our U.S. employee base which was 5.0%.

Incentive Cash Bonuses. Quarterly incentive cash bonuses are payable to executive officers and key employees under our management incentive compensation plans. Prior to August 18, 2006, Microchip had a single management incentive compensation plan, referred to as the "MICP," which both our executive officers and other management level employees participated. In order to enable us to qualify the bonuses to executive officers for favorable tax treatment under Section 162(m) of the Code, in August 2006, we asked our stockholders to approve our Executive Management Incentive Compensation Plan, referred to as the "Executive MICP." The Executive MICP, along with the Discretionary Management Incentive Compensation Plan, referred to as the "Discretionary MICP," became effective on August 18, 2006. Our executive officers now participate in the Executive MICP and the Discretionary MICP, and do not receive bonuses under the original MICP which we continue to maintain for our other key employees.

The Compensation Committee sets performance goals which, if met, result in quarterly payments to key employees under the MICP, and quarterly payments to executive officers under the Executive MICP and Discretionary MICP.
The Committee establishes performance goals which it believes are challenging, require a high level of performance and motivate participants to drive shareholder value, but which goals are expected to be achievable in the context of anticipated business conditions. When setting the performance goals, the Committee places more emphasis on the overall expected financial performance of the Company rather than on the achievement of any one individual goal.
The 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 Committee also uses the Discretionary MICP to help achieve the overall objectives of the performance bonus program.

In fiscal 2008, the quarterly payments under the Executive MICP for our named executive officers were targeted at an aggregate of approximately $305,000 for all such officers as a group. 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 or her base salary. Actual payments under the various management incentive plans are predicated on Microchip's quarterly operating results and, with respect to the Discretionary MICP, a subjective element. Cash bonuses under the Executive MICP are subject to a maximum award of $2,500,000 per individual on an annual basis; however, all awards to date have been substantially less than such maximum amount.

In fiscal 2008, the following business and financial areas were selected as the basis for calculating bonuses under our management incentive compensation plans:

	Target Quarterly Measurement	Target % of Bonus
Total sequential revenue growth	5.00%	10.00%
16-bit sequential revenue growth	40.00%	5.00%
Analog sequential revenue growth	8.00%	5.00%
Gross margin percentage (GAAP, non-GAAP)	57.35%, 58.00%	15.00%
Operating expenses as a percentage of sales (GAAP, non-GAAP)	26.40%, 24.00%	15.00%
Operating income as a percentage of sales (GAAP, non-GAAP)	27.00%, 30.00%	15.00%
Earnings per share (quarterly)	(1)	15.00%
Discretionary MICP	Discretionary	20.00%

(1) The EMICP quarterly earnings per share (EPS) targets for fiscal 2008 were \$0.39 (non-GAAP), \$0.37 (GAAP), \$0.35 (non-GAAP), and \$0.42 (non-GAAP) for the first through fourth quarters, respectively. EPS targets 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 often chooses to use 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 and other special charges.

Consistent with our "pay-for-performance" philosophy, our CEO and executive officers received bonuses under the Executive MICP and Discretionary MICP for each quarter of fiscal 2008. In fiscal 2008, the actual quarterly combined payout percentages for the Executive MICP and Discretionary MICP were 70%, 45%, 65%, and 101% for the first through fourth quarters, respectively. For fiscal 2008, these bonus payments for named executive officers other than our CEO ranged, on an aggregate basis for each officer, from \$70,034 to \$95,193. In fiscal 2008, Mr. Sanghi earned an Executive MICP bonus of \$697,312, and a Discretionary MICP bonus of \$54,183. The differences in the levels of compensation under these programs for the various executive officers are based upon their relative contribution, performance, and responsibility level within the organization.

Equity Compensation. Equity compensation, such as RSUs, constitutes a significant portion of our incentive compensation program because we believe that executive officers and key employees should hold a long-term equity stake in Microchip to align their collective interests with the interests of our stockholders. In fiscal 2008, 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 Committee uses its judgment after considering the effect of the overall RSU amounts and the percentage of RSUs granted to executive officers would have on the overall financial results and performance of the corporation.

The quarterly evergreen grants of RSUs for fiscal 2008 were granted with vesting contingent upon meeting specified performance goals over identified periods. In the first two quarters of fiscal 2008, these performance goals were related to gross margin and operating income to be achieved by the end of the associated quarter. Specifically, for the first quarter of fiscal 2008, the goals were tied to achieving GAAP gross margin of $147 million, and GAAP operating income of $81 million by the end of the first quarter, and these goals were achieved. For the second quarter of fiscal 2008, the goals were tied to achieving GAAP gross margin of $151 million, and GAAP operating income of $83.5 million as measured at the end of the second fiscal quarter. The GAAP gross margin actual results were $154.7 million, achieving the target level, however the GAAP operating income actual results were $82.4 million, which did not achieve the target level. As both goals were not met, the performance measures for the second quarter of fiscal 2008 were not achieved and the related RSUs were not earned. In the third and fourth quarters of fiscal 2008, performance goals were related to operating income to be achieved over six-month periods. For the third and fourth quarters of fiscal 2008, the performance goals were based on non-GAAP operating profit of $177 million and $183 million, respectively. In order for the RSU grants to meet the performance goals, the Company results need to be at or above the target for the applicable period. If the performance goals are not achieved, then each $3 million reduction in actual operating profit will result in a reduction of the RSUs earned by 10%. The goal for the third quarter of fiscal 2008 was achieved. With respect to RSUs granted in the fourth quarter of fiscal 2008, achievement of these performance goals will be measured at the close of the first quarter of fiscal 2009.

RSU grants may also be made in connection with promotions, other changes in responsibilities or in recognition of other individual or Microchip developments or achievements. Our RSUs granted in fiscal 2008 typically were scheduled to vest approximately four years from the grant date. The RSUs were awarded without a purchase price and therefore have immediate value to recipients upon vesting. On March 31, 2008, approximately 57% 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 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’ interests in our common stock.

Historically, the Compensation Committee had granted RSUs to executive officers and current employees once per year near the start of the fiscal year. In fiscal 2008, the Compensation Committee moved from annual grants to a quarterly grant program in order to more evenly record its stock-based compensation expense. RSU grants 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 RSU grants 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. Our 2004 Incentive Plan provides that the value of RSUs be the market closing price of our stock on the grant date.

See the table under “Grants of Plan-Based Awards for Fiscal Year Ended March 31, 2008” at page 21 for information regarding RSUs granted during fiscal 2008 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 2008, 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.

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. Our international employees have the ability to participate in the 1997 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, and Disability Coverage. We make medical, dental, vision, employee assistance program, flexible spending, and disability coverage available to all of our U.S. employees through our active benefit plans. Under these generally available plans, our named executives 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 19 pursuant to SEC rules and regulations.

Life Insurance. In fiscal 2008, 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 in order 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.

Employee Cash Bonus Plan. All of our employees worldwide participate in our Employee Cash Bonus Plan. The cash bonus plan can award each eligible employee with a target of two and one-half days of pay, calculated on base salary, every quarter, if certain operating profitability objectives are achieved. The pay-out is adjusted based on actual quarterly operating results. During fiscal 2008, bonus awards were paid out under such plan for each quarterly period at an average of 37.5% of the target. Under such program, for fiscal 2008, our named executive officers received payments ranging from $3,195 to $7,714.

Vacation and Paid Time-Off Benefits. We also 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 also 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. These 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. In putting the change of control agreements in place, 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 Vice President 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 Vice President 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 Vice President 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 and the CFO, two years; (2) in the case of the Vice President 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 Vice President 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 Vice President 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 that 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 Vice President 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, 2008, the last business day of our last completed fiscal year.

Name	Salary	Bonus	Equity Compensation Due to Accelerated Vesting	Tax Gross-up on Change of Control (3)	Continuation of Certain Benefits (4)
Steve Sanghi (1)	$ 1,069,744	$ 2,180,632	$ 8,816,416	$ ---	2 years
Ganesh Moorthy (2)	246,735	145,194	2,512,624	1,281,038	1 year
Mitchell R. Little (2)	254,120	126,669	1,943,964	---	1 year
David S. Lambert (2)	221,541	108,214	1,595,619	---	1 year
Gordon W. Parnell (2)	232,665	113,648	1,083,273	---	2 years

(1) 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 and employee cash bonus plan.

(2) 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 and employee cash bonus plan.

(3) 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.

(4) 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.

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 Executive MICP at our 2006 annual meeting. This allows us to seek to have such compensation under our Executive MICP 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 2008. 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.

Compensation Committee Report on Executive Compensation

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis 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 Directors2:

L.B. Day (Chair)   Wade Meyercord

Summary Compensation Table

The following table lists the annual compensation for our CEO, CFO and our three other most highly compensated executive officers (referred to as the "named executive officers") in the fiscal year ended March 31, 2008:

Name and Principal Position	Year	Salary(1)	Bonus(2)	Stock Awards(3)	Option Awards(4)	Non-Equity Incentive Plan Compensation(5)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(6)	All Other Compensation(7)	Total
Steve Sanghi, President and CEO	2008	$ 532,675	$ 7,714	$ 1,183,405	$ 1,293,246	$ 751,495	$ ---	$ 4,231	$ 3,772,766
	2007	515,010	28,467	904,135	1,787,773	1,167,276	---	5,005	4,407,666
Ganesh Moorthy, Executive Vice President	2008	243,455	3,554	330,637	338,018	95,193	---	3,827	1,014,684
	2007	215,632	11,741	243,322	422,967	134,866	---	4,152	1,032,680
Mitchell R. Little, Vice President, Worldwide Sales	2008	252,625	3,666	271,018	222,517	82,119	---	3,123	835,068
	2007	241,808	13,420	207,179	256,258	125,844	---	3,896	848,405

and Applications									
David S. Lambert, Vice President, Fab Operations	2008 2007	220,321 211,414	3,196 11,733	213,738 165,743	222,517 256,258	70,035 107,635	--- ---	2,822 3,487	732,629 756,270
Gordon W. Parnell, Vice President and CFO	2008 2007	231,384 222,030	3,356 12,322	211,036 153,904	204,359 238,150	73,552 113,039	--- ---	3,088 3,791	726,775 743,236

(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 Employee Cash Bonus Plan.
(3) Represents the compensation cost recognized in our financial statements in the specified fiscal year under SFAS No. 123R related to RSUs for each executive officer and thus may include amounts from awards granted prior to the specified fiscal year. For information on the valuation assumptions made with respect to the RSU grants in fiscal 2008, please refer to the assumptions for fiscal years ended March 31, 2008, 2007, and 2006 stated in Note 14, "Equity Incentive Plans" to Microchip's audited financial statement for the fiscal year ended March 31, 2008.

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2 The Compensation Committee Report on executive compensation is not "soliciting" material and is not deemed "filed" with the Securities and Exchange Commission, 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.

(4) Represents the compensation cost recognized in our financial statements in the specified fiscal year under SFAS No. 123R related to non-qualified stock options for each executive officer and thus may include amounts from awards granted prior to the specified fiscal year. For information on the valuation assumptions made with respect to the foregoing option grants, please refer to the assumptions for fiscal years ended March 31, 2006, 2005 and 2004 stated in Note 15, "Equity Incentive Plans" to Microchip's audited financial statement for the fiscal year ended March 31, 2006, included in Microchip's Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 31, 2006.

(5) Represents the aggregate amount of bonuses earned by each executive officer in the specified fiscal year under our MICP, Executive MICP and Discretionary MICP. Each executive officer received the following payments under each of such plans in the specified fiscal year:

Named Executive Officer	Year	MICP	Executive MICP	Discretionary MICP
	2008	$ ---	$ 697,312	$ 54,183
Steve Sanghi	2007	640,705	419,804	106,767
	2008	---	88,330	6,863
Ganesh Moorthy	2007	72,063	50,069	12,734
	2008	---	76,198	5,921
Mitchell R. Little	2007	69,074	45,259	11,511
	2008	---	64,985	5,050
David S. Lambert	2007	59,080	38,710	9,845
	2008	---	68,249	5,303
Gordon W. Parnell	2007	62,046	40,654	10,339

(6) 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.

(7) Consists of company-matching contributions to our 401(k) retirement savings plan and the full dollar value of premiums paid by Microchip for life insurance for the benefit of a named executive officer in the amounts shown below:

Named Executive Officer	Year	401(k)	Life Insurance
	2008	$ 3,696	$ 535
Steve Sanghi	2007	4,525	480
	2008	3,306	521
Ganesh Moorthy	2007	3,738	414
	2008	2,590	533
Mitchell R. Little	2007	3,431	465
	2008	2,350	472
David S. Lambert	2007	3,081	406
	2008	2,593	495
Gordon W. Parnell	2007	3,365	426

Grants of Plan-Based Awards During Fiscal 2008

The following table sets forth information with respect to our Executive MICP, our Discretionary MICP, and our Employee Cash Bonus Plan, as well as RSUs made to our named executive officers under the 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 2008. Actual payments for our bonus plans in fiscal 2008 are reflected in the Summary Compensation Table above. Option awards in the table below were granted in fiscal 2008.

GRANTS OF PLAN-BASED AWARDS
For Fiscal Year Ended March 31, 2008

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards						
Name	Grant Date	Threshold ($)(1)	Target ($)	Maximum ($) (1)	All Other Stock Awards: Number of Shares of Stock or Units(#) (2)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($) (3)
Steve Sanghi	4/16/07	---	---	---	17,500	---	---	562,975
	7/2/07(4)	---	---	---	17,500	---	---	564,550
	11/2/07	---	---	---	32,778	---	---	899,428
	1/20/08	---	---	---	37,966	---	---	897,516
	---	---	1,069,744(5)	---	---	---	---	---
	---	---	20,572(6)	---	---	---	---	---
Ganesh Moorthy	4/16/07	---	---	---	5,500	---	---	176,935
	7/2/07(4)	---	---	---	5,500	---	---	177,430
	11/2/07	---	---	---	10,302	---	---	282,687
	1/20/08	---	---	---	11,932	---	---	282,072
	---	---	135,506(5)	---	---	---	---	---
	---	---	9,476(6)	---	---	---	---	---
Mitchell R. Little	4/16/07	---	---	---	4,000	---	---	128,680
	7/2/07(4)	---	---	---	4,000	---	---	129,040
	11/2/07	---	---	---	7,492	---	---	205,580
	1/20/08	---	---	---	8,678	---	---	205,148
	---	---	116,895(5)	---	---	---	---	---
	---	---	9,774(6)	---	---	---	---	---
David S. Lambert	4/16/07	---	---	---	3,000	---	---	96,510
	7/2/07(4)	---	---	---	3,000	---	---	96,780
	11/2/07	---	---	---	5,619	---	---	154,185
	1/20/08	---	---	---	6,508	---	---	153,849
	---	---	99,694(5)	---	---	---	---	---
	---	---	8,521(6)	---	---	---	---	---

Gordon W. Parnell	4/16/07	---	---	---	1,875	---	---	60,319
	---	---	104,700(5)	---	---	---	---	---
	---	---	8,949(6)	---	---	---	---	---

(1) Individual awards under our Executive MICP are made quarterly and are not stated in terms of a threshold or maximum amount for an award period. The Executive MICP does provide that the maximum amount payable to any participant is $2.5 million for any fiscal year.

(2) Represents RSUs granted under Microchip's 2004 Equity Incentive Plan.

(3) This column shows the full grant date fair value of RSU awards under SFAS No. 123R granted to the named executives under SFAS No. 123R in fiscal 2008. 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) The vesting of this grant was subject to achievement of performance goals which were not fully met, therefore these grants will not vest.

(5) This annual target represents the percentage of the executive officer's base salary reflected in dollar terms targeted under Microchip's management incentive compensation plans.

(6) Microchip's Employee Cash Bonus Plan annual target is based on 2.5 days of base salary per quarter, or two weeks of the executive officer's annual base salary.

Summary Compensation Table and Grants of Plan-Based Awards Table Discussion

Based on the data stated in the Summary Compensation Table, the level of salary, bonus and non-equity incentive plan compensation in proportion to total compensation ranged from approximately 34% to 42% for the named executive officers in fiscal 2008. 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 Plan-Based 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 Bonus,” “Equity Compensation,” and “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 2008 YEAR END

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#)Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (10) ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Steve Sanghi	103,7501	---	---	10.037	04/14/2009	---	---	---	---
	247,5001	---	---	23.389	04/14/2010	---	---	---	---
	71,3431	---	---	15.917	04/02/2011	----	---	---	---
	165,0001	---	---	15.917	04/02/2011	---	---	---	---
	4,7571	---	---	15.86	06/01/2011	---	---	---	---

26,4571	---	---	24.267	01/22/2012	---	---	---	---
303,7501	---	---	24.04	10/25/2012	---	---	---	---
58,5411	---	---	18.48	04/09/2013	---	---	---	---
2,6021	---	---	18.48	04/09/2013	---	---	---	---
135,0001	---	---	18.48	04/09/2013	---	---	---	---
70,2491	---	---	26.14	10/09/2013	---	---	---	---
23,4001	---	---	27.39	10/24/2013	---	---	---	---
---	145,0002	---	27.05	04/01/2014	---	---	---	---
10,0001	---	---	27.05	04/01/2014	---	---	---	---
145,0001	---	---	26.25	07/21/2014	---	---	---	---
49,9401	---	---	27.153	04/03/2012	---	---	---	---
202,5001	---	---	27.153	04/03/2012	---	---	---	---
47,5621	---	---	21.00	08/01/2012	---	---	---	---
---	145,0003	---	25.29	04/01/2015	---	---	---	---
					58,0004	$ 1,898,340	---	---
					65,0005	$ 2,127,450	---	---
					17,5006	$ 572,775	---	---
					32,7787	$ 1,072,824	---	---
					37,9668	$ 1,242,627	---	---

OUTSTANDING EQUITY AWARDS AT FISCAL 2008 YEAR END (cont'd)

Name	Option Awards: Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards: Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Awards: Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Awards: Option Exercise Price ($)	Option Awards: Option Expiration Date	Stock Awards: Number of Shares or Units of Stock that Have Not Vested (#)	Stock Awards: Market Value of Shares or Units of Stock That Have Not Vested (10) ($)	Stock Awards: Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Stock Awards: Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Ganesh Moorthy	72,0001	---	---	23.70	12/03/2011	---	---	---	---
	26,0001	---	---	24.04	10/25/2012	---	---	---	---
	35,0001	---	---	18.48	04/09/2013	---	---	---	---
	7,0601	---	---	26.14	10/09/2013	---	---	---	---
	---	40,0002	---	27.05	04/01/2014	---	---	---	---
	5,0001	---	---	27.05	04/01/2014	---	---	---	---
	25,0001	---	---	26.25	07/21/2014	---	---	---	---
	3,6001	---	---	27.153	04/03/2012	---	---	---	---
	39,0001	---	---	27.153	04/03/2012	---	---	---	---
	24,0001	---	---	27.153	04/03/2012	---	---	---	---
	16,5001	---	---	27.153	04/03/2012	---	---	---	---
	---	40,0003	---	25.29	04/01/2015	---	---	---	---
						16,0004	$ 523,680	---	---
						17,0005	$ 556,410	---	---
						5,5006	$ 180,015	---	---
						10,3027	$ 337,184	---	---
						11,9328	$ 390,534	---	---
Mitchell R. Little	9,3751	---	---	23.389	04/14/2010	---	---	---	---
	6,5001	---	---	24.04	10/25/2012	---	---	---	---
	26,0001	---	---	18.48	04/09/2013	---	---	---	---
	---	28,0002	---	27.05	04/01/2014	---	---	---	---
	1,4571	---	---	27.05	04/01/2014	---	---	---	---
	2,0841	---	---	26.25	07/21/2014	---	---	---	---
	---	28,0003	---	25.29	04/01/2015	---	---	---	---
						14,0004	$ 458,220	---	---
						14,0005	$ 458,220	---	---

						4,0006	$ 130,920	---	---
						7,4927	$ 245,213	---	---
						8,6788	$ 284,031	---	---
David S. Lambert	20,2841	---	---	10.037	04/14/2009	---	---	---	---
	60,7501	---	---	10.037	04/14/2009	---	---	---	---
	3,8371	---	---	5.778	10/09/2008	---	---	---	---
	48,6001	---	---	23.389	04/14/2010	---	---	---	---
	7,7401	---	---	15.917	04/02/2011	---	---	---	---
	32,4001	---	---	15.917	04/02/2011	---	---	---	---
	1,9351	---	---	15.86	06/01/2011	---	---	---	---
	2,8711	---	---	24.267	01/22/2012	---	---	---	---
	26,0001	---	---	24.04	10/25/2012	---	---	---	---
	6,3071	---	---	18.48	04/09/2013	---	---	---	---
	1,0511	---	---	18.48	04/09/2013	---	---	---	---
	26,0001	---	---	18.48	04/09/2013	---	---	---	---
	7,5681	---	---	26.14	10/09/2013	---	---	---	---
	---	28,0002	---	27.05	04/01/2014	---	---	---	---
	2,0001	---	---	27.05	04/01/2014	---	---	---	---
	10,0001	---	---	26.25	07/21/2014	---	---	---	---
	5,4181	---	---	27.153	04/03/2012	---	---	---	---
	39,0001	---	---	27.153	04/03/2012	---	---	---	---
	5,1601	---	---	21.00	08/01/2012	---	---	---	---
	---	28,0003	---	25.29	04/01/2015	---	---	---	---
						11,2004	$ 366,576	---	---
						11,2005	$ 366,576	---	---
						3,0006	$ 98,190	---	---
						5,6197	$ 183,910	---	---
						6,5088	$ 213,007	---	---

OUTSTANDING EQUITY AWARDS AT FISCAL 2008 YEAR END (cont'd)

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (10) ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Gordon W. Parnell	8,5501	---	---	24.861	06/01/2010	---	---	---	---
	3,0231	---	---	24.267	01/22/2012	---	---	--	---
	26,0001	---	---	24.04	10/25/2012	---	---	---	---
	17,3331	---	---	18.48	04/09/2013	---	---	---	---
	7,9481	---	---	26.14	10/09/2013	---	---	---	---
	---	26,0002	---	27.05	04/01/2014	---	---	---	---
	10,0001	---	---	26.25	07/21/2014	---	---	---	---
	5,7051	---	---	27.153	04/03/2012	---	---	---	---
	38,5821	---	---	27.153	04/03/2012	---	---	---	---
	5,4331	---	---	21.00	08/01/2012	---	---	---	---
	---	26,0003	---	25.29	04/01/2015	---	---	---	---
						10,4004	$ 340,392	---	---
						10,4005	$ 340,392	---	---
						1,8759	$ 61,369	---	---

1 The option is fully vested.
2 The option vests in 12 equal monthly installments, commencing March 31, 2008.
3 The option vests in 12 equal monthly installments, commencing March 31, 2009.
4 The award vests quarterly over a two-year period beginning on May 1, 2008.
5 The award vests quarterly over a one-year period beginning on May 1, 2010.
6 The award vests in full on May 1, 2011.
7 The award vests in full on November 1, 2011.
8 The award vests in full on February 1, 2012.
9 The award vested in full on May 1, 2008.
10 Represents number of RSUs multiplied by $32.73, the closing price of our common stock on March 31, 2008.

OPTION EXERCISES AND STOCK VESTED
For Fiscal Year Ended March 31, 2008

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Steve Sanghi, President and CEO	50,000	905,650.00	---	---
	34,010	800,102.89	---	---
	119,971	2,644,523.51	---	---
	150,000	3,306,450.00	---	---
	23,925	843,363.43	---	---
	15,703	509,928.22	---	---
	90,375	2,780,938.16	---	---
	100,000	3,121,100.00	---	---
	6,000	209,239.20	---	---
	25,000	874,192.50	---	---
	15,500	541,760.65	---	---
Ganesh Moorthy, Executive Vice President	---	---	---	---
Mitchell R. Little, Vice President, Worldwide Sales and Applications	543	5,391.99	---	---
	7,029	92,129.10	---	---
	39,000	511,173.00	---	---
David S. Lambert, Vice President, Fab Operations	---	---	---	---
Gordon W. Parnell, Vice President and CFO	9,000	69,679.80	---	---
	23,200	213,769.44	---	---
	418	4,107.69	---	---
	6,623	139,692.98	---	---
	1,104	23,285.68	---	---
	2,037	48,301.55	---	---
	8,666	182,798.18	---	---
	224	5,430.33	---	---
	20,000	336,394.00	---	---

Non-Qualified Deferred Compensation for Fiscal Year 2008

The following table shows the non-qualified deferred compensation activity for each named executive officer for the fiscal year ended March 31, 2008.

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	$ 302,306	$ ---	$ (77,475)	$ ---	$ 2,474,401
Ganesh Moorthy	80,392	---	(11,950)	---	424,515
Mitchell R. Little	13,687	---	(15,390)	---	198,027
David S. Lambert	22,017	---	(7,587)	---	302,004
Gordon W. Parnell	46,765	---	13,777	---	574,358

(1) The executive contribution amounts shown in the table were previously reported in the "Summary Compensation Table" as salary and/or bonus for fiscal 2008 or prior fiscal years. The earnings amounts shown in the table were not previously reported for fiscal 2008 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.

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 ("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.

Equity Compensation Plan Information

The table below provides information about our common stock that, as of March 31, 2008, may be issued upon the exercise of options and rights under the following existing 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,
- PowerSmart, Inc. 1998 Stock Incentive Plan,
- TelCom Semiconductor, Inc. 1994 Stock Option Plan, and
- TelCom Semiconductor, Inc. 2000 Nonstatutory Stock Option 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)	7,843,274(2)	$ 24.28(3)	16,739,992
Equity Compensation Plans Not Approved by Stockholders (4)	6,353,675	$ 22.22	---
Total	14,196,949	$ 23.17	16,739,992

(1) Beginning January 1, 2005, the shares authorized for issuance under our 2001 Employee Stock Purchase Plan are subject to an annual automatic increase of 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. Beginning January 1, 2007, the shares authorized for issuance under our International Employee Stock Purchase Plan ("IESPP") are subject to an annual automatic increase of one-tenth of one percent (0.10%) of the then outstanding shares of our common stock.

(2) Includes 2,464,565 shares issuable upon vesting of RSUs granted under the 2004 Equity Incentive Plan. The

remaining balance consists of outstanding stock option grants.

(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) Includes outstanding options to purchase an aggregate of 117,071 shares of our common stock assumed through our acquisitions of TelCom Semiconductor, Inc. in January 2001, and PowerSmart, Inc. in June 2002. At March 31, 2008, these assumed options had a weighted average exercise price of $20.12 per share. 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. 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. As of March 31, 2008, options to acquire 6,324,831 shares were outstanding under the 1997 Plan and no shares were available for future grant because this plan was replaced with our 2004 Equity Incentive Plan for future grants.

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 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, the Board of Directors adopted a code of ethics for our directors, officers (including our chief executive officer and chief financial officer), and employees. A copy of the code of ethics is available on our website at the Corporate/Investors Information section under Mission Statement/Corporate Governance on www.microchip.com.

We intend to post on our website any amendment to, or waiver from, a provision of our codes 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 2009 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 the 2009 annual meeting, our Secretary must receive the proposal at our principal executive offices by March 13, 2009. 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 2009 annual meeting must do so no later than April 12, 2009.

- However, if we hold our 2009 annual meeting on a date that is not within 30 days before or after the anniversary date of our 2008 annual meeting, we must receive the notice no later than the close of business on the later of the 90th day prior to our 2009 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 2009 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 2008 Annual Report are available online (see "Electronic Access to Proxy Statement and Annual Report" on page 2), 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, 2008.

PROXY PROXY

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

This Proxy is solicited on behalf of the Board of Directors
2008 ANNUAL MEETING OF STOCKHOLDERS

I (whether one or more of us) appoint Steve Sanghi and Gordon W. Parnell, 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 2008 Annual Meeting of Stockholders of Microchip Technology Incorporated and any adjournment(s) of that meeting. The meeting is scheduled for August 15, 2008, at 9:00 a.m., Mountain Standard Time, at the company's Chandler, Arizona facility at 2355 West Chandler Boulevard, Chandler, Arizona. 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 and for the ratification of Ernst & Young LLP as Microchip's independent registered public accounting firm for the fiscal year ending March 31, 2009; 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.

Dear Stockholder,

Microchip requests that you notify us if you are receiving multiple copies of our proxy statement and annual report. If you do so, we can reduce the number of these materials we must print and mail. To choose this option, please check the appropriate box on your proxy card and return it by mail.

YOUR VOTE IS IMPORTANT!

Thank you in advance for participating in our 2008 Annual Meeting.

The Board of Directors Recommends a Vote FOR Items 1 and 2.

1.Election of Directors:	01 Steve Sanghi	04 Matthew W. Chapman	o Vote FOR	o Vote WITHHELD
	02 Albert J. Hugo-Martinez	05 Wade F. Meyercord	all nominees	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.)

2. 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, 2009.	o For	o Against	o Abstain

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

Date

Address Change? Mark Box o Indicate changes below:

Signature(s) in Box

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