MAXIM INTEGRATED PRODUCTS INC
Form 10-Q
April 28, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended March 26, 2011
OR	
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from ________ to ________.

Commission file number 1-34192
MAXIM INTEGRATED PRODUCTS, INC.
(Exact name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	94-2896096 (I.R.S. Employer I. D. No.)

120 San Gabriel Drive
Sunnyvale, California 94086
(Address of Principal Executive Offices including Zip Code)

(408) 737-7600
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [x] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [x]	Accelerated filer [ ]	Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check one):
YES [ ] NO [x]

As of April 22, 2011 there were 295,367,676 shares of Common Stock, par value $.001 per share, of the registrant outstanding.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

MAXIM INTEGRATED PRODUCTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 26, 2011	June 26, 2010
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$868,923	$826,512
Short-term investments	49,924	—
Total cash, cash equivalents and short-term investments	918,847	826,512
Accounts receivable, net	304,591	339,322
Inventories	234,933	206,040
Deferred tax assets	128,371	217,017
Income tax refund receivable	416	83,813
Other current assets	89,435	33,909
Total current assets	1,676,593	1,706,613
Property, plant and equipment, net	1,286,061	1,324,436
Intangible assets, net	216,439	194,728
Goodwill	247,526	226,223
Other assets	25,798	30,325
TOTAL ASSETS	$3,452,417	$3,482,325
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$107,444	$107,797
Income taxes payable	5,363	13,053
Accrued salary and related expenses	201,791	175,858
Accrued expenses	40,984	37,030
Deferred income on shipments to distributors	35,571	25,779
Accrual for litigation settlement	—	173,000
Total current liabilities	391,153	532,517
Long term debt	300,000	300,000
Income taxes payable	92,110	132,400
Deferred tax liabilities	180,442	136,524
Other liabilities	23,672	27,926
Total liabilities	987,377	1,129,367
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock and capital in excess of par value	5,865	301
Retained earnings	2,473,271	2,364,598
Accumulated other comprehensive loss	(14,096)	(11,941)
Total stockholders' equity	2,465,040	2,352,958
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$3,452,417	$3,482,325

See accompanying Notes to Condensed Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 26, 2011	March 27, 2010	March 26, 2011	March 27, 2010
	(Amounts in thousands, except per share data)			
Net revenues	$606,775	$508,880	$1,845,850	$1,431,641
Cost of goods sold (1)	234,125	200,177	706,711	579,523
Gross margin	372,650	308,703	1,139,139	852,118
Operating expenses:				
Research and development (1)	130,955	116,750	388,735	351,110
Selling, general and administrative (1)	73,617	61,494	217,957	174,802
Intangible asset amortization	4,092	1,799	14,552	5,489
Impairment of long-lived assets	—	—	—	8,291
Severance and restructuring expenses	16	(625)	1,670	(123)
Other operating (income) expenses, net	(25)	177,546	21,108	161,582
Total operating expenses	208,655	356,964	644,022	701,151
Operating income (loss)	163,995	(48,261)	495,117	150,967
Interest and other (expense) income, net	(1,570)	644	(9,346)	6,175
Income (loss) before provision for income taxes	162,425	(47,617)	485,771	157,142
Provision (benefit) for income taxes	26,149	(13,714)	122,355	90,458
Net income (loss)	$136,276	$(33,903)	$363,416	$66,684
Earnings (loss) per share:				
Basic	$0.46	$(0.11)	$1.22	$0.22
Diluted	$0.45	$(0.11)	$1.20	$0.21
Shares used in the calculation of earnings per share:				
Basic	296,511	304,518	297,090	305,375
Diluted	304,515	304,518	302,381	310,702
Dividends paid per share	$0.21	$0.20	$0.63	$0.60
(1) Includes stock-based compensation charges as follows:				
Cost of goods sold	$3,336	$1,071	$10,979	$11,797
Research and development	$11,743	$8,691	$41,764	$40,082
Selling, general and administrative	$6,149	$5,517	$20,146	$16,798

See accompanying Notes to Condensed Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 26, 2011	March 27, 2010
	(in thousands)	
Cash flows from operating activities:		
Net income	$363,416	$66,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	72,889	68,677
Depreciation and amortization	155,046	117,138
Deferred taxes	119,600	(27,528)
Tax benefit (shortfall) related to stock-based compensation plans	27,735	(12,183)
Excess tax benefit related to stock-based compensation	(8,077)	(5,463)
Impairment of long-lived assets	—	8,291
Loss on sale of property, plant and equipment	14,743	590
Loss from sale of equity investments	—	149
Changes in assets and liabilities:		
Accounts receivable	36,297	(89,572)
Inventories	(26,461)	24,211
Other current assets and income tax refund receivable	37,224	(570)
Accounts payable	3,875	14,745
Income taxes payable	(47,856)	(26,800)
Deferred income on shipments to distributors	9,792	4,345
Accrued liabilities- goodwill payments above settlement date fair value	(164)	(1,164)
Accrued liabilities - litigation settlement	(173,000)	173,000
All other accrued liabilities	30,121	19,403
Net cash provided by operating activities	615,180	333,953
Cash flows from investing activities:		
Purchase of property, plant and equipment	(127,190)	(80,234)
Proceeds from sale of property, plant, and equipment	25,329	1,180
Acquisitions	(73,107)	(4,000)
Purchases of available-for-sale securities	(49,787)	—
Proceeds from sales/maturities of available-for-sale securities	—	100,233
Other	—	(263)
Net cash (used in) provided by investing activities	(224,755)	16,916
Cash flows from financing activities:		
Excess tax benefit related to stock-based compensation	8,077	5,463
Mortgage liability	(3,237)	(30)
Repurchase of options	12	(588)
Proceeds from derivative litigation settlement	—	2,460
Repayment of notes payable	(1,422)	—
Issuance of common stock	7,628	(12,127)
Repurchase of common stock	(172,004)	(113,616)
Dividends paid	(187,068)	(183,343)
Net cash used in financing activities	(348,014)	(301,781)

Net increase in cash and cash equivalents	42,411		49,088
Cash and cash equivalents:			
Beginning of period	826,512		709,348
End of period	$868,923		$758,436
Supplemental disclosures of cash flow information:			
Cash paid for interest	$5,089		$—
Cash (refunded) paid, net during the period for income taxes	$(19,847	)	$159,484
Noncash investing and financing activities:			
Accounts payable related to property, plant, and equipment purchases	$11,511		$10,230

See accompanying Notes to Condensed Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited condensed interim consolidated financial statements of Maxim Integrated Products, Inc. and all of its majority-owned subsidiaries (collectively, the "Company" or "Maxim") included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles of the United States of America ("GAAP") have been condensed or omitted pursuant to applicable rules and regulations. In the opinion of management, all adjustments considered necessary for fair presentation have been included. The year-end condensed balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP. The results of operations for the three and nine months ended March 26, 2011 are not necessarily indicative of the results to be expected for the entire year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the fiscal year ended June 26, 2010.

The Company has a 52-to-53-week fiscal year that ends on the last Saturday in June. Accordingly, every fifth or sixth fiscal year will be a 53-week fiscal year. Fiscal year 2011 is a 52-week fiscal year.

NOTE 2: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2010, the Financial Accounting Standards Board ("FASB") issued amended standards that require additional fair value disclosures. These disclosure requirements are effective in two phases. In the second quarter of fiscal year 2010, the Company adopted the requirements for disclosures about inputs and valuation techniques used to measure fair value as well as disclosures about significant transfers. In the second quarter of fiscal year 2011, the requirement relating to presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3) were effective. These amended standards do not affect the Company's consolidated statements of operations or balance sheets.

NOTE 3: BALANCE SHEET COMPONENTS

Accounts receivables, net consist of:

	March 26, 2011	June 26, 2010
	(in thousands)	
Accounts receivable	$325,655	$359,005
Returns and allowances	(21,064)	(19,683)
	$304,591	$339,322

The components of inventories consist of:

	March 26, 2011	June 26, 2010
Inventories:	(in thousands)	
Raw materials	$19,229	$16,747
Work-in-process	162,050	140,497
Finished goods	53,654	48,796
	$234,933	$206,040

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Property, plant and equipment, net consist of:

	March 26, 2011	June 26, 2010
Property, plant and equipment:	(in thousands)	
Land	$85,368	$87,237
Buildings and building improvements	311,844	341,734
Machinery and equipment	1,926,203	1,872,349
	2,323,415	2,301,320
Less: accumulated depreciation and amortization	(1,037,354)	(976,884)
	$1,286,061	$1,324,436

NOTE 4: FAIR VALUE MEASUREMENTS

The FASB established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value are:

Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company's Level 1 assets consist of money market funds.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets and liabilities consist of money market funds, government agency securities and foreign currency forward contracts.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis were as follows:

	As of March 26, 2011 Fair Value Measurements Using			Total	As of June 26, 2010 Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	Balance	Level 1	Level 2	Level 3	Balance
	(in thousands)							
Assets								
Money market funds (1)	$751,233	$3,455	$—	$754,688	$634,358	$2,997	$—	$637,355
Government agency Securities (2)	—	49,924	—	49,924	—	—	—	—
Foreign currency forward contracts	—	436	—	436	—	18	—	18
Total Assets	$751,233	$53,815	$—	$805,048	$634,358	$3,015	$—	$637,373

Liabilities

Foreign currency forward contracts	$—	$553	$—	$553	$—	$851	$—	$851
Total Liabilities	$—	$553	$—	$553	$—	$851	$—	$851

(1) Included in Cash and cash equivalents in the accompanying Condensed Consolidated Balance Sheets.
(2) Included in Short-term investments in the accompanying Condensed Consolidated Balance Sheets.

As of March 26, 2011 and June 26, 2010, none of the company's assets and liabilities was measured at fair value on a non-recurring basis.

NOTE 5: FINANCIAL INSTRUMENTS

Short-term investments
Fair value as of March 26, 2011 were as follows:

	March 26, 2011			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
	(in thousands)			
Available for sale Investments				
Government agency securities	$49,787	$137	$—	$49,924
Total available for sale investments	$49,787	$137	$—	$49,924

In the three and nine months ended March 26, 2011, Maxim did not recognize impairment charges on such investments.
Contractual maturities of investments in available-for-sale debt securities at March 26, 2011 were as follows:

	March 26, 2011	
	Cost	Estimated Fair Value
	(in thousands)	
Due in 1-5 years	$49,787	$49,924
	$49,787	$49,924

Derivative instruments and hedging activities

Foreign Currency Risk

The Company generates revenues in various global markets based on orders obtained in non-U.S. currencies, primarily the Japanese Yen, the British Pound and the Euro. Maxim incurs expenditures denominated in non-US currencies, principally Philippine Pesos and Thailand Baht associated with the Company's manufacturing activities in the Philippines and Thailand, respectively. Maxim is exposed to fluctuations in foreign currency exchange rates primarily on orders and accounts receivable from sales in these foreign currencies and cash flows for expenditures in these foreign currencies. Maxim has established risk management strategies designed to reduce the impact of volatility of future cash flows caused by changes in the exchange rates for these currencies. These strategies reduce, but do not entirely eliminate, the impact of currency exchange rates movements. Maxim does not use derivative financial instruments for speculative or trading purposes. The Company routinely hedges its exposures to certain foreign currencies with various financial institutions in an effort to minimize the impact of certain currency exchange rate fluctuations. If a financial counter party to any of the Company's hedging arrangements experiences financial difficulties or is otherwise unable to honor the terms of the foreign currency hedge, the Company may experience financial losses.

For derivative instruments that are designated and qualify as cash flow hedges under ASC No. 815- Derivatives and hedging, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings into the same financial statement line as the item being hedged, and in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in interest and other (expense) income, net.

For derivative instruments that are not designated as hedging instruments under ASC No. 815, gains and losses are recognized in interest and other (expense) income, net. All derivatives are foreign currency forward contracts to hedge certain foreign currency denominated assets or liabilities. The gains and losses on these derivatives largely offset the changes in the fair value of the assets or liabilities being hedged.

Fair Value of Derivative Instruments in the Condensed Consolidated Balance Sheets
Maxim estimates the fair value of derivatives primarily based on pricing models using current market rates and records all derivatives on the balance sheet at fair value. The gross notional and fair value of derivative financial instruments in the Condensed Consolidated Balance Sheets were recorded as follows:

	As of March 26, 2011			As of June 26, 2010		
	Gross Notional(1)	Other Current Assets	Accrued Expenses	Gross Notional (1)	Other Current Assets	Accrued Expenses
	(in thousands)					
Derivatives designated as hedging instruments						
Cash flow hedges:						
Foreign exchange contracts	$36,183	$362	$115	$20,085	$2	$237
Derivatives not designated as hedging instruments						
Foreign exchange contracts	28,236	74	438	32,281	16	614
Total derivatives	$64,419	$436	$553	$52,366	$18	$851

(1) Represents the face amounts of contracts that were outstanding as of March 26, 2011 and June 26, 2010, respectively.
Derivatives designated as hedging instruments

The following table provides the balances and changes in the accumulated other comprehensive income (loss) related to derivative instruments during the nine months ended March 26, 2011 and the year ended June 26, 2010.

	March 26, 2011	June 26, 2010
	(in thousands)	
Beginning balance	$(235)	$—
Loss reclassified to income	827	—
Amount recorded in other comprehensive loss	(345)	(235)
Ending balance	$247	$(235)

Maxim expects to reclassify an estimated net accumulated other comprehensive loss of $0.2 million, net of taxes, to earnings in the next twelve months along with the earnings effects of the related forecasted transactions in association with cash flow hedges.
The loss recognized in Other Comprehensive Income ("OCI") on derivative instruments (Effective portion) for the three months ended March 26, 2011 and March 27, 2010 was $0.3 million and $0 million, respectively. The loss recognized in OCI on derivative instruments (Effective portion) for the nine months ended March 26, 2011 and March 27, 2010 was $0.3 million and $0 million, respectively.
The before-tax effect of cash flow derivative instruments for the three and nine months ended March 26, 2011 and March 27, 2010 was as follows:

	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective portion)				
		Three Months Ended		Nine Months Ended	
	Location	March 26, 2011	March 27, 2010	March 26, 2011	March 27, 2010
		(in thousands)			
Cash Flow hedges:					
Foreign exchange contracts	Net Revenues	$(71)	$—	$(1,366)	$—
Foreign exchange contracts	Cost of goods sold	(54)	—	539	—
Total cash flow hedges		$(125)	$—	$(827)	$—

The before-tax effect of derivative instruments not designated as hedging instruments on the Condensed Consolidated Statements of Operations for the three and nine months ended March 26, 2011 and March 27, 2010 was as follows:

	Gain (Loss) Recognized in Income on Derivative Instrument				
		Three Months Ended		Nine Months Ended	
	Location	March 26, 2011	March 27, 2010	March 26, 2011	March 27, 2010
		(in thousands)			
Foreign exchange contracts	Interest and other (expense) income, net	$(1,050)	$1,032	$(1,888)	$500
Total		$(1,050)	$1,032	$(1,888)	$500

Volume of Derivative Activity

Total net U.S. Dollar notional amounts for foreign currency forward contracts, presented by net currency purchase (sell), are as follows:

In United States Dollars	March 26, 2011	June 26, 2010
	(in thousands)	
Euro	$(4,551)	$(17,874)
Japanese Yen	(13,654)	(17,923)
British Pound	(9,378)	(3,512)
Philippine Peso	11,849	6,576
Thai Baht	3,974	2,327
Total	$(11,760)	$(30,406)

Long- term debt

On June 17, 2010, the Company completed a public offering of $300 million aggregate principal amount of the Company's 3.45% senior unsecured and unsubordinated notes (the "Notes") due on June 14, 2013, with an effective interest rate of 3.49%. Interest on the Notes is payable semi-annually in arrears on June 14 and December 14 of each year, commencing December 14, 2010. The Notes are governed by a base and supplemental indenture dated June 10, 2010 and June 17, 2010, respectively, between the Company and Wells Fargo Bank, National Association, as trustee. The Company accounts for the Notes based on their amortized cost. The discount and expenses are being amortized to Interest and other (expense) income, net over the life of the Notes. Interest expenses associated with the Notes was $2.8 million and $8.4 million during the three and nine months ended March 26, 2011, respectively, and is recorded in Interest and other (expense) income, net in the Condensed Consolidated Statements of Operations.

The estimated fair value of Maxim's long-term debt was approximately $310 million at March 26, 2011. The estimated fair value of the debt is based primarily on quoted market prices.

Other Financial Instruments

For the balance of Maxim's financial instruments, cash equivalents, accounts receivable, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities.

NOTE 6: STOCK-BASED COMPENSATION

The following table shows total stock-based compensation expense by type of award, and the resulting tax effect, included in the Condensed Consolidated Statements of Operations for the three and nine months ended March 26, 2011 and March 27, 2010:

Stock-based compensation expense by type of award

	Three Months Ended		Nine Months Ended	
	March 26, 2011	March 27, 2010	March 26, 2011	March 27, 2010
	(in thousands)			
Cost of goods sold				
Stock options	$626	$232	$2,109	$2,648
Restricted stock units	2,308	586	7,719	8,394
Employee stock purchase plan	402	253	1,151	755
	$3,336	$1,071	$10,979	$11,797
Research and development expense				
Stock options	$2,050	$1,318	$9,309	$9,074
Restricted stock units	8,326	6,038	28,453	27,056
Employee stock purchase plan	1,367	1,335	4,002	3,952
	$11,743	$8,691	$41,764	$40,082
Selling, general and administrative expense				
Stock options	$1,347	$1,194	$4,635	$5,216
Restricted stock units	4,396	3,993	14,401	10,825
Employee stock purchase plan	406	330	1,110	757
	$6,149	$5,517	$20,146	$16,798
Total stock-based compensation expense				
Stock options	$4,023	$2,744	$16,053	$16,938
Restricted stock units	15,030	10,617	50,573	46,275
Employee stock purchase plan	2,175	1,918	6,263	5,464
Pre-tax stock-based compensation expense	21,228	15,279	72,889	68,677
Less: income tax effect	5,039	3,889	19,332	20,967
Net stock-based compensation expense	$16,189	$11,390	$53,557	$47,710

Modifications and Settlements

2009 Goodwill Program:

In January 2009, the Company's Board of Directors approved a program (the "Goodwill Program") wherein non-officer employees holding options that were outstanding as of November 1, 2008 which reached or would have reached their contractual 10-year expiration term between November 2008 and December 2009 would be eligible for a payment in the form of cash or restricted stock units ("RSUs"). Under the Goodwill Program, payments exceeding $5,000 would be settled in RSUs that vest over three quarters, contingent upon continued employment, while payments below $5,000 would be settled in cash in a lump-sum payment. The program was extended to officers in

May 2009 with substantially similar terms, except that payments exceeding $5,000 to officers were settled in RSUs vesting over six quarters.

The Company recorded a liability for the options settling in cash under the Goodwill Program. Options associated with payments being made in the form of RSUs under the Goodwill Program contained market and service conditions. The Company recognized $0.2 million and $5.2 million in stock-based compensation expenses related to this program during the nine months ended March 26, 2011 and March 27, 2010, respectively.

Fair Value

The fair value of options granted to employees under the Company's 1996 Stock Incentive Plan and rights to acquire common stock under the Company's 2008 Employee Stock Purchase Plan (the "ESPP") is estimated on the date of grant using the Black-Scholes option valuation model. The fair value of RSUs is estimated using the value of the Company's common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting.

Expected volatilities are based on the historical volatilities from the Company's traded common stock over a period equal to the expected term. The Company is utilizing the simplified method to estimate expected holding periods. The risk-free interest rate is based on the U.S. Treasury yield. The Company determines the dividend yield by dividing the annualized dividends per share by the prior quarter's average stock price. The result is analyzed by the Company to decide whether it represents expected future dividend yield. The Company also estimates forfeitures at the time of grant and makes revisions if the estimates change significantly or the actual forfeitures differ from those estimates.

The fair value of share-based awards granted to employees has been estimated at the date of grant using a Black-Scholes option valuation model and the following weighted-average assumptions:

	Stock Option Plan Three Months Ended				Stock Option Plan Nine Months Ended			
	March 26, 2011		March 27, 2010		March 26, 2011		March 27, 2010	
Expected holding period (in years)	5.0		5.0		5.2		5.2	
Risk-free interest rate	2.1	%	2.4	%	1.7	%	2.3	%
Expected stock price volatility	36.4	%	38.0	%	36.9	%	37.8	%
Dividend yield	3.9	%	4.4	%	4.3	%	4.5	%

	ESP Plan Three Months Ended				ESP Plan Nine Months Ended			
	March 26, 2011		March 27, 2010		March 26, 2011		March 27, 2010	
Expected holding period (in years)	0.5		0.5		0.5		0.5	
Risk-free interest rate	0.2	%	0.2	%	0.2	%	0.2	%
Expected stock price volatility	31.4	%	34.4	%	31.4	%	34.4	%
Dividend yield	4.9	%	4.5	%	4.9	%	4.5	%

The weighted-average fair value of stock options granted was $6.25 and $4.68 per share for the three months ended March 26, 2011 and March 27, 2010, respectively. The weighted-average fair value of stock options granted was $3.85 and $4.22 per share for the nine months ended March 26, 2011 and March 27, 2010, respectively.
The weighted-average fair value of RSUs granted was $24.39 and $17.95 per share for the three months ended March 26, 2011 and March 27, 2010, respectively. The weighted-average fair value of RSUs granted was $15.60 and $16.01 per share for the nine months ended March 26, 2011 and March 27, 2010, respectively.

Stock Options

The following table summarizes outstanding, exercisable and vested and expected to vest stock options as of March 26, 2011 and their activity for the nine months ended March 26, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value(1)
Balance at June 26, 2010	29,162,507	$27.05		
Options Granted	3,347,096	17.08		
Options Exercised	(931,507)	17.63		
Options Cancelled	(1,498,278)	33.12		
Balance at March 26, 2011	30,079,818	$25.93	3.8	$149,455,504
Exercisable, March 26, 2011	17,372,864	$33.18	2.6	$25,952,500
Vested and expected to vest, March 26, 2011	28,353,797	$26.51	3.7	$133,595,645

(1) Aggregate intrinsic value represents the difference between the exercise price and the closing price per share of the Company's common stock on March 26, 2011, the last business day preceding the fiscal quarter-end, multiplied by the number of options outstanding, exercisable or vested and expected to vest as of March 26, 2011.

As of March 26, 2011, there was $36.6 million of total unrecognized stock compensation cost related to 12.7 million unvested stock options, which is expected to be recognized over a weighted average period of approximately 2.6 years.

Restricted Stock Units

The following table summarizes outstanding and expected to vest RSUs as of March 26, 2011 and their activity during the nine months ended March 26, 2011:

	Number of Shares	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value(1)
Balance at June 26, 2010	10,575,417		
Restricted stock units granted	3,698,056		
Restricted stock units released	(3,033,340)		
Restricted stock units cancelled	(636,334)		
Balance at March 26, 2011	10,603,799	2.6	$270,861,452
Vested and expected to vest, March 26, 2011	9,394,305	2.5	$240,306,339

(1) Aggregate intrinsic value for RSUs represents the closing price per share of the Company's common stock on March 26, 2011, the last business day preceding the fiscal quarter-end, multiplied by the number of RSUs outstanding or expected to vest as of March 26, 2011.

The Company withheld shares totaling $8.2 million in value as a result of employee withholding taxes based on the value of the RSUs on their vesting date as determined by the Company's closing stock price for the three months ended March 26, 2011. The total payments for the employees' tax obligations to the taxing authorities are reflected as financing activities within the Condensed Consolidated Statements of Cash Flows.

As of March 26, 2011, there was $127.7 million of unrecognized compensation expense related to 10.6 million unvested RSUs, which is expected to be recognized over a weighted average period of approximately 2.6 years.

2011 Employee Stock Purchase Plan:

As of March 26, 2011, there was $1.5 million of unrecognized compensation expense related to the ESPP.

NOTE 7: EARNINGS PER SHARE

Basic earnings per share are computed using the weighted average number of shares of common stock outstanding during the period. For purposes of computing basic earnings per share, the weighted average number of outstanding shares of common stock excludes unvested RSUs. Diluted earnings per share incorporates the incremental shares issuable upon the assumed exercise of stock options, assumed release of unvested RSUs and assumed issuance of common stock under the employee stock purchase plans using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share.

	Three Months Ended		Nine Months Ended	
	March 26, 2011	March 27, 2010	March 26, 2011	March 27, 2010
	(Amounts in thousands, except per share data)			
Numerator for basic earnings per share and diluted earnings per share				
Net income (loss)	$136,276	$(33,903)	$363,416	$66,684
Denominator for basic earnings per share	296,511	304,518	297,090	305,375
Effect of dilutive securities:				
Stock options, ESPP and RSUs	8,004	—	5,291	5,327
Denominator for diluted earnings per share	304,515	304,518	302,381	310,702
Earnings (loss) per share:				
Basic	$0.46	$(0.11)	$1.22	$0.22
Diluted	$0.45	$(0.11)	$1.20	$0.21

Approximately 14.4 million and 29.2 million of the Company's stock options were excluded from the calculation of diluted earnings per share for the three months ended March 26, 2011 and March 27, 2010, respectively. Approximately 17.8 million and 21.8 million of the Company's stock options were excluded from the calculation of diluted earnings per share for the nine months ended March 26, 2011 and March 27, 2010, respectively. These options were excluded because they were determined to be antidilutive. However, such options could be dilutive in the future and, under those circumstances, would be included in the calculation of diluted earnings per share.

NOTE 8: SEGMENT INFORMATION

The Company operates and tracks its results as one reportable segment. The Company designs, develops, manufactures and markets a broad range of analog integrated circuits. The Chief Executive Officer has been identified as the Chief Operating Decision Maker.

The Company has fifteen operating segments which aggregate into one reportable segment. Two or more operating segments may be aggregated into a single operating segment for financial reporting purposes if the segments have similar economic characteristics and if the segments are similar in each of the following areas:

- the nature of products and services;
- the nature of the production processes;

•the type or class of customer for their products and services; and
•the methods used to distribute their products or provide their services.

The Company meets each of the aggregation criteria for the following reasons:

•the sale of analog and mixed signal integrated circuits is the primary source of revenue for each of the Company's fifteen operating segments;
•the integrated circuits sold by each of the Company's operating segments are manufactured using similar semiconductor manufacturing processes;
•the integrated circuits marketed by each of the Company's operating segments are sold to the same types of customers; and
•all of the Company's integrated circuits are sold through a centralized sales force and common wholesale distributors.
All of the Company's operating segments share similar economic characteristics as they have a similar long term business model. The causes for variation among the Company's operating segments are the same and include factors such as (i) life cycle and price and cost fluctuations, (ii) number of competitors, (iii) product differentiation and (iv) size of market opportunity. Additionally, each operating segment is subject to the overall cyclical nature of the semiconductor industry. The number and composition of employees and the amounts and types of tools and materials required are similar for each operating segment. Finally, even though the Company periodically reorganizes its operating segments based upon changes in customers, end-markets or products, acquisitions, long-term growth strategies and the experience and bandwidth of the senior executives in charge, the common financial goals for each operating segment remain constant.

Enterprise-wide information is provided in accordance with GAAP. Geographical revenue information is based on customers' ship-to location. Long-lived assets consist of property, plant and equipment. Property, plant and equipment information is based on the physical location of the assets at the end of each reporting period.

Net revenues from unaffiliated customers by geographic region were as follows:

	Three Months Ended		Nine Months Ended	
	March 26, 2011	March 27, 2010	March 26, 2011	March 27, 2010
	(in thousands)			
United States	$88,998	$70,172	$269,540	$209,297
China	220,805	173,239	681,249	474,499
Japan	41,503	31,981	123,957	97,104
Korea	64,620	81,602	216,994	238,387
Rest of Asia	72,720	56,581	208,440	163,057
Europe	100,381	77,278	284,890	203,348
Rest of World	17,748	18,027	60,780	45,949
	$606,775	$508,880	$1,845,850	$1,431,641

Net long-lived assets by geographic region were as follows:

	March 26, 2011	June 26, 2010
	(in thousands)	
United States	$838,775	$983,761
Philippines	313,815	216,738
Thailand	124,004	116,050
Rest of World	9,467	7,887
	$1,286,061	$1,324,436

NOTE 9: COMPREHENSIVE INCOME

The changes in the components of OCI, net of taxes, were as follows:

	Three Months Ended		Nine Months Ended	
	March 26, 2011	March 27, 2010	March 26, 2011	March 27, 2010
	(in thousands)			
Net income (loss), as reported	$136,276	$(33,903)	$363,416	$66,684
Change in unrealized losses on investments, net of tax benefits (expenses) of $(50), $249, $(50), and $597, respectively	87	(436)	87	(1,044)
Change in unrealized (loss) gains on forward exchange contracts, net of tax benefits (expenses) of $(151) , $0, $(176), and $0, respectively	263	—	306	—
Deferred tax on unrealized exchange gains on long-term intercompany receivables	156	(881)	(2,722)	(1,840)
Actuarial gains on post-retirement benefits, net of tax (expense) benefit of $(33), $(29), $(99), and $(87), respectively	58	52	174	156
Total comprehensive income (loss)	$136,840	$(35,168)	$361,261	$63,956

The components of Accumulated Other Comprehensive Loss, were as follows:

	March 26, 2011	June 26, 2010
	(in thousands)	
Deferred tax on unrealized exchange gains on long-term intercompany receivables	$(8,327)	$(5,848)
Unrealized components of post-retirement benefits	(4,485)	(4,659)
Cumulative translation adjustment	(1,527)	(1,527)
Net unrealized gain (loss) on cash flow hedges	156	(150)
Net unrealized gain on available-for-sale securities	87	243
Accumulated Other Comprehensive Loss	$(14,096)	$(11,941)

NOTE 10: INCOME TAXES

In the three and nine months ended March 26, 2011, the Company recorded an income tax provision of $26.1 million and $122.4 million, respectively, compared to an income tax benefit of $13.7 million and an income tax provision of $90.5 million in the three and nine months ended March 27, 2010, respectively.

In the three months ended March 26, 2011, the Company reduced its liability for unrecognized tax benefits by $67.6 million due to the expiration of the federal statute of limitations for the assessment of tax for the fiscal years 2004 - 2007. $37.3 million of the reduction was credited to the income tax provision and $30.3 million of the reduction was credited to additional paid in capital during the three months ended March 26, 2011.
The Company's federal statutory tax rate is 35%. The Company's income tax provision for the three and nine months ended March 26, 2011 was lower than the amount computed by applying the statutory tax rate primarily because of a $37.3 million benefit for the release of unrecognized tax benefits and earnings of foreign subsidiaries taxed at lower tax rates, partially offset by $8.0 million relating to fiscal year 2010 adjustments for differences between our finalized tax return and the tax provision originally recorded. The income tax provision for the nine months ended March 26, 2011 includes a $5.6 million one-time benefit for the retroactive extension of the federal research tax credit to January

1, 2010 by legislation that was signed into law on December 17, 2010.

The Company's income tax provision for the three and nine months ended March 27, 2010 differed from the amount computed by applying the statutory tax rate primarily because of losses of a foreign subsidiary for which no tax benefit is available. These foreign losses represent costs of ongoing research and developmental efforts as well as licensing rights to preexisting intangibles.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Stock Option Litigation

Beginning on or about May 22, 2006, several derivative actions were filed against certain current and former executive officers and directors of the Company alleging, among other things, wrongful conduct of back-dating stock options as well as security law violations, and named the Company as a nominal defendant against whom the plaintiffs sought no recovery.

The parties to the derivative litigation in the Delaware Court of Chancery entered into a stipulated settlement agreement, which was approved by the Delaware Court of Chancery on September 16, 2008. All derivative actions pending in the California Superior Court have since been dismissed, with prejudice. Net settlement proceeds of $18.9 million were received by the Company on September 10, 2009. The Company recognized an increase to additional paid in capital of $2.5 million related to excess gains while the remainder of the proceeds of $16.4 million was recorded as a reduction to Other operating (income) expenses, net.

On February 6, 2008, a putative class action complaint was filed against the Company and certain former officers and employees in the U.S. District Court for the Northern District of California alleging claims under the federal securities laws based on certain alleged misrepresentations and omissions in the Company's public disclosures concerning its stock option accounting practices. On June 18, 2010, lead plaintiffs and the Company entered into a stipulation of settlement settling the action and providing for the payment of $173.0 million in cash by the Company. On September 29, 2010, the Court issued a Final Order and Judgment approving the settlement.

Other Legal Proceedings

In addition to the above proceedings, the Company is subject to other legal proceedings and claims that arise in the normal course of the Company's business. The Company does not believe that the ultimate outcome of such matters arising in the normal course of business will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Indemnifications

The Company indemnifies certain customers, distributors, suppliers and subcontractors for attorney fees, damages and costs awarded against such parties in certain circumstances in which the Company's products are alleged to infringe third party intellectual property rights, including patents, registered trademarks or copyrights. The terms of the Company's indemnification obligations are generally perpetual from the effective date of the agreement. In certain cases, there are limits on and exceptions to the Company's potential liability for indemnification relating to intellectual property infringement claims.

Legal Fees Associated with Indemnification Obligations, Defense and Other Related Costs

Pursuant to the Company's charter documents and indemnification agreements, the Company has certain indemnification obligations to its officers, directors and certain former officers and directors. More specifically, the Company has separate written indemnification agreements with its current and former executive officers and directors as well as with its director of internal audit. Pursuant to such obligations, the Company has incurred expenses related to legal fees and expenses advanced to certain former officers of the Company who are subject to pending civil suits and civil charges by the SEC and other governmental agencies in connection with Maxim's historical stock option granting practices. The Company expenses such amounts as incurred.

NOTE 12: COMMON STOCK REPURCHASES

In October 2008, the Board of Directors authorized the Company to repurchase up to $750 million of the Company's common stock from time to time at the discretion of the Company's management. This stock repurchase authorization has no expiration date. All prior authorizations by the Company's Board of Directors for the repurchase of common stock were canceled and superseded by this authorization.

During the nine months ended March 26, 2011, the Company repurchased approximately 8.6 million shares of its common stock for $172.0 million. As of March 26, 2011, the Company had remaining authorization to repurchase up to an additional $152.8 million of the Company's common stock. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and general market and business conditions.

NOTE 13: IMPAIRMENT OF LONG-LIVED ASSETS

End of Line Sorting and Testing Facilities

During the first quarter of fiscal year 2010, the Company identified certain assets as excess or obsolete primarily due to changes in certain manufacturing technology. In connection with these circumstances, the Company recorded a charge for the write-down of equipment to its estimated fair value. The total charge of $5.0 million was included in impairment of long-lived assets in the Company's Condensed Consolidated Statements of Operations. The Company has ceased depreciation and classified these assets as held for sale based on its intentions to sell the assets.

Fabrication Facility, Oregon

During the first quarter of fiscal year 2010, as a result of reduced future wafer output requirements associated with equipment utilizing certain process technologies, the Company recorded a write-down of equipment to be sold to the equipment's estimated fair value. This charge of $3.3 million was included in impairment of long-lived assets in the Company's Condensed Consolidated Statements of Operations. The Company has ceased depreciation and classified these assets as held for sale based on its intentions to sell the assets.

NOTE 14: RESTRUCTURING ACTIVITIES

Business Unit Reorganization

During the nine months ended March 26, 2011, the Company recorded and paid approximately $1.6 million in severance costs associated with the reorganization of one if its business units and to employees from the Teridian acquisition who remained employed for a temporary period following the completion of the acquisition for transitional purposes.

Ireland Sales Operations Restructuring

During the nine months ended March 27, 2010, the Company recorded approximately $3.0 million in restructuring costs associated with the reorganization of its international sales operations to Ireland.

Shutdown of Dallas Wafer Fabrication Facility

During the nine months ended March 27, 2010, the Company recorded approximately $1.6 million in restructuring costs associated with the closure of the Dallas, Texas wafer manufacturing facility. These costs consisted of decommissioning of equipment at the facility and estimated severance and benefits associated with employees of the facility.

Change in Estimate

During the nine months ended March 27, 2010, the Company recognized reversals of expense of approximately $4.7 million related to reductions in estimated benefits costs compared to amounts originally estimated.

Activity and liability balances related to the restructuring activity for the nine months ended March 26, 2011 were as follows:

	Severance and Benefits (in thousands)

Balance at June 26, 2010	$748
Restructuring accrual	2,810
Cash payments	(3,123)
Changes in estimates	(5)
Balance at March 26, 2011	$430

The Company has included $0.4 million within the line item Accrued salary and related expenses in the Condensed Consolidated Balance Sheets.

NOTE 15: ACQUISITIONS

PHYWORKS

On September 7, 2010, the Company acquired Phyworks Limited. (“Phyworks”), a developer of high-speed communications integrated circuits. The total cash consideration associated with the acquisition was $76.0 million. The acquired assets included cash of $4.6 million, accounts receivable of $1.2 million, inventories of $2.9 million, $0.1 million in prepaid expenses and other current assets, and $0.4 million in fixed assets. The Company preliminarily allocated $1.9 million to customer order backlog, $47.1 million to Intellectual Property, $5.8 million to in-process research and development (“IPR&D”), $1.6 million to customer relationships, $0.3 million to tradename, and $26.1 million to goodwill. The Company also assumed $3.8 million in accounts payable and accrued liabilities and $12.2 million in deferred tax liabilities. The Company expects that none of the goodwill will be deductible for tax purposes.

The Condensed Consolidated Financial Statements for the three and nine months ended March 26, 2011 include the operations of Phyworks commencing as of the acquisition date. No supplemental pro forma information is presented for the acquisition due to the immaterial effect of the acquisition on the Company's results of operations.

TERIDIAN

On May 11, 2010, the Company completed its purchase of Teridian Semiconductor, Inc. (“Teridian”), a fabless mixed-signal semiconductor company focused on electricity metering and energy measurement for the smart grid. The total cash consideration associated with the acquisition was $314.9 million. The acquired assets included cash of $2.1 million, accounts receivable of $7.3 million, inventories of $14.0 million, $2.7 million in prepaid expenses and other current assets, $2.1 million in fixed assets, $4.3 million in customer order backlog, $85.6 million in Intellectual Property, $3.1 million of IPR&D, $44.7 million in customer relationships, $1.0 million in tradename, $13.8 million in deferred tax assets and $196.6 million in goodwill. The Company also assumed $14.1 million in accounts payable and accrued liabilities and $48.3 million in deferred tax liabilities. The Company expects that none of the goodwill will be deductible for tax purposes.

NOTE 16: GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company monitors the recoverability of goodwill recorded in connection with acquisitions, by reporting unit, annually, or sooner if events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company performed the annual impairment analysis during the first quarter of fiscal year 2011 and concluded that goodwill was not impaired, as the fair value of each reporting unit exceeded its carrying value, including goodwill.

Activity and goodwill balances for the nine months ended March 26, 2011 were as follows:

	Goodwill