

CONFIDENTIAL

28-11638 ✓

13FCOIN P 5/10/07

|                                                           |
|-----------------------------------------------------------|
| OMB APPROVAL                                              |
| OMB Number: 3235-0006                                     |
| Expires: December 31, 2006                                |
| Estimated average burden<br>hours per form . . . . . 22.8 |

CONFIDENTIAL TREATMENT REQUESTED

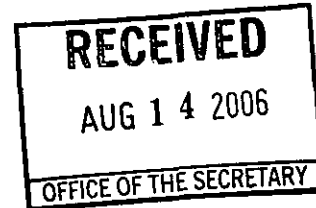
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

NON-PUBLIC

Form 13F



Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: 6/30/2006

Check here if Amendment[ ]: Amendment Number: \_\_\_\_\_

This Amendment (Check only one):

[ ] is a restatement

[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: MICHAEL R. MURPHY

Address: 71 SOUTH WACKER DRIVE, CHICAGO, ILLINOIS 60606

Form 13F File Number 28- 11638

The Institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Michael R. Murphy

Title: Managing Member of Discovery Group I, LLC

Phone: 312-920-2135

Signature, Place, and Date of Signing:

(Signature)  
Chicago, Illinois

(City, State)

8/11/2006

(Date)

PROCESSED

MAY 27 2008

THOMSON REUTERS

Report Type (Check only one):

[X] 13F HOLDINGS REPORT. (Check here if all holdings of this reporting manager are reported in this report.)

[ ] 13F NOTICE. (Check here if no holdings reported are in this report, and all holdings are reported by other reporting manager(s).)

[ ] 13F COMBINATION REPORT. (Check here if a portion of the holdings for this reporting manager are reported in this report and a portion are reported by other reporting manager(s).)

List of Other Managers Reporting for this Manager.

NONE



08016084

Form 13F Summary Page

Report Summary:

Number of Other Included Managers:

2

Form 13F Information Table Entry Total:

25

Form 13F Information Table Value Total:

\$ 64,269 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional investment managers with respect to which this report is filed, other than the manager filing this report.

| No.      | Form 13F File Number | Name                          |
|----------|----------------------|-------------------------------|
| <u>1</u> | <u>28-11635</u>      | <u>DANIEL J. DONOGHUE</u>     |
| <u>2</u> | <u>28-11637</u>      | <u>DISCOVERY GROUP I, LLC</u> |

**CONFIDENTIAL**

CONFIDENTIAL

13F Holdings Report  
6/30/2006

CONFIDENTIAL TREATMENT REQUESTED

| COLUMN 1                       | COLUMN 2          | COLUMN 3  | COLUMN 4            | COLUMN 5           | COLUMN 6   | COLUMN 7     | COLUMN 8<br>Voting Authority |                   |      |           |      |
|--------------------------------|-------------------|-----------|---------------------|--------------------|------------|--------------|------------------------------|-------------------|------|-----------|------|
| NAME OF<br>ISSUER              | TITLE OF<br>CLASS | CUSIP     | VALUE<br>(X \$1000) | SHRS OR<br>PRN AMT | SH/<br>PRN | PUT/<br>CALL | INVESTMENT<br>DISCRETION     | OTHER<br>MANAGERS | SOLE | SHARED    | NONE |
| 2 Corlilian Corp               | COM               | 218725109 | 5744                | 1,920,890          | SH         |              | SHARED-OTHER                 | 1, 2              |      | 1,920,890 |      |
| 2 Dynamics Resh Corp           | COM               | 268057106 | 4861                | 357,927            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 357,927   |      |
| 2 Exactech Inc                 | COM               | 30064E109 | 1492                | 108,535            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 108,535   |      |
| 2 Greenfield Online Inc        | COM               | 395150105 | 9327                | 1,258,721          | SH         |              | SHARED-OTHER                 | 1, 2              |      | 1,258,721 |      |
| 1 Hines Horticulture Inc       | COM               | 433245107 | 1471                | 408,534            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 408,534   |      |
| 2 Hufftig Bldg Prods Inc       | COM               | 448451104 | 1149                | 141,800            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 141,800   |      |
| 1 National Med Health Card Sys | COM NEW           | 636918302 | 1616                | 117,100            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 117,100   |      |
| 1 Neoware Inc                  | COM               | 64065P102 | 4117                | 334,975            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 334,975   |      |
| 2 Nutraceutical Intl Corp      | COM               | 67060Y101 | 2289                | 149,323            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 149,323   |      |
| 2 Perception Inc               | COM               | 71361F100 | 2977                | 368,907            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 368,907   |      |
| 2 Polymedica Corp              | COM               | 731738100 | 3229                | 89,800             | SH         |              | SHARED-OTHER                 | 1, 2              |      | 89,800    |      |
| 2 Strattec Sec Corp            | COM               | 863111100 | 5528                | 110,978            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 110,978   |      |
| 2 Warwick Valley Tel Co        | COM               | 936750108 | 4502                | 230,866            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 230,866   |      |
| 2 Yak Communications Inc       | COM               | 984208207 | 1338                | 450,796            | SH         |              | SHARED-OTHER                 | 1, 2              |      | 450,796   |      |
| 2 New Frontier Media Inc       | COM               | 644398109 | 8032                | 1,120,175          | SH         |              | SHARED-OTHER                 | 1, 2              |      | 1,120,175 |      |
| 2 Abigal Adams Natl Bancorp    | COM               | 003390101 | 206                 | 14,539             | SH         |              | SHARED-OTHER                 | 1                 |      | 14,539    |      |
| 2 BOE Finl Svcs VA Inc         | COM               | 05564W106 | 214                 | 6,725              | SH         |              | SHARED-OTHER                 | 1                 |      | 6,725     |      |
| 2 Comm Bancorp Inc             | COM               | 200468106 | 737                 | 17,133             | SH         |              | SHARED-OTHER                 | 1                 |      | 17,133    |      |
| 2 Franklin Cr Mgmt Corp        | COM NEW           | 353487200 | 660                 | 84,871             | SH         |              | SHARED-OTHER                 | 1                 |      | 84,871    |      |
| 2 Lincoln Bancorp Ind          | COM               | 532879103 | 948                 | 53,094             | SH         |              | SHARED-OTHER                 | 1                 |      | 53,094    |      |
| 2 Northrim BanCorp Inc         | COM               | 666762109 | 672                 | 26,800             | SH         |              | SHARED-OTHER                 | 1                 |      | 26,800    |      |
| 2 Sussex Bancorp               | COM               | 869245100 | 1677                | 114,500            | SH         |              | SHARED-OTHER                 | 1                 |      | 114,500   |      |
| 2 Provident Bankshares Corp    | COM               | 743859100 | 322                 | 10,747             | SH         |              | SHARED-OTHER                 | 1                 |      | 10,747    |      |
| 2 TIB Finl Corp                | COM               | 872449103 | 614                 | 19,199             | SH         |              | SHARED-OTHER                 | 1                 |      | 19,199    |      |
| 2 PSB Bancorp Inc              | COM               | 693604100 | 547                 | 49,459             | SH         |              | SHARED-OTHER                 | 1                 |      | 49,459    |      |
| Total                          |                   |           | 64,269              | 7,566,394          |            |              |                              |                   |      | 7,566,394 |      |

END