

28-11638

CONFIDENTIAL

8/13/07

13FCONP

NON-PUBLIC

OMB APPROVAL

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CONFIDENTIAL TREATMENT REQUESTED

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549



08016085

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: 9/30/2006

Check here if Amendment[]: Amendment Number: _____

This Amendment (Check only one):

- [] is a restatement
 [] adds new holdings entries.

RECEIVED

NOV 14 2006

OFFICE OF THE SECRETARY

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)

11/13/2006

(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

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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:

\$ 68,062 (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.

1

Form 13F File Number

28-11635

Name

DANIEL J. DONOGHUE

2

28-11637

DISCOVERY GROUP I, LLC

CONFIDENTIAL

13F Holdings Report
9/30/2006
CONFIDENTIAL TREATMENT REQUESTED

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7	COLUMN 8				
NAME OF ISSUER	TITLE OF CLASS	CUSIP	VALUE (X \$1000)	SHRS OR PRN AMT	SH/ PRN	PUT/ CALL	INVESTMENT DISCRETION	OTHER MANAGERS	SOLE	SHARED	NONE
ABIGAIL ADAMS NATL BANCORP I CORILLIAN CORP DYNAMICS RESH CORP EPIC BANCORP EXACTECH INC FIRST LONG IS CORP FRANKLIN CR MGMT CORP GREENFIELD ONLINE INC HUTTIG BLDG PRODS INC JAMES RIVER COAL CO	COM	003390101	197	14,539	SH		SHARED-OTHER	1		14,539	
	COM	218725109	5,197	1,896,808	SH		SHARED-OTHER	1, 2		1,896,808	
	COM	288057106	4,204	422,527	SH		SHARED-OTHER	1, 2		422,527	
	COM	294250105	437	28,600	SH		SHARED-OTHER	1		28,600	
	COM	30064E109	2,560	187,385	SH		SHARED-OTHER	1, 2		187,385	
	COM	320734106	285	6,499	SH		SHARED-OTHER	1		6,499	
	COM	353487200	586	84,871	SH		SHARED-OTHER	1		84,871	
	COM	395150105	13,022	1,253,348	SH		SHARED-OTHER	1, 2		1,253,348	
	COM	448451104	2,307	417,200	SH		SHARED-OTHER	1, 2		417,200	
	COM NEW	470355207	2,445	231,769	SH		SHARED-OTHER	1, 2		231,769	
LINCOLN BANCORP IND MEDIWARE INFORMATION SYS INC NEW FRONTIER MEDIA INC NORTHIRM BANCORP INC NORTHWAY FINL INC NUTRACEUTICAL INTL CORP OLD SECOND BANCORP INC ILL PERCEPTON INC POLYMEDICA CORP PROVIDENT FINL HLDGS INC	COM	532879103	988	53,421	SH		SHARED-OTHER	1		53,421	
	COM	584946107	1,076	131,756	SH		SHARED-OTHER	1, 2		131,756	
	COM	644398109	9,708	1,176,775	SH		SHARED-OTHER	1, 2		1,176,775	
	COM	668762109	740	28,140	SH		SHARED-OTHER	1		28,140	
	COM	667270102	566	16,902	SH		SHARED-OTHER	1		16,902	
	COM	67060Y101	2,361	172,811	SH		SHARED-OTHER	1, 2		172,811	
	COM	680277100	704	20,500	SH		SHARED-OTHER	1, 2		20,500	
	COM	71361F100	1,925	224,357	SH		SHARED-OTHER	1, 2		224,357	
	COM	731738100	6,895	156,400	SH		SHARED-OTHER	1, 2		156,400	
	COM	74386101	324	10,747	SH		SHARED-OTHER	1		10,747	
STRATTEC SEC CORP SUSSEX BANCORP TAYLOR CAP GROUP INC TIB FINL CORP WARWICK VALLEY TEL CO	COM	863111100	3,248	84,698	SH		SHARED-OTHER	1, 2		84,698	
	COM	869245100	1,674	114,500	SH		SHARED-OTHER	1		114,500	
	COM	876851106	532	18,000	SH		SHARED-OTHER	1		18,000	
	COM	872449103	1,153	36,098	SH		SHARED-OTHER	1		36,098	
			5,127	255,080	SH		SHARED-OTHER	1, 2		255,080	
Total			68,062	7,043,731							

END