

MICROCHIP TECHNOLOGY INC  
Form 8-K  
October 27, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported)

**October 23, 2006**

**MICROCHIP TECHNOLOGY INCORPORATED**

(Exact Name Of Registrant As Specified In Its Charter)

**Delaware**  
(State Or Other Jurisdiction Of  
Incorporation)

**0-21184**  
(Commission File No.)

**86-0629024**  
(IRS Employer Identification No.)

**2355 West Chandler Boulevard, Chandler, Arizona 85224-6199**  
(Address Of Principal Executive Offices)

**(480) 792-7200**  
(Registrant's Telephone Number, Including Area Code)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



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**Item 1.01. Entry Into a Material Definitive Agreement**

*Executive Severance Agreements*

On October 23, 2006, the Board of Directors of Microchip Technology Incorporated (the “Company”) authorized the Company to enter into Executive Severance Agreements with the following executive officers of the Company:

Steve Sanghi —President, Chief Executive Officer and Chairman of the Board

Stephen V. Drehabl —Vice President, Security, Microcontroller and Technology Development Division

David S. Lambert —Vice President, Fab Operations

Mitchell R. Little —Vice President, Worldwide Sales and Applications

Ganesh Moorthy —Executive Vice President

Gordon W. Parnell —Chief Financial Officer and Vice President, Finance

Richard J. Simoncic —Vice President, Analog and Interface Products Division

The Executive Severance Agreements are not employment contracts and do not specify an employment term, compensation levels or other terms or conditions of employment. The Agreements provide for certain severance benefits to the executive in the event his employment is terminated under specified circumstances, as well as certain benefits upon a Change of Control (as defined in the Agreement).

With respect to the President and Chief Executive Officer, the Chief Financial Officer and the Vice President of Worldwide Sales, if the executive’s employment terminates for reasons other than Cause (as defined in the Agreement) within the Change of Control Period (as defined in the Agreement), the executive 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 President and Chief Executive Officer, two years; (2) in the case of the Chief Financial Officer 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 President and Chief Executive Officer, two years; (2) in the case of the Chief Financial Officer 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 President and Chief Executive Officer and the Chief Financial Officer, 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 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 Internal Revenue Code (the “Code”), if the payments provided for in the Agreement constitute “parachute payments” under Section 280G of the Code and the value of such payments is more than three times the executive’s “base amount” as defined by Section 280G(b)(3) of the Code.

With respect to the President and Chief Executive Officer, the Chief Financial Officer and the Vice President of Worldwide Sales, immediately prior to a Change of Control (regardless of whether the executive's employment terminates), all equity compensation held by the executive shall become fully vested.

With respect to the executive officers named above other than the President and Chief Executive Officer, the Chief Financial Officer and the Vice President of Worldwide Sales, if the executive terminates his employment for Good Reason (as defined in the Agreement), or the executive's employment is terminated for reasons other than Cause (as defined in the Agreement) within the Change of Control Period (as defined in the Agreement), the executive 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 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 Internal Revenue Code (the "Code"), if the payments provided for in the Agreement constitute "parachute payments" under Section 280G of the Code and the value of such payments is more than three times the executive's "base amount" as defined by Section 280G(b)(3) of the Code.

With respect to the executive officers named above other than the President and Chief Executive Officer, the Chief Financial Officer and the Vice President of Worldwide Sales, immediately upon termination during the Change of Control Period other than for Cause (as defined in the Agreement) all equity compensation held by the executive shall become fully vested.

#### *General*

The Executive Severance Agreements were approved by both the Board of Directors after considering the compensation levels and terms of the Company's management and the compensation practices of similarly situated companies. The Board of Directors views these Agreements as important steps in retaining and motivating key management personnel in the event of a Change of Control.

Copies of the forms of Executive Severance Agreements, are attached as Exhibit 10.1 and Exhibit 10.2 to this Current Report on Form 8-K and are incorporated by reference herein. The foregoing summary of terms of the Executive Severance Agreements is not complete and is qualified in its entirety by reference to the exhibits to this filing.

#### *Promotion of Executive Officer*

On October 23, 2006, the Company's Board of Directors elected Mr. Moorthy as Executive Vice President and increased his base salary to \$225,000 effective November 6, 2006.

### **Item 1.02. Termination of a Material Definitive Agreement**

#### *Termination of Prior Agreements*

In the case of the President and Chief Executive Officer, the Chief Financial Officer and the Vice President of Worldwide Sales, the Agreements described above replace the existing agreements between the Company and such persons which were entered into on March 6, 1996, May 8, 2000, and January 17, 1996, respectively, and provided for acceleration of the executive's stock options in the event of termination of employment in connection with a Change of Control (defined in the agreements being terminated) unless such termination was for Cause (defined in the agreements being terminated.)

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits

10.1 Form of Executive Severance Agreement

10.2 Form of Executive Severance Agreement

**SIGNATURE**

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

Dated: October 27, 2006

Microchip Technology Incorporated  
(Registrant)

By: /s/ Gordon W. Parnell  
Gordon W. Parnell  
Vice President, Chief Financial Officer  
(Principal Accounting and Financial  
Officer)

**EXHIBITS**

- 10.1 Form of Executive Severance Agreement
- 10.2 Form of Executive Severance Agreement

