MAXIM INTEGRATED PRODUCTS INC
Form 10-K
September 30, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended June 24, 2006

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 0-16538

MAXIM INTEGRATED PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**94-2896096**
(State or other jurisdiction of	**(I.R.S. Employer**
Incorporation or organization)	**Identification No.)**

120 San Gabriel Drive

Sunnyvale, California 94086

(Address of Principal Executive Offices) (Zip Code)

Registrant s telephone number, including area code: (408) 737-7600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
None	**None**

Securities registered pursuant to Section 12(g) of the Act: None[1]

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨. No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨. No x.

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 such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨. No x.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 the 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). Yes ¨. No x.

The aggregate market value of the voting stock held by non-affiliates of the Registrant based upon the closing price of the common stock on December 29, 2007 as reported on the Pink OTC Markets was approximately $4,222,933,000. Shares of voting stock held by executive officers, directors and holders of more than 5% of the outstanding voting stock have been excluded from this calculation because such persons may be deemed to be affiliates. Exclusion of such shares should not be construed to indicate that any of such persons possesses the power, direct or indirect, to control the Registrant, or that any such person is controlled by or under common control with the Registrant.

Number of shares outstanding of the Registrant s Common Stock, $.001 par value, as of September 1, 2008: 320,553,460

Documents Incorporated By Reference:

None.

[1] The Company s common stock, par value $0.001 per share, was suspended from trading on NASDAQ effective as of October 2, 2007. On October 17, 2007, NASDAQ filed a Form 25 to effect the delisting of the Company s common stock from NASDAQ. Currently, the Company s common stock is traded on the Pink OTC Market under the symbol MXIM.PK.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in Part I, Item 1A Risk Factors and the business outlook section in Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations. These statements relate to, among other things, sales, gross margins, operating expenses, capital expenditures and requirements, liquidity, asset dispositions, product development and R&D efforts, manufacturing plans, and pending litigation, and are indicated by words or phrases such as anticipate, expect, outlook, foresee, forecast, believe, could, intend, will, plan, seek, project, and variations of such w expressions. These statements involve risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. For a discussion of some of the factors that could cause actual results to differ materially from our forward-looking statements, see the discussion on Risk Factors that appears in Part I, Item 1A of this 2006 Form 10-K and other risks and uncertainties detailed in this and our other reports and filings with the Securities and Exchange Commission (SEC). We undertake no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof and disclaim any obligation to do so, except as required by federal securities laws.

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EXPLANATORY NOTE REGARDING RESTATEMENT

In this comprehensive Annual Report on Form 10-K for our fiscal year ended June 24, 2006, we have restated the following previously filed financial statements, financial data and related disclosures as a result of errors identified in connection with an independent stock option review initiated by the Company s Board of Directors and management s subsequent review:

Our consolidated financial statements as of and for our fiscal year ended June 25, 2005 and for our fiscal year ended June 26, 2004;

Our selected consolidated financial data as of and for our fiscal years ended June 25, 2005, June 26, 2004, June 28, 2003 and June 29, 2002; and

Our management s discussion and analysis of financial condition and results of operations as of and for our fiscal years ended June 25, 2005 and June 26, 2004.

In addition, our unaudited quarterly consolidated financial information for the first three quarters of fiscal year 2006 through March 25, 2006 and for all quarters in our fiscal year ended June 25, 2005, the related management s discussion and analysis of financial condition and results of operations for these periods, and disclosures under Statement of Financial Accounting Standard (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), which we adopted beginning in fiscal year 2006, and pro forma disclosures under SFAS No. 123, *Accounting for Stock-Based Compensation*, (SFAS 123), are being restated.

Except as described above and as amended through this Annual Report on Form 10-K, we have not amended and do not intend to amend any of our previously filed annual reports on Form 10-K or previously filed quarterly reports on Form 10-Q or Form 10-Q/A. Previously filed financial statements for our fiscal years ended in 1997 through 2005, the interim periods contained therein and previously filed financial statements for the interim periods through March 25, 2006, and all earnings and other press releases and similar communications containing our financial information for these periods, as well as the Company s earnings releases dated August 4, 2006 and November 1, 2006 should no longer be relied upon. Our fiscal years 1997 through 2005 and the first three quarters of fiscal year 2006 through March 25, 2006 are referred to below as the Restatement Period.

Management has determined that the Company had material weaknesses in our internal control over financial reporting as of June 24, 2006. The material weaknesses relate to not maintaining an effective control environment and, separately, not maintaining effective controls over our stock option practices and the related accounting for stock option transactions, and are described in more detail in Item 9A of this Annual Report. The Company has subsequently implemented several measures in order to remediate these material weaknesses.

We have also updated the disclosures in Part I and Part II, Item 5 of this report to reflect events occurring as of a most recent practicable date. Significant events occurring through the date of this filing are described in Note 16, Subsequent Events, which are included in the Notes to the Consolidated Financial Statements.

Overview of Restatement

In our previously filed financial statements for periods before June 26, 2005, we accounted for stock-based compensation in accordance with the recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25). Under APB 25, a company was not required to recognize compensation expense for stock options issued to employees if the exercise price of the stock options was at least equal to the quoted market price of the company s common stock on the measurement date. APB 25 defined the measurement date as the first date on which both the number of shares an individual employee was entitled to receive and the option or purchase price, if any, were finally determined, also referred to as finality . As of June 26, 2005, we adopted SFAS 123(R), using the modified prospective transition method, to account for stock-based compensation. Under this method, prior period financial statements are not restated to reflect the retroactive application of SFAS 123(R). However, for the unvested portion of the previously issued awards that were outstanding as of the adoption date, the Company records compensation costs as measured under the fair value principles of SFAS 123(R) as the requisite services are rendered.

As a result of the independent review of our stock option practices initiated by the Board of Directors and management s review of our stock option grants made during the period between July 1, 1994 and June 24, 2006 (the Review Period), we determined that the recorded grant dates for most of the grants made during the Review Period cannot be supported as the proper measurement dates. The stock option accounting errors corrected in the restatement were primarily caused by inadequate procedures and controls for stock option granting activity. In addition, we concluded that exercise prices were often determined with hindsight and the recorded grant date preceded the completion of the grant approval process.

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Adjustment of Stock-Based Compensation Expense

The exercise price for a majority of the shares underlying the stock options with revised measurement dates was below the market price of the shares on the revised measurement date. Therefore, for those grants prior to the adoption of SFAS 123(R) in fiscal 2006, there should have been a non-cash charge for each such option grant under APB 25 equal to the number of shares underlying such option multiplied by the excess of the market price over the exercise price on the revised measurement date. Such expense should generally have been amortized over the service period of the option. As a result, we have recorded in this Annual Report on Form 10-K additional pre-tax stock-based compensation expense, net of forfeitures, of $515.4 million for the fiscal years 1997 through 2005 (Restated Annual Periods) under APB 25 and its related interpretations arising from revised measurement dates. In addition to the adjustment resulting from the measurement date revisions, we separately recorded additional pre-tax stock based compensation expense for such years of $204.6 million to properly account for modifications to options terms and for the granting of options to non-employees. Included in the additional pre-tax stock-based compensation expense amounts noted above is $8.0 million which has been capitalized into inventory as of June 25, 2005. Such capitalized cost was subsequently reflected in cost of goods sold as the related inventory was sold. After related payroll tax, penalties, interest and withholding tax adjustments of $29.2 million, the restatement resulted in total pre-tax adjustments of $741.2 million related to stock-based compensation for the fiscal years 1997 through 2005.

Other Adjustments

The Company has made certain non-stock option related pre-tax adjustments totaling $23.0 million for the Restated Annual Periods. Certain of these adjustments were previously considered immaterial and related to accruals, reserves and allowances and the amortization of manufacturing variances.

Summary of Adjustments to Restated Annual Periods

The following table summarizes the restated stock-based compensation and other adjustments to the previously reported financial statements (in thousands):

Fiscal Year	Pre-tax Adjustments to Stock-Based Compensation	Income Tax Benefit of Stock-Based Compensation Adjustments	Total Decrease to Net Income due to Stock-Based Compensation Adjustments	Payroll, Withholding and Related Adjustments	Other Adjustments	Income Tax Expense (Benefit) of All Other Adjustments	Total Decrease to Net Income
1997	$ 29,979	$ (10,905)	$ 19,074	$ 505	$ 1,965	$ (909)	$ 20,635
1998	34,559	(12,420)	22,139	1,011	1,741	(1,383)	23,508
1999	32,171	(11,586)	20,585	1,777	(8,801)	2,580	16,141
2000	72,302	(27,613)	44,689	7,666	(4,465)	(1,156)	46,734
2001	84,316	(31,844)	52,472	6,608	(3,663)	(3,266)	52,151
2002	91,145	(32,900)	58,245	5,671	6,086	614	70,616
2003	127,366	(43,596)	83,770	180	(14,993)	3,960	72,917
2004	153,530	(54,829)	98,701	(132)	26,854	(11,281)	114,142
2005	86,628	(27,947)	58,681	5,943	18,233	(4,297)	78,560
Total - All Periods	**$ 711,996**	**$ (253,640)**	**$ 458,356**	**$ 29,229**	**$ 22,957**	**$ (15,138)**	**$ 495,404**

Management also reviewed certain stock options granted and other non-stock option related transactions prior to fiscal year 1997 and identified certain transactions that required adjustments. The pre-tax and after tax amounts, totaling $4.3 million and $(1.3) million, respectively, were deemed immaterial in total and in any individual year and are reflected net of income taxes as an opening balance sheet adjustment to retained earnings as of the beginning of fiscal year 1997. See Note 2 of the Notes to Consolidated Financial Statements for additional information related to the restatement of our previously filed financial statements.

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PART I

ITEM 1. BUSINESS

Maxim Integrated Products, Inc. (Maxim or the Company and also referred to as we, our or us) designs, develops, manufactures and mark broad range of linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of geographically diverse customers. We also provide a range of high-frequency process technologies and capabilities that can be used in custom designs. The analog market is fragmented and characterized by many diverse applications, numerous product variations and, with respect to many circuit types, relatively long product life cycles. Our objective is to develop and market both proprietary and industry-standard analog integrated circuits that meet the increasingly stringent quality and performance standards demanded by customers.

We are a Delaware corporation that was originally incorporated in California in 1983. We are headquartered in Sunnyvale, California. The mailing address for our headquarters is 120 San Gabriel Drive, Sunnyvale, California 94086, and our telephone number is (408) 737-7600. Additional information about us is available on our website at www.maxim-ic.com.

We make available through our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. We assume no obligation to update or revise any forward-looking statements in this Annual Report on Form 10-K, whether as a result of new information, future events or otherwise, unless we are required to do so by law. A copy of this Annual Report on Form 10-K is available without charge upon written request to: Investor Relations, Maxim Integrated Products, Inc., 120 San Gabriel Drive, Sunnyvale, California 94086.

The Mixed Signal Analog Integrated Circuit Market

All electronic signals generally fall into one of two categories, linear or digital. Linear (or analog) signals represent real world phenomena, such as temperature, pressure, sound, or speed, and are continuously variable over a wide range of values. Digital signals represent the ones and zeros of binary arithmetic and are either on or off.

Three general classes of semiconductor products arise from this partitioning of signals into linear or digital:

- Digital devices, such as memories and microprocessors that operate primarily in the digital domain;

- Linear devices such as amplifiers, references, analog multiplexers and switches that operate primarily in the analog domain; and

- Mixed-signal devices such as data converter devices that combine linear and digital functions on the same integrated circuit and interface between the analog and digital worlds.

Our strategy has been to target both the linear and mixed-signal markets, often collectively referred to as the analog market. In addition, some of our products are exclusively or principally digital. While our focus continues to be on the linear and mixed signal market, our capabilities in the digital domain enable development of new mixed signal and other products with very sophisticated digital characteristics. Risks associated with pursuing this strategy are discussed in Item 1A Risk Factors.

Our linear and mixed signal products serve four major end-markets. These major end-markets and their primary markets segments are noted in the table below:

MAJOR END-MARKET	MARKET SEGMENT
INDUSTRIAL	Automatic Test Equipment (ATE) Automotive Financial Terminals Industrial Control Instrumentation Military Medical Other Industrial
COMMUNICATIONS	Base Stations Networking/ Data Communications Telecommunications Other Communications
CONSUMER	Cell Phones Digital Cameras GPS Handhelds & Media Players Home Entertainment Set-top Boxes Other Consumer
COMPUTING	Notebook & Desktop Computers Peripherals Servers & Workstations Storage Other Computing

Product Quality

We employ a system addressing quality and reliability of our products from initial design through wafer fabrication, assembly, testing and final shipment. We have received ISO 9001/2, TS 16949 and ISO 14001 certifications for all wafer fabrication, assembly, final test and shipping facilities.

Product quality is determined by conformance to predetermined specifications. Specifications are either tested during manufacturing or assured by design. Predetermined specifications assured by design are reliant on the stability of the semiconductor manufacturing processes, the amount of process margin and the completeness of product characterization. Specifications tested during manufacturing are dependent on the integrity of the manufacturing test operation, which includes factors such as test software, stability and repeatability of test systems, test set up issues, human error and other factors and variables.

Reliability testing is done during wafer process development, process release, package development, product release stages and limited ongoing reliability monitors to serve as a control of process consistency. Long term thermal, mechanical and environmental testing is performed on a sampling of products in an effort to detect and accelerate the presence of defects that may arise over the life of a product s use to ensure the reliability of the product. The Company performs infant mortality studies on a limited number of our products. We believe that the above testing regime meets industry standards.

Manufacturing

We primarily manufacture our own wafers and, to a lesser extent, utilize third-party silicon foundries to produce wafers. The majority of processed wafers are subjected to parametric and functional testing at our facilities. The broad range of products demanded by the mixed signal analog integrated circuit market requires multiple manufacturing process technologies. Many different process technologies are currently used for wafer fabrication of

our products. Historically, wafer fabrication of analog integrated circuits has not required the state-of-the-art processing equipment necessary for the fabrication of advanced digital integrated circuits, although newer processes do utilize and require these state-of-the-art facilities and equipment. In addition, hybrid and module products are manufactured using a complex multi-chip technology featuring thin-film, thick-film, laser-trimmed resistors and other active or passive components. For the majority of these technologies, we rely on our own fabrication facilities and, to a lesser extent, unaffiliated manufacturing subcontractors.

During fiscal years 2008, 2007 and 2006, most of our wafer production requirements occurred at one of our four owned wafer fabrication facilities consisting of the following:

Facility Location	Fiscal Year Acquired
Beaverton, Oregon	1994
San Jose, California	1998
Dallas, Texas	2001
San Antonio, Texas	2004

In fiscal year 2007, we entered into a five-year supply agreement with Seiko Epson Corporation (Epson) under which Epson will manufacture some of our mixed signal semiconductor products. These products will be manufactured by Epson under non-exclusive rights and licenses using our proprietary technology at Epson s fabrication facility located in Sakata, Japan. Together with Epson, we will cross-license key mixed-signal process technologies which will be deployed at Epson s Sakata, Japan facility. Additionally in fiscal year 2007, we acquired land and a building located on 39 acres in Irving, Texas for $38.8 million for future wafer manufacturing capacity requirements.

We have a wafer bump manufacturing facility located in Dallas, Texas. We use this facility to manufacture products that utilize chip scale packaging (CSP) or wafer level packaging (WLP). CSP or WLP (collectively referred to as CSP) enables integrated circuits to be attached directly to a printed circuit board without the use of a traditional plastic package. In addition, we utilize independent subcontractors to perform wafer bump manufacturing to the extent we do not have the internal capacity or capabilities to perform such services.

Once wafer manufacturing has been completed, wafers are generally sorted in order to determine which integrated circuits on each wafer are functional and which are defective. We currently perform wafer sort, final test and shipping activities at two facilities located in Cavite, the Philippines, and Chonburi Province, Thailand. Our finished products ship directly from either Cavite, the Philippines or Chonburi Province, Thailand to customers worldwide or to other Company locations for sale to end customers or distributors.

As is customary in the industry, traditional integrated circuit assembly is performed by foreign assembly subcontractors, located in the Philippines, Malaysia, Thailand, China, Taiwan, Singapore, South Korea and Japan, where wafers are separated into individual integrated circuits and assembled into a variety of packages.

After assembly has been completed, the majority of the assembled product is shipped back to our manufacturing facilities located in Cavite, the Philippines or Chonburi Province, Thailand where the packaged integrated circuits undergo final testing and preparation for customer shipment.

During fiscal year 2007, we completed construction of a module assembly facility in Batangas, the Philippines, on the land we had purchased in fiscal year 2006. We also commenced transition activities of the assembly of certain modules from our subcontractor to this new assembly facility. We completed exit activities and discontinued using the subcontractor during fiscal year 2008. All Company-owned equipment and materials have been transferred back to us by the subcontractor.

Sales and Marketing

We market our products worldwide through a direct-sales and applications organization and through our own and other unaffiliated distribution channels to a broad range of customers in diverse industries. Our products typically require a sophisticated technical sales effort. Our sales organization is divided into domestic and international regions. Distributors and direct customers generally buy on an individual purchase order basis, rather than pursuant to long-term agreements.

Certain distributors have agreements with us which allow for price protection on certain inventory if we lower the price of our products. Certain distributor agreements also generally permit distributors to exchange a portion of certain purchases on a periodic basis. As is customary in the semiconductor industry, our distributors may market products which compete with our products.

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Sales to certain international distributors are made under agreements which permit limited stock return privileges but not sales price rebates. The agreements generally permit distributors to exchange a portion of their purchases on a periodic basis. See Critical Accounting Policies in Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 3 of Notes to Consolidated Financial Statements of this Annual Report on Form 10-K, which contains information regarding our revenue recognition policy.

In fiscal year 2008, we selected one of our distributors, Avnet, Inc., as our primary global distributor and ended our distribution arrangements with Arrow Electronics.

We operate in one reportable segment the design, development, marketing and manufacturing of a broad range of linear and mixed signal integrated circuits. No single customer accounted for more than 10% of net revenues in fiscal years 2006, 2005 and 2004. Based on customers ship-to location, international sales accounted for approximately 78%, 74% and 73% of net revenues in fiscal years 2006, 2005 and 2004, respectively. See Note 13, Segment Information in the Notes to Consolidated Financial Statements.

Backlog

At June 28, 2008 and June 30, 2007, our backlog was approximately $370 million and $412 million, respectively. At June 24, 2006 and June 25, 2005, our backlog was approximately $429 million and $313 million, respectively. We include in our backlog customer-released orders with firm schedules for shipment within the next 12 months. As is customary in the semiconductor industry, these orders may be canceled in most cases without penalty to the customers. In addition, our backlog includes orders from domestic distributors for which revenues are not recognized until the products are sold by the distributors. Accordingly, we believe that our backlog at any time should not be used as a measure of future revenues. All backlog numbers have been adjusted for estimated future U.S. distribution ship and debit pricing adjustments.

Research and Development

We believe that research and development is critical to our future success. Objectives for the research and development function include product definition, design and layout of innovative proprietary products that meet customer needs consistent with their market timing; development of second-source products; design of parts for high yield and reliability; test development; and development of manufacturing processes and advanced packaging to support an expanding product line and customer requirements and development of hardware and software to support the acceptance and design-in of our products in the end customer s system.

Our research and development plans require engineering talent and tools for process technologies, test development, packaging development, product definition, business management, Electronic Design Automation (EDA), circuit design, software development and application support. Research and development expenses were approximately $514.1 million, $380.4 million and $402.7 million in fiscal years 2006, 2005 and 2004, respectively.

Competition

The mixed signal analog integrated circuit industry is intensely competitive, and virtually all major semiconductor companies presently compete with, or conceivably could compete with, some portion of our business.

We believe the principal elements of competition include:

- technical innovation, service and support;
- time to market;
- product performance and features;
- quality and reliability;

- product pricing and delivery capabilities;
- customized design and applications;
- business relationship with customers; and
- manufacturing competence and inventory management.

Our principal competitors include, but are not limited to, Analog Devices, Inc., Intersil Corporation, Linear Technology Corporation, National Semiconductor Corporation and Texas Instruments Inc. In addition, we expect increased competition in the future from other emerging and established companies.

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Patents, Licenses, and Other Intellectual Property Rights

We rely upon both know-how and patents to develop and maintain our competitive position. There can be no assurance that others will not develop or patent similar technology or reverse engineer our products or that the confidentiality agreements with employees, consultants, silicon foundries and other suppliers and vendors will be adequate to protect our interests. Our products interface with other products, which may require us to obtain licenses that we do not have.

We hold and pursue intellectual property, including patents, trademarks and trade secrets as appropriate for our markets and technologies. It is our policy to seek patent protection for significant inventions that may be patented, though we may elect, in appropriate cases, not to seek patent protection even for significant inventions if other protection, such as maintaining the invention as a trade secret, is considered more advantageous. In addition, we have registered certain of our mask sets under the Semiconductor Chip Protection Act of 1984. We hold a number of patents worldwide with expiration dates ranging from 2008 to 2026.

There can be no assurance that any patent will be issued on pending applications or that any patent issued will provide substantive protection for the technology or product covered by it. We have registered several of our trademarks with the U.S. Patent and Trademark Office and in foreign jurisdictions.

Employees

At June 28, 2008, we had 9,810 employees. At June 30, 2007 and June 24, 2006, we had 10,136 and 9,096 employees, respectively.

Environmental Regulations

To date, our compliance with foreign, federal, state and local laws and regulations that have been enacted to regulate the environment has not had a material adverse effect on our capital expenditures, earnings, competitive or financial position. However, we could be subject to fines, suspension of production, alteration of our manufacturing processes or cessation of our operations if we fail to comply with present or future statutes and regulations governing the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous materials used in our manufacturing processes.

Executive Officers

For information regarding our current executive officers, please see Part III, Item 10 of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider and evaluate the risk factors described below and those noted in Item 1 Business of this Annual Report on Form 10-K, together with all of the other information included in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that are currently deemed immaterial may also impair our business, financial condition and operating results. If any of these risks occur, our business could be materially harmed. If our business is harmed, the trading price of our common stock could decline. This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties.

Risks Related to the Investigation of our Historical Stock Option Practices and the Resulting Restatement of our Prior Financial Statements

As discussed in the Explanatory Note to this Form 10-K and our Management Discussion and Analysis of Financial Condition and Results of Operations contained in Item 7 of Part II, our review of our stock option grant practices resulted in the restatement of certain of our past financial statements, as contained herein. In connection with our past stock option grant practices, we have been subjected to a number of ongoing shareholder lawsuits, unable to file periodic reports to the SEC on a timely basis, and delisted from the NASDAQ Global Select Market (formerly the

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NASDAQ National Market). We have also been subject to an informal inquiry by the SEC, subject to an investigation by the U.S. Attorney for the Northern District of California (the U.S. Attorney), subject to an ongoing audit by the Internal Revenue Service, and required to suspend the issuance of shares upon the exercise of all of our outstanding stock options and restricted stock units (RSUs) and purchases under our employee stock purchase program inasmuch as our Form S-8 registration statements for our equity plans are not effective because of our delinquent SEC periodic reporting. The informal SEC investigation has subsequently been settled without any admission of wrongdoing on the part of the Company and without any assessment of penalties and the U.S Attorney subsequently informed us that its office does not intend to pursue any further investigation or action against the Company concerning our option grant practices. As a result of these events, we have been and remain subject to a number of risks, including the following, each of which could result in a material adverse effect to our business, financial condition and results of operations and/or a negative effect on the market for our stock: (i) the commencement of additional regulatory or governmental investigations relating to our restatement or option grant practices, (ii) private litigation relating to our restatement or option grant practices, including the pending or new stockholder litigation or possible litigation by option holders, (iii) currently unanticipated issues with respect to our restatement or our ability to become current in our periodic SEC reports that could materially delay our ability to permit the exercise of outstanding options and RSUs and to achieve relisting on NASDAQ or another national securities exchange, which would likely have a material adverse effect on the liquidity of our common stock and our ability to recruit and retain employees; (iv) additional significant costs in effectuating on-going or additional remedial actions or in dealing with any further litigation or unanticipated problems in attaining relisting of our shares on NASDAQ or another national securities exchange and (v) diversion of the time and attention of members of our management and our board of directors from the management of our business.

Dependence on New Products, Packages and Process Technologies

Our future success will continue to depend on our ability to introduce new products and to develop new packages and process technologies. Semiconductor design and package and process technologies are subject to rapid technological change, requiring a high level of expenditures for time consuming research and development. Design and package and process development for the portions of the semiconductor market in which we participate are particularly challenging. The success of new product introductions is dependent on several factors, including proper product features, timely product introduction, achievement of acceptable production test times and yields. From time to time, we have not fully achieved our new product introduction and process development goals. There can be no assurance that we will successfully develop or implement new process technologies or that new products will be introduced on a timely basis or receive sufficient market acceptance. It is difficult to predict a schedule for a new product. If a product is not developed on time or does not meet a customer s specifications, the development can be a complete failure. Additionally, we do not always have the necessary development tools, the number of engineers, product definers or business managers, skill sets or experience required in these areas, which may result in our not meeting our research and development goals. Development tools sometimes require licensing and sometimes become obsolete, which can contribute to higher research and development expenses.

Dependence on New Markets and Consumer Demand

Our growth is dependent on our continued ability to defend our existing market and penetrate new markets. We have limited experience in new markets and competition is intense. Innovation, by its nature, is dependent on applying good judgment to predict future technology trends, often based on little existing data about those new markets. There can be no assurance that the markets we serve will grow (for example, older markets do saturate and decline); that our existing and new products will meet the requirements of such markets; that our products will achieve customer acceptance in such markets; that competitors will not drive prices to an unacceptably low level or take market share from us; or that we can achieve or maintain profitability in these markets. Additionally, we have increased the emphasis on highly-integrated products in our product development plans. Such products are more vulnerable to time-to-market demands, proper new product definitions with the right set of functionalities, development execution delays and gross margin pressure. Delays in product development can significantly reduce return on investment and adversely affect our growth. In addition, highly integrated product lives are generally shorter. Shorter product lives can result in excess inventory which we would have to write down. Such write downs may materially adversely impact our results of operations.

Furthermore, changes in demand in the market could have a negative impact on certain of our products. Such change in demand and resulting restructuring of or changes in our business could lead to the closure or consolidation of facilities. This may result in additional costs which could materially adversely affect our results of operations.

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Industry Standard Risks

Many of our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products developed by major systems manufacturers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards or requirements, we could miss opportunities to achieve crucial design wins which in turn could have a material adverse effect on our business, operating and financial results.

Manufacturing Risks

The fabrication of integrated circuits is a highly complex and precise process. Minute impurities, contaminants in the manufacturing environment, difficulties in the fabrication process, defects in the masks used in the wafer manufacturing process, manufacturing equipment failures, wafer breakage, or other factors can cause a substantial percentage of wafers to be rejected or numerous dice on each wafer to be nonfunctional. We have from time to time experienced reliability problems and lower-than-expected production yields, which have delayed product shipments and adversely affected gross margins. There can be no assurance that we will not experience a decrease in manufacturing yields or reliability or quality problems that could expose us to liability, product returns and product warranty claims. Further, the number of shippable dice per wafer for a given product is critical to our results of operations. To the extent we do not achieve acceptable manufacturing yields or experience delays in wafer fabrication, wafer sort, assembly or final test operations, our results of operations could be adversely affected. During periods of decreased demand, fixed wafer fabrication costs could have an adverse effect on the Company s financial condition, gross margins, and results of operations.

The relatively lengthy manufacturing cycle could result in inventory imbalances. A product or inventory shortage could adversely affect our customer relations, while any excess inventory may ultimately become unsalable. The occurrence of either of such events may adversely affect our financial condition.

We manufacture most of our wafer production requirements internally. Given the nature of our products, it would be very difficult and costly to arrange for independent manufacturing facilities to supply such products. Any prolonged inability to utilize one of our manufacturing facilities as a result of fire, natural disaster, unavailability of electric power or otherwise, would have a material adverse effect on our results of operations and financial condition.

In addition, some of our current manufacturing and test equipment may become excess or obsolete over time due to changes in manufacturing or test processes, technology changes, or changes in demand for our products. Should this occur, we would be required to write down such equipment to its salvage value which could materially adversely affect our results of operations.

Competition

We experience intense competition from a number of companies, some of which have significantly greater financial, manufacturing, and marketing resources than us while others have greater technical resources and proprietary intellectual property rights than us. Our ability to compete successfully depends on factors both within and outside our control. We may be excluded from our customers product designs because we cannot provide a complete chip set as required by the customer. There can be no assurance that competitive factors will not adversely affect our future business. To the extent that our proprietary products become more successful, competitors will offer second source products or functionally equivalent products for some of those products, which could erode our profit margins. Competitors may develop or acquire intellectual property that can control certain portions of the semiconductor market in which we compete. Our competitors could use this intellectual property to design products that compete more favorably with our products in terms of performance and pricing. Competitors could also use this intellectual property to design products that can be bundled with other products offered by the competitor and thus exclude us from competing on additional products or in other semiconductor markets. Additionally, the development or acquisition by competitors of intellectual property could prevent us from using such intellectual property in the product development process or could cause delays in such development. Certain of our product offerings are an attractive target for smaller competitors with lower gross and operating margin percentage levels than ours. These companies often target our product offerings with direct or functionally-equivalent second-sources and attempt to take market share at gross and operating margin percentage levels that are improvements to their financial performance but which would be detrimental to our objectives.

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Dependence on Independent Distributors and Sales Representatives

A portion of our sales is realized through independent electronics distributors that are not under our control. These independent sales organizations generally represent product lines offered by several companies and thus could reduce their sales efforts applied to our products or terminate their representation of us. We generally require foreign distributors to provide a letter of credit to us in an amount equal to the credit limit set for accounts receivable from such foreign distributors. The letter of credit provides for collection on accounts receivable from the foreign distributor should the foreign distributor default on their accounts receivable to us. In limited instances, where credit limits have been established above the amount of the letter of credit, we are exposed for the difference. We do not require letters of credit from any of our domestic distributors and are not protected against accounts receivable default or bankruptcy by these distributors. The inability to collect open accounts receivable could adversely affect our results of operations and financial condition. Termination of a significant distributor, whether at our or the distributor s initiative, could be disruptive to our current business. As previously noted, in fiscal year 2008, we selected one of our distributors, Avnet, Inc., as our primary global distributor and ended our distribution arrangements with Arrow Electronics. Should we not successfully transition end customers currently purchasing product from Arrow Electronics to purchasing product from Avnet or other Company franchised distributors, such customers might begin purchasing our competitor s products. This, along with the inability to find a suitable replacement should a significant distributor or representative terminate their distributor arrangement with us, could have a material adverse impact on our operating results. Additionally, should the intended benefits from selecting Avnet as our primary global distributor not materialize, our results of operations could be adversely affected.

Dependence on Independent Foundries, Subcontractors, Thailand and Philippines Test and Shipping Facilities

We have an internal capability to fabricate most of our wafers and we remain dependent on outside silicon foundries for a portion of our wafer fabrication. None of the independent foundries currently used by us is affiliated with us. As is typical in the semiconductor industry, from time to time, we have experienced disruptions in the supply of processed wafers from these foundries due to quality problems, unsatisfactory electrical yields, capacity limitations and process obsolescence. Procurement from foundries is done by purchase order and contracts. Should our orders for purchases of integrated circuits manufactured by these silicon foundries not reflect our customers ultimate demand for related products, we could have either excess inventory or insufficient inventory to satisfy demand. Excess inventory would result in an inventory write off that could materially adversely affect our results of operations. Too little inventory would prevent us from meeting customer demand and could potentially damage customer relationships and future revenue growth from these customers.

We rely on assembly subcontractors located in the Philippines, Malaysia, Thailand, China, Singapore, Taiwan and South Korea to separate wafers into individual integrated circuits and to package them. None of the assembly subcontractors we currently use is affiliated with us. Reliability problems experienced by our assemblers or the inability to replace an assembly subcontractor could cause serious problems in delivery and quality resulting in potential product liability to us. Such problems could impair our ability to meet our revenue plan in the fiscal period impacted by the disruption. Failure to meet the revenue plan may materially adversely impact our results of operations.

We perform substantially all of our final testing at our facilities in the Philippines and Thailand. Any prolonged inability to utilize one of our testing facilities as a result of fire, natural disaster, political instability, unavailability of electric power or otherwise, would have a material adverse effect on our results of operations and financial condition.

In fiscal year 2009, we plan to reduce our wafer sort, final test, and shipping operations in all of our domestic-based facilities in order to reduce manufacturing costs. This production will be transferred to our manufacturing facilities located in Cavite, the Philippines or Chonburi Province, Thailand. Products currently produced at our domestic facilities have a high technical content and are more difficult to manufacture than the products currently tested in our offshore facilities. Failure to successfully transfer manufacturing of these products to our offshore facilities may result in reduced yields and unsatisfactory quality. Failure to successfully transfer this manufacturing to our offshore facilities may adversely affect our ability to supply products to our customers which could materially adversely impact our results of operations.

As previously noted, the majority of our finished products currently ship directly from Cavite, the Philippines or Chonburi Province, Thailand to our customers worldwide or to other Maxim locations for sale to end customers or distributors. Should there be disruption for any reason to either of our shipping operations in Cavite, the Philippines or Chonburi Province, Thailand, we might not be able to meet our revenue plan in the fiscal period impacted by the disruption. Failure to meet the revenue plan may materially adversely impact our results of operations.

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We currently expect that in fiscal year 2009 we will need to add additional sort and final test capacity to meet customer demand. In the past, we have generally met increased sort and final test capacity requirements by constructing additional manufacturing space; however, in fiscal year 2009, we also anticipate to enter into outsourcing agreements with major assembly and test subcontractors in Asia. Failure to expand manufacturing space or negotiate an acceptable contract with a suitable subcontractor could result in increased manufacturing costs. Additionally, such failure may result in insufficient internal manufacturing capacity. Given the complexity of our wafer sort and final test operations, it may be difficult to transfer production to a third party without suffering yield, quality, or delivery problems. Failure of the subcontractor to perform satisfactorily may adversely affect our costs and our ability to supply products to our customers which could materially adversely impact our results of operations.

Any disruptions in our sort, assembly, test or shipping operations or in the operations of our manufacturing subcontractors, including, but not limited to, the inability or unwillingness of any of our these subcontractors to produce adequate supplies of processed wafers, integrated circuit packages or tested product conforming to our quality standards or their inability to provide timely delivery of products or services required by us, could adversely affect the continuity of product supply as well as damage our reputation, relationship and goodwill with affected customers. This, in turn, could have a material adverse effect on our results of operations. Furthermore, finding alternate sources of supply or initiating internal wafer processing for these products may not be economically feasible.

Availability and Quality of Materials, Supplies, and Subcontract Services

The semiconductor industry has experienced a very large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor, solar and other manufacturers, availability of certain basic materials and supplies, such as raw wafers and silicon on insulator wafers, chemicals, gases, polysilicon, silicon wafers, ultra-pure metals, lead frames and molding compounds, and of subcontract services, like epitaxial growth, ion implantation and assembly of integrated circuits into packages, has been limited from time to time over the past several years, and could come into short supply again if overall industry demand exceeds the supply of these materials and services in the future.

We purchase materials and supplies from many suppliers, some of which are sole-sourced. If the availability of these materials and supplies is interrupted, we may not be able to find suitable replacements. In addition, from time to time natural disasters can lead to a shortage of some of the above materials due to disruption of the manufacturer s production. We devote continuous efforts to maintain availability of all required materials, supplies and subcontract services. However, we do not have long-term agreements providing for all of these materials, supplies and services, and shortages could occur as a result of capacity limitations or production constraints on suppliers that could have a material adverse effect on our ability to achieve our planned production.

A number of our products, including nonvolatile Static Random Access Memory products (SRAMs), real time clocks, and iButton products use components such as memory circuits, batteries, PC boards and crystals that are purchased from third parties. We anticipate that, from time to time, supplies of these components may not be sufficient to meet all customer requested delivery dates for products containing the components. As a result of any such shortages, future sales and earnings from products using these components could be adversely affected. Additionally, significant fluctuations in the purchase price for these components could affect gross margins for the products involved. Suppliers could also discontinue the manufacture of such purchased products or could have quality problems that could affect our ability to meet customer commitments.

Quality problems experienced by suppliers may be impossible to reproduce or detect in a controlled environment, or may not be detected by our quality control procedures. Should undetected quality problems occur, such defects may become part of our finished product ultimately sold to customers. If such defects cause quality control problems in the manufacture of customers end-products or cause direct or indirect damages to either our customers or the ultimate end-user, we may be liable for our customers increased production costs and both direct and indirect damages caused by the defective product. Such liability could have a material adverse impact on our results of operations and financial condition.

In addition, suppliers of semiconductor manufacturing equipment are sometimes unable to deliver test and/or wafer fabrication equipment to a schedule or equipment performance specification that meets our requirements. Delays in delivery of equipment could adversely affect our ability to achieve our manufacturing and revenue plans in the future.

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Environmental Regulation

Various foreign and United States federal, state, and local government agencies impose a variety of environmental regulations on the storage, handling, use, discharge and disposal of certain chemicals, gases and other substances used or produced in the semiconductor manufacturing process. There can be no assurance, however, that interpretation and enforcement of current or future environmental regulations will not impose costly requirements upon us. Any failure by us to not adequately control the storage, handling, use, discharge or disposal of regulated substances could result in fines, suspension of production, alteration of wafer fabrication processes and legal liability, which may materially adversely impact our financial condition, results of operations or liquidity.

Increasing public attention has been focused on the environmental impact of electronic manufacturing operations and waste electronic equipment. While we to date have not experienced any material adverse effects on our business from environmental regulations, there can be no assurance that changes in such regulations will not have a material adverse effect on our financial condition or results of operations. Possible effects include, but are not limited to, making costly changes to manufacturing, waste discharge or disposal processes and purchasing higher cost equipment or materials.

In 2003, the European Union (EU) adopted mandatory restrictions on the use of certain hazardous substances including, but not limited to, cadmium, lead and mercury. The deadline to comply with these restrictions was July 1, 2006. Other countries, including those in Asia, have adopted voluntary programs or are considering legislation to restrict or prohibit the use of certain hazardous substances. We also anticipate that more stringent environmental rules and regulations will come in effect in the future. We have transitioned the manufacturing process of most of our products to eliminate the use of these hazardous substances which are currently prohibited. However, some of our products may still contain lead and other prohibited hazardous substances which continue to be sold under certain authorized exemptions. If our products do not meet the EU s or our customer s restriction on the use of certain hazardous substances or similar restrictions by other countries which may enact such legislation, it would preclude us from selling products containing these substances to customers in these affected locations, and our customers will find alternate suppliers. This could materially impact our results of operations and financial condition. Additionally, we still maintain products in our inventory which contain these substances based on forecasted demand from certain customers. We periodically write off any quantities of such products that are in excess of forecasted demand. Should we be unable to sell any such products remaining in our inventory to locations or customers which do not have such restrictions or if customers revise purchase orders to reduce order quantities of products containing lead and other hazardous substances, we would have to write such inventory off as obsolete. This could materially adversely impact our results of operations. In addition to the above, should we ship product with restrictions on the use of certain hazardous substances into countries which prohibit such substances, we may be subject to fines from government authorities and damage claims from customers. Such fines and damage claims could materially adversely impact our results of operations.

In addition, should we be required to use additional outside subcontractors, due to any environmental restrictions on certain of our products, there can be no guarantee that we would be able to locate an acceptable vendor or successfully transfer the manufacturing of the products containing hazardous substances once an acceptable vendor were located. Our inability to locate an acceptable vendor or effectively transfer production could have a material adverse effect on our results of operations.

Protection of Proprietary Information and Intellectual Property Indemnification

We rely upon both know-how and patents to develop and maintain our competitive position. There can be no assurance that others will not develop or patent similar technology, reverse engineer our products or that the confidentiality agreements upon which we rely will be adequate to protect our interests. Moreover, the laws of foreign countries generally do not protect proprietary rights to the same extent as the United States, and we may encounter problems in protecting our proprietary rights in those foreign countries. Other companies have obtained patents covering a variety of semiconductor designs and processes, and we might be required to obtain licenses under some of these patents or be precluded from making and selling the infringing products, if these patents are found to be valid. There can be no assurance that we would be able to obtain licenses, if required, upon commercially reasonable terms or at all.

From time to time, we have received, and in the future may receive, notice of claims of infringement by our products on intellectual property rights of third parties. If one or more of our products or processes were determined to infringe on any such intellectual property rights of a third party, a court might enjoin us from further manufacture and/or sale of the affected products. We would then need to obtain a license from the holders of the rights and/or to re-engineer our products or processes in such a way as to avoid the alleged infringement. In the past, it has been common in the semiconductor industry for patent holders to offer licenses on reasonable terms and rates. Although the practice of offering licenses appears to be generally continuing, in some situations, typically where the patent directly relates to a specific product or family of products, patent holders have refused to grant licenses. In any of those cases, there can be no assurance that we would be able to obtain any necessary license on commercially reasonable terms acceptable to us or at all or that we would be able to re-engineer our products or processes to avoid infringement. An adverse result in litigation arising from such a claim could involve an injunction to prevent the sales of a material portion of our products, the reduction or elimination of the value of related inventories and the assessment of a substantial monetary award for damages related to past sales, all of which could have a material adverse effect on our results of operations and financial condition.

We provide intellectual property indemnification for certain customers, distributors, suppliers and subcontractors for attorney fees and damages and costs awarded against these parties in certain circumstances in which our products are alleged to infringe third party intellectual property rights, including patents, registered trademarks and copyrights. In certain cases, there are limits on and exceptions to our potential liability for indemnification relating to intellectual property infringement claims. We cannot estimate the amount of potential future payments, if any, that we might be required to make as a result of these agreements. To date, we have not been required to pay significant amounts for intellectual property indemnification claims. However, there can be no assurance that we will not have significant financial exposure under those intellectual property indemnification obligations.

Enterprise Resource Planning System

We currently expect to implement a new enterprise resource planning (ERP) system as part of our ongoing efforts to improve and strengthen our operational and financial processes and our reporting systems. Any difficulties encountered in the implementation or operation of our new ERP system or any difficulties in the operation of our current ERP system could cause us to fail to meet customer demand for our product or could delay our ability to meet our financial reporting obligations which, in turn, could materially adversely affect our results of operations.

Global Economic and Political Conditions

Our business is increasingly dependent on the global economy. Any global events impacting the world economy or specific regions of the world, such as political instability or terrorist activity, could impact economic activity which, in turn, could lead to a contraction of customer demand or a disruption in our operations. In the past, our assembly contractors in Malaysia, South Korea, Thailand and the Philippines have been impacted by political disorders, labor disruptions, criminal activities and natural disasters. We have been affected by these problems in the past and none has materially affected our results of operations to date. However, similar problems in the future or not-yet-materialized consequences of past problems, could affect deliveries of our product to our customers, possibly resulting in substantially delayed or lost sales and/or increased expenses. The occurrence of political conflicts or economic crises in countries where our sort, assembly, test, shipping operations and manufacturing subcontractors or distribution channels or customers are located could materially adversely affect our financial condition and results of operations.

Natural Disasters

We operate our business in worldwide locations. Our facilities in California, which include our corporate, research and manufacturing facilities, are in close proximity to known earthquake fault zones. In addition, our locations in Southeast Asia are susceptible to damage from earthquakes, tsunamis and other natural disasters. In the event of a natural disaster, we may suffer a disruption in our operations which could adversely affect our results of operations.

Insurance

We are primarily self-insured with respect to most of our risks and exposures. Based on management s assessment and judgment, we have determined that it is generally more cost effective to self-insure these risks. The risks and exposures we self-insure include, but are not limited to, fire, property and casualty, natural disasters, product defects, political risk, general liability, theft, counterfeits, patent infringement, certain employment practice matters and medical benefits for the vast majority of our domestic (United States) employees. We also maintain insurance contracts with independent insurance companies that provide certain of our employees with health (medical and dental) benefits, worker s compensation coverage, long-term disability income coverage, life insurance coverage and fiduciary insurance coverage for employee and Company funds invested under the Employee Retirement Income and Security Act. In addition, we maintain officer and director liability coverage and certain property insurance contracts with independent insurance companies. Should there be catastrophic loss from events such as fires, explosions or earthquakes or other natural disasters, among many other risks, or adverse court or similar decisions in any area in which we are self-insured, our financial condition, results of operations and liquidity may be materially adversely affected.

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Product Liability

We warrant our products to our customers generally for one year from the date of shipment, but in certain cases for longer periods. Warranty expense to date has been minimal. In certain cases, which are becoming more commonplace, our product warranty may include significant financial responsibility beyond the cost of replacing the product. In the event that significant warranty claims in excess of historical levels are incurred, our results of operations could be materially adversely impacted.

We face an inherent risk of exposure to product liability suits in connection with reliability problems which may be experienced by our customers. Our products are used by varying industries which include the automotive and medical industries. Failure of our products to perform to specifications could lead to substantial damage to both the end product in which our device has been placed and to the user of such end product. If a product liability claim is brought against us, the cost of defending the claim could be significant and any adverse determination could have a material adverse effect on our results of operations.

We manufacture and sell products into many global jurisdictions where our efforts to contractually limit liability for certain damages, including consequential, indirect and non-proximately caused damages may not be enforceable or may found by a court to not apply in a particular situation. As we continue to partner with certain customers we may be required to accept increasing exposure for liability including product liability. We believe these relationships with key customers will continue to increase. We continue to attempt to structure our relationships to reduce such liability exposures. Additionally, we attempt to mitigate these exposures through our Quality Assurance developing and maintaining closer working relationships with our critical customers. Claims for damages arising in such liability claims could materially impact the Company financially. Should we choose to not enter such relationships, our revenues and financial operations could be materially affected.

Customer Supply Agreements

We enter into contracts with certain customers whereby we commit to supply quantities of specified parts at a predetermined scheduled delivery date. The number of such arrangements continues to increase as this practice becomes more commonplace. Should we be unable to supply the customer with the specific part at the quantity and product quality desired on the scheduled delivery date, the customer may incur additional production costs. In addition, the customer may incur lost revenues due to a delay in receiving the parts necessary to have the end-product ready for sale to its customers or due to product quality issues which may arise. Under the customer supply agreements, we may be liable for direct additional production costs or lost revenues. If products were not shipped on time or were quality deficient, we may be liable for resulting damages. Such liability, should it arise, and/or our inability to meet these commitments to our customers may have a material adverse impact on our results of operations and financial condition and would damage our relationship, reputation and goodwill with the affected customers.

Vendor Managed Inventory

We enter into arrangements with certain original equipment manufacturers (OEMs) and Electronic Manufacturing Services (EMS) partners to consign quantities of certain products within close proximity of the OEMs and EMS partners manufacturing location. The inventory is physically segregated at these locations and we retain title and risk of loss related to this inventory until such time as the OEM or EMS partner pulls the inventory for use in their manufacturing process. Once the inventory is pulled by the OEM or EMS partner, title and risk of loss pass to the customer, at which point we relieve inventory, recognize revenue and the related cost of goods sold. The specific quantities to be consigned are based on a forecast provided by the OEM or EMS partner. Generally, the arrangements with the OEMs and EMS partners provide for transfer of title and risk of loss once product has been consigned for a certain length of time.

We believe these arrangements will continue to grow in terms of number of customers and products and will increase in proportion to consolidated net revenues. It is our belief that revenues from such arrangement will eventually become significant to consolidated net revenues. Should we be unable or unwilling to enter into such agreements as requested by OEMs or EMS partners, our results of operations may be materially adversely impacted. Should we be unable to supply the specific product and quantity needed by the OEM or EMS partner as reflected in their forecast, we may be liable for damages, including but not limited to, lost revenues and increased production costs which could have a material adverse impact on our results of operations and financial condition. Should we supply product in excess of the OEMs or EMS partners actual usage, any inventory not consumed may become excess or obsolete which would result in an inventory write off that could materially adversely affect our results of operations.

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Volatility of Stock Price

The market price of our common stock has fluctuated significantly. In the future, the market price of our common stock could be subject to significant fluctuations due to general economic and market conditions and in response to quarter-to-quarter variations including but not limited to the following:

- our anticipated or actual result of operations;
- announcements or introductions of new products by us or our competitors;
- anticipated or actual operating results of our customers, peers or competitors;
- technological innovations or setbacks by us or our competitors;
- conditions in our four major markets;
- the commencement or outcome of litigation or governmental investigations;
- change in ratings and estimates of our performance by securities analysts;
- announcements of merger or acquisition transactions;
- announcement of a transaction in which employees may exchange their under-water stock options for new equity, cash or a combination of new equity or cash;
- dividend changes;
- changes in our capital structure, including any decision we make in regard to the repurchase of our common stock;
- management changes;
- our inclusion in certain stock indices;
- our inclusion in a national stock exchange;

- our ability to maintain compliance with the SEC reporting requirements; and

- other events or factors beyond our control.

The stock market in recent years has experienced extreme price and volume fluctuations that have affected the market prices of many high technology companies, particularly semiconductor companies. In some instances, these fluctuations appear to have been unrelated or disproportionate to the operating performance of the affected companies. Any such fluctuation could harm the market price of our common stock.

Taxes

A number of factors may increase our future effective tax rates, including:

- the jurisdictions in which profits are determined to be earned and taxed;

- the resolution of issues arising from tax audits with various tax authorities;

- changes in the valuation of our deferred tax assets and liabilities;

- adjustments to estimated taxes upon finalization of various tax returns;

- increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairments of goodwill in connection with acquisitions;

- changes in available tax credits;

- changes in share-based compensation;

- changes in tax laws or the interpretation of such tax laws, and changes in generally accepted accounting principles; and

- the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes.

We are subject to taxation in various countries and jurisdictions. Significant judgment is required to determine tax liabilities on a worldwide basis. Our future tax rates could be affected by various changes in the composition of earnings in countries with different tax rates, changes in the valuation of our deferred tax assets and liabilities, or changes in the tax laws.

Any significant increase in our future effective tax rates could reduce net income for future periods and may materially adversely impact our results from operations.

Potential Income Tax Liabilities Under Section 409A of the Internal Revenue Code and Other Tax Penalties

As a result of our investigation into our historical stock option granting practices, we have determined that a number of our outstanding stock option awards were granted at exercise prices below the fair market value of our stock on the appropriate accounting measurement date. The primary adverse tax consequence is that the re-measured options vesting after December 31, 2004, or options that are materially modified after October 3, 2004, are potentially subject to option holder excise tax under Section 409A of the Internal Revenue Code (and, as applicable, similar excise taxes under state law or foreign law). Our option holders who hold options which are determined to have been granted with exercise prices below the fair market value of the underlying shares of common stock on the appropriate measurement date would be subject to taxes, penalties and interest under Section 409A if no action is taken to cure the options from exposure under Section 409A before December 31, 2008. We took action in fiscal year 2008 to cure certain options from exposure under Section 409A. There can be no assurance that such action cured all potential circumstances in which Section 409A would apply to equity grants vesting or materially modified after December 31, 2004. Should it be found that excise taxes under Section 409A apply to option holders subsequent to our ability to cure the options from exposure to Section 409A and we decide to reimburse option holders for such taxes, our results of operations may be materially adversely affected.

Also as a result of our investigation into equity awards, we have determined that certain payroll taxes, interest and penalties apply under various sections of the Internal Revenue Code, various state tax statutes, and tax statutes in various foreign jurisdictions. Maxim has reviewed these potential liabilities and accrued the amount we deem most likely to apply to our circumstances. There can be no assurance that Maxim s accruals covered all potential circumstances in which additional payroll taxes, interest and penalties would apply. Should it be found that additional payroll taxes, interest and penalties would apply, our results of operations may be materially adversely affected.

Foreign Trade and Currency Fluctuations

We conduct our manufacturing and other operations in various worldwide locations. A portion of operating costs and expenses at foreign locations are paid in local currencies. Many of the materials used in our products and much of the manufacturing process for our products are supplied by foreign companies or by our foreign operations, such as our test operations in the Philippines and Thailand. Approximately 78%, 74% and 73% of our net revenues in fiscal years 2006, 2005 and 2004 were shipped to foreign locations. Accordingly, both manufacturing and sales of our products may be adversely affected by political or economic conditions abroad. In addition, various forms of protectionist trade legislation are routinely proposed in the United States and certain foreign countries. A change in current tariff structures or other trade policies could adversely affect our foreign manufacturing or marketing strategies. Currency exchange fluctuations could also increase our operating costs and the cost of components manufactured abroad, and the cost of our products to foreign customers or decrease the costs of products from our foreign competitors.

We are subject to U.S. Customs and Export Regulations, including U.S. International Traffic and Arms Regulations and similar laws, which collectively control import, export and sale of technologies by U.S. companies. Failure to comply with such regulations may result in civil and criminal enforcement, including monetary fines and possible injunctions against shipment of product, which could have a material adverse impact on our results of operations and financial condition.

Dependence on Key Personnel

Our success depends to a significant extent upon the continued service of our chief executive officer, our other executive officers, and key management and technical personnel, particularly our experienced engineers and business unit managers, and on our ability to continue to attract, retain, and motivate qualified personnel. The competition for such employees is intense. We believe our ability to attract, retain and motivate qualified personnel has not been significantly affected by the consequences of the independent stock option review including, but are not limited to, the inability to allow exercise of employee stock options and restricted stock units, inability to participate in the Employee Stock Purchase Plan, delisting of our common stock from trading on NASDAQ and unavailability of financial information regarding our financial performance.

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The loss of the services of one or several of our executive officers could have a material adverse effect on us. In addition, there could be a material adverse effect on us should the turnover rates for engineers and other key personnel increase significantly or should we be unable to continue to attract, motivate and retain qualified personnel. Should we lose an engineer who is key to a project s completion during the course of a particular project, the project s completion may be delayed. This delay could negatively affect customer relationships and goodwill and could have a material adverse effect on our results of operations.

We do not maintain any key person life insurance policies on any of our officers or employees.

We are planning to offer our employees the opportunity to exchange their stock options which have an exercise price greater than the Company s stock price (under-water stock options) for equity, cash or some combination thereof, subject to all required approvals. If we are unable to complete such an exchange transaction, it may result in the loss of services of key personnel, low morale and decreased productivity.

Senior Management Changes; Reduced Productivity of New Hires

During fiscal years 2007 and 2008, we experienced significant change in our senior management team and we may continue to experience such changes. Our former Chief Executive Officer (CEO) and our former chief financial officer (CFO) no longer served the Company in any capacity after January 2007. They were immediately replaced by Mr. Doluca, former group president, as the new CEO and member of the Board of Directors and Alan P. Hale, Vice President of Maxim and former chief financial officer of Dallas Semiconductor (acquired by Maxim in fiscal 2001) as Interim Chief Financial Officer and Principal Accounting Officer. In addition, a number of other members of the senior management team were promoted to new roles during fiscal year 2007, principally Matthew Murphy to Vice President of Worldwide Sales and Vijay Ullal to Group President. Later, in September 2007, Mr. Bruce Kiddoo joined the Company as Vice President of Finance. Following the completion of the Company s restatement of previously filed financial statements, Mr. Kiddoo will be appointed Chief Financial Officer and Principal Accounting Officer of the Company.

For new employees or changes in senior management, there may be reduced levels of productivity as recent additions or hires are trained or otherwise assimilate and adapt to our organization and culture. Further, this turnover may also make it difficult to execute on our business plan and achieve our planned financial results.

Internal Controls over Financial Reporting

As of June 24, 2006, material weaknesses existed in our internal control over financial reporting related to our not maintaining an effective control environment and, separately, not maintaining effective controls over our stock option practices and the related accounting for stock option transactions, which are discussed in further detail in Item 9A Controls and Procedures. As a result of these material weaknesses, our systems of internal controls failed to timely prevent or detect errors which had a material adverse effect on our financial condition and results of operations and led to the restatement of our financial statements as discussed in Note 2 to our Consolidated Financial Statements included herein. There can be no assurance that subsequent to the filing date of this Annual Report on Form 10-K that additional material weaknesses will not be identified which will have a material adverse effect on our financial statements.

Potential Dilutive Effect of Additional Stock Issuance

We have a significant number of authorized but unissued shares of our common stock available. These shares will provide us with the flexibility to issue our common stock for proper corporate purposes, which may include making acquisitions through the use of stock, adopting additional equity incentive plans and raising equity capital. Any issuance of our common stock may result in immediate dilution of our stockholders.

Anti-Takeover Provisions

Our certificate of incorporation permits our Board of Directors to authorize the issuance of up to 2,000,000 shares of preferred stock and to determine the rights, preferences and privileges and restrictions applicable to such shares without any further vote or action by our stockholders. Any such issuance might discourage, delay or prevent a hostile change in control of our company.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our headquarters is located in Sunnyvale, California. Manufacturing and other operations are conducted in several locations worldwide. The following table provides certain information regarding our principal owned general offices and manufacturing facilities at June 28, 2008:

Owned Property Location	Use(s)	Approximate Floor Space (sq. ft.)
Sunnyvale, California	Corporate headquarters, office space, engineering, manufacturing, administration, customer services and other	342,000
San Jose, California	Wafer fabrication, office space and administration	78,000
N. Chelmsford, Massachusetts	Engineering, office space and administration	30,000
Beaverton, Oregon	Wafer fabrication, engineering, office space and administration	222,000
Hillsboro, Oregon	Engineering, manufacturing, office space and administration	325,000
Dallas, Texas	Dallas Semiconductor headquarters, office space, engineering, manufacturing, administration, wafer fabrication, customer service, warehousing, shipping and other	657,000
Irving, Texas	Wafer fabrication space, office space and administration	622,000
San Antonio, Texas	Wafer fabrication, office space and administration	381,000
Cavite, the Philippines	Manufacturing, engineering, administration, office space, customer service, shipping and other	237,000
Batangas, the Philippines	Manufacturing, engineering, office space and other	78,000
Chonburi Province, Thailand	Manufacturing, engineering, administration, office space, customer service, shipping and other	144,000
Chandler, Arizona	Office space and engineering	65,000

We purchased land in Bangalore, India in fiscal year 2005. In fiscal year 2006, we purchased land in Batangas, the Philippines, and commenced construction of a module assembly facility at this location. We completed construction of the facility in fiscal year 2007. In addition, we purchased land and a building, located in Sunnyvale, California in fiscal year 2007. We occupied the building in fiscal year 2007 and are using it as engineering, manufacturing and administration space. In May 2007, we announced that we had acquired land and a building in Irving, Texas for future capacity requirements. This facility is not currently operational and will be idle until such time as we need the additional wafer manufacturing capacity. We also purchased a facility in Chandler, Arizona in May 2007; we utilize 25,000 square feet of the facility for engineering and office space and lease the remainder to tenants. We purchased land in Thailand in fiscal year 2008.

In addition to the property listed in the above table, we also lease sales, engineering and manufacturing offices and other premises at various locations in the United States and overseas under operating leases, none of which are material to our future cash flows. These leases expire at various dates through October 2014. We anticipate no difficulty in retaining occupancy of any of our manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy or in replacing them with equivalent facilities.

We expect these facilities to be adequate for our business purposes through at least the next 12 months.

ITEM 3. LEGAL PROCEEDINGS

Stock Option Litigation

Beginning on or about May 22, 2006, several derivative actions were filed against certain of our current and former executive officers and directors. These derivative lawsuits were filed in: (1) the U.S. District Court for the Northern District of California, as In re Maxim Integrated Products, Inc. Derivative Litigation, Lead Case No. 5:06-cv-03344-JW, which consolidates McKinney v. Beck, et al. (Case No. 06-3344) and Horkay v. Beck, et al. (Case No. 06-3395), City of Pontiac Policemen s and Firemen s Retirement System v. Hood, et al. (Case No. 06-03754) and Corey v. Gifford, et al. (Case No. 06-03755) the Federal Consolidated Action ; (2) the Superior Court of the State of California, County of Santa Clara as Louisiana Sheriffs Pension & Relief Fund v. Gifford et al. (Case No. 1-06-CV-065626) and Beauchamp v. Doluca, et al. (Case No. 1-07-CV-077990) and (3) the Delaware Court of Chancery, as Ryan v. Gifford, et al. (Case No. Civ 2213-N). The complaints allege, among other things, that certain of our current and former executive officers and directors breached their fiduciary duties to us by engaging in alleged wrongful conduct of back-dating stock options as well as violating applicable securities laws. The Company is named as a nominal defendant as the plaintiffs purport to bring the derivative action on our behalf.

The parties to the Delaware derivative litigation entered into a stipulated settlement agreement on September 16, 2008, conditioned upon approval of the Delaware Court of Chancery and subject to dismissal of all other pending derivative lawsuits. Currently, there is no trial date scheduled in any of the other actions.

On February 6, 2008, a class action lawsuit was filed in the United States District Court for the Northern District of California against us and our former chief executive officer and former chief financial officer. The complaint alleges that we and certain of our officers and directors violated the federal securities laws by making false and misleading statements and omissions relating to the grants of stock options. The complaint seeks, on behalf of persons who purchased our common stock during the period from April 29, 2003 to January 17, 2008, unspecified damages, interest and costs and expenses, including attorneys fees and disbursements. The action has been stayed pending completion of the restatement of our consolidated financial statements.

Stock Option Inquiry by Regulatory Authorities

On June 6, 2006, we were contacted by the SEC regarding an informal inquiry relating to our past stock options grants and practices. On December 4, 2007, we settled the matter with the SEC without admission of any guilt or wrongdoing and without any assessment of penalties against us. On June 29, 2006, we received a subpoena from the U.S. Attorney s Office for the Northern District of California (U.S. Attorney) requesting documents relating to our stock option grants and practices. We cooperated with the U.S. Attorney and were informed that the U.S. Attorney s office does not intend to pursue any action against us.

Late SEC Filings and NASDAQ Delisting Proceedings

Due to the Special Committee investigation of our historical stock option practices, our management s internal review and the resulting restatements, we were unable to timely file with the SEC our Annual Report on Form 10-K for the fiscal year ended June 24, 2006; our Quarterly Reports on Form 10-Q for the fiscal quarters ended September 23, 2006, December 23, 2006, March 24, 2007, September 29, 2007, December 29, 2007 and March 29, 2008; and our Annual Reports on Form 10-K for the fiscal years ended June 30, 2007 and June 28, 2008. As a result, we received various NASDAQ Staff Determination notices stating that we were not in compliance with the filing requirements of NASDAQ Marketplace Rule 4310(c)(14) and, accordingly, our stock was subject to delisting from the NASDAQ Global Select Market (formerly the NASDAQ National Market). We requested, met with and submitted appropriate information to NASDAQ during 2006 and 2007 in order to request continued listing, including an appeal to the SEC to stay NASDAQ s decision to delist our common stock. On September 28, 2007, the SEC denied our appeal to stay NASDAQ s final decision to suspend and delist our common stock. Our common stock was suspended from trading on NASDAQ effective as of the opening of business on October 2, 2007. On October 17, 2007, NASDAQ filed a Form 25 to effect the delisting of our common stock from NASDAQ. Our common stock is currently quoted over the counter on the Pink OTC Markets under the symbol MXIM.PK.

After the filing of this Annual Report on Form 10-K and other delayed periodic reports, we plan to seek the relisting of our common stock on NASDAQ or listing on another national securities exchange. We are subject to various restrictions in connection with the relisting of our common stock under federal securities laws, and there can be no guarantee that we will be able to re-list our common stock on NASDAQ or list on another national securities exchange in the near future. Prolonged listing on the Pink OTC Markets could severely reduce the liquidity in the market for our common stock, result in loss of investor confidence and cause our stock price to decline further. Furthermore, we

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may be unable to issue certain equity awards to our employees or permit them to exercise their outstanding stock options and restricted stock units, which could adversely affect our ability to hire and retain our employees and thereby adversely affect our business.

Other Legal Proceedings

In the third quarter of fiscal year 2007, we settled ongoing litigation involving trade secret allegations brought by Analog Devices, Inc. (ADI) against us, and certain of our employees, relating to analog to digital converters. Under the terms of the settlement agreement, we paid ADI $19.0 million in fiscal 2007, which amount was accrued in the fourth quarter of fiscal year 2006. We also agreed that for a four year period from the date of settlement, we will not develop new standalone analog to digital converters having certain specified resolutions, speeds and purposes. This restriction does not include the use of analog to digital converters when embedded on the same die with a more comprehensive device, system or functionality.

In December 2005, Master Chips bvba (Master Chips), a former distributor of the Company s products in Belgium, filed a demand for arbitration against the Company before the International Court of Arbitration of the International Chamber of Commerce alleging that the Company failed to give adequate advance notice to Master Chips of termination of the distribution agreement under Belgian law and that the Company failed to pay Master Chips commissions on part sales (Case No. 14 123 RCH/JHN). Master Chips sought the recovery of the alleged value of their entire business at the time of termination which they claimed exceeded $12 million and an unspecified amount for the alleged underpayment of commissions. In response to the arbitration demand, we asserted a claim against Master Chips alleging that we over-paid commissions on part sales. In July 2008, the arbitrator issued a final award awarding Master Chips approximately $9.1 million on all claims. The Company accrued for this award in fiscal year 2006.

Following the issuance of the partial arbitration award and before the issuance of the final award, in March 2008 the Company filed a petition to vacate the arbitration award in the U.S. District Court for the Northern District of California alleging that the interim award, along with the final award when so issued, should be vacated (C 08-00721 JW). In its answer, Master Chips asserted that the partial award (along with any final award) should not be vacated and filed a cross-petition to confirm the arbitration award. In August 2008, the Court denied the Company s petition to vacate the arbitration award and confirmed the arbitration award.

In addition to the above, we are subject to other legal proceedings and claims that arise in the normal course of our business. We do not believe that the ultimate outcome of matters arising in the normal course of our business will have a material adverse effect on the financial position of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock had been traded on the NASDAQ National Market (NASDAQ), under the symbol, MXIM, since our initial public offering in 1988 until October 2, 2007. Our common stock is currently quoted on the over the counter Pink OTC Markets under the symbol, MXIM.PK. For information regarding the suspension and delisting of our common stock from NASDAQ, please see Item 3 Legal Proceedings. As of July 1, 2008, there were 1,121 stockholders of record of our common stock as reported by Computershare.

The following table sets forth the range of the high and low closing prices by quarter for fiscal years 2006 and 2005:

	High	Low
Fiscal Year 2006		
First Quarter	$ 45.65	$ 38.14
Second Quarter	$ 43.09	$ 34.60
Third Quarter	$ 42.26	$ 35.76
Fourth Quarter	$ 37.94	$ 30.31
Fiscal Year 2005		
First Quarter	$ 52.42	$ 39.27
Second Quarter	$ 44.70	$ 40.87
Third Quarter	$ 44.40	$ 38.17
Fourth Quarter	$ 41.86	$ 36.60

The following table sets forth the dividends paid per share by quarter for fiscal years 2006 and 2005:

	Fiscal Years	
	2006	2005
First Quarter	$ 0.100	$ 0.080
Second Quarter	$ 0.125	$ 0.100
Third Quarter	$ 0.125	$ 0.100
Fourth Quarter	$ 0.125	$ 0.100

Issuer Purchases of Equity Securities

The following table summarizes the activity related to stock repurchases during the fourth quarter of fiscal year 2006:

	Issuer Repurchases of Equity Securities			
Period	Total number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Mar. 26, 2006 - Apr. 22, 2006	26,318	$ 37.73	26,318	10,213,977
Apr. 23, 2006 - May 20, 2006	237,747	$ 32.46	237,747	9,976,230
May 21, 2006 - Jun. 24, 2006	2,133,220	$ 31.88	2,133,220	7,843,010
Total for the Quarter	**2,397,285**	**$ 32.00**	**2,397,285**	**7,843,010**

In May 2005, the Board of Directors authorized the repurchase of 10 million shares of our common stock. In November 2005, the Board of Directors authorized the repurchase of up to 13.5 million additional shares of our common stock from time to time at management s discretion.

All shares repurchased during fiscal year 2006 were pursuant to the above authorized share repurchase programs, which have no expiration date. During the fourth quarter of fiscal year 2006, we repurchased 2.4 million shares for $76.7 million. As of June 24, 2006, approximately 7.8 million shares remained available under the repurchase authorization.

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During the three months ended September 23, 2006, we repurchased 2.1 million shares of our common stock for $60.8 million. As of September 23, 2006, approximately 5.7 million shares remained available for repurchase under the repurchase authorizations, which have no expiration date. In connection with the stock options investigation, we suspended repurchases of stock under this program as of September 23, 2006.

Stock Performance Graph

The following line chart compares the cumulative total return on our common stock with the cumulative total return on the NASDAQ Composite Stock Index and the NASDAQ Electronic Components Index. The graph assumes $100 invested at the indicated starting date in each of the market indices, with the reinvestment of all dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	Cumulative Total Return					
	6/30/01	**6/29/02**	**6/28/03**	**6/26/04**	**6/25/05**	**6/24/06**
Maxim Integrated Products, Inc.	$ 100.00	$ 86.70	$ 78.03	$ 118.74	$ 89.50	$ 75.03
NASDAQ Composite	100.00	70.34	78.11	98.60	99.28	105.94
NASDAQ Electronic Components	100.00	59.37	63.47	82.62	73.36	69.24

Equity Compensation Plan Information

The following table gives information about the Company s common stock that may be issued upon the exercise of options, warrants and rights under all of the Company s existing equity compensation plans as of June 24, 2006 and the option agreements assumed by the Company pursuant to the terms of Maxim s acquisition of Dallas Semiconductor Corporation (Dallas Semiconductor) on April 11, 2001.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by security holders	94,008,103(1)	$ 32.00	4,698,857(2)
Equity compensation plans not approved by security holders(3)	1,445,912	$ 29.57	
Total	95,454,015	$ 31.97	4,698,857

(1) Represents common stock issuable upon the exercise of options granted under our existing stockholder approved equity compensation plans and includes 6,075,591 restricted stock units. Excludes purchase rights accruing under the 1987 Employee Stock Participation Plan (the ESP Plan) because the number of shares and weighted average exercise price cannot be determined. Under the ESP Plan, each eligible employee may purchase shares of common stock with accumulated payroll deductions (in an amount not to exceed a percentage determined by the Board of Directors of the employee s eligible compensation or $25,000) on March 31, June 30, October 31 and December 31 each year at a purchase price per share equal to 85% of the lower of (i) the closing selling price per share of our common stock on the employee s entry date into the offering period in which that quarterly purchase date occurs or (ii) the closing selling price per share on the quarterly purchase date. The ESP Plan expired on August 25, 2007.

(2) Includes 2,266,045 shares of common stock available for issuance under the 1996 Stock Incentive Plan (1996 Plan); and (ii) 2,432,812 shares of common stock available for issuance under the ESP Plan.

(3) Represents shares of our common stock pursuant to option agreements assumed pursuant to our acquisition of Dallas Semiconductor. The option agreements were originally issued by Dallas Semiconductor under the Dallas Semiconductor 1984 Stock Option Plan, the Dallas Semiconductor Corporation 1987 Stock Option Plan and the Dallas Semiconductor 1993 Officer and Director Stock Option Plan (collectively, the Dallas Plans).

Upon our acquisition of Dallas Semiconductor, we assumed the option agreements then outstanding under Dallas Plans (the Assumed Options). The Assumed Options are governed by the terms of the respective Dallas Plan under which they were originally issued and no further options will be issued under the Dallas Plans. Options governed by the terms of the Dallas Plans generally are nontransferable and expire no later than ten years from date of grant. Options generally are exercisable upon grant. Shares of common stock issuable and/or exercised under the Dallas Plans vest based upon years of service, generally four years. Upon termination of a participant s employment, we reserve the right to repurchase the unvested portion of the stock held by the employee, at the original option price. The Dallas Plans were duly approved by the stockholders of Dallas Semiconductor prior to its acquisition by Maxim. In addition, any shares or options reserved but not issued under the Dallas Plans as of the date of stockholder approval of the 1996 Plan and any shares returned to such plans as a result of termination of options or repurchase of shares will increase the number of shares available for issuance under the 1996 Plan.

On or about September 23, 2006, we suspended the issuance of shares pursuant to the exercise of stock options and restricted stock units and purchases under our employee stock purchase program under our Form S-8 Registration Statements pending the completion of the Special Committee investigation and filing of all of our delayed periodic reports with the SEC. As a result, no stock options and restricted stock units can be issued pursuant to the above-described plans until our Registration Statements on Form S-8 becomes effective.

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ITEM 6. SELECTED FINANCIAL DATA

Set forth below is a summary of certain of our consolidated financial information as of the dates and for the periods indicated. As discussed in the Explanatory Note, Item 7 Management s Discussion And Analysis Of Financial Condition And Results Of Operations, and Note 2, Restatement of Consolidated Financial Statements, to the Consolidated Financial Statements, our consolidated balance sheet as of June 25, 2005 and the consolidated statements of income for the fiscal years ended June 25, 2005 and June 26, 2004 have been restated as set forth in this Form 10-K. Our selected consolidated financial data as of June 2004, 2003 and 2002 and for our fiscal years ended June 2003 and 2002 have also been restated to correct our previous accounting for stock-based compensation and certain other items. The data set forth below are derived from and should be read in conjunction with, and are qualified by reference to, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8 Financial Statements and Supplementary Data, and notes thereto included elsewhere in this Annual Report on Form 10-K.

	Fiscal Year Ended				
	June 24, 2006 (1)	June 25, 2005 (Restated) (2) (3)	June 26, 2004 (Restated) (2) (3)	June 28, 2003 (Restated) (2) (3)	June 29, 2002 (Restated) (2) (3)
	(Amounts in thousands, except percentages and per share data)				
Consolidated Statements of Income Data:					
Net revenues	$ 1,856,945	$ 1,671,734	$ 1,440,582	$ 1,153,190	$ 1,026,989
Cost of goods sold	638,547	499,716	480,244	360,544	330,792
Gross margin	$ 1,218,398	$ 1,172,018	$ 960,338	$ 792,646	$ 696,197
Gross margin %	65.6%	70.1%	66.7%	68.7%	67.8%
Operating income	$ 525,499	$ 668,769	$ 424,873	$ 333,750	$ 241,282
% of net revenues	28.3%	40.0%	29.5%	28.9%	23.5%
Income before cumulative effect of a change in accounting principle	$ 386,058	$ 462,277	$ 305,610	$ 236,684	$ 188,567
Cumulative effect of a change in accounting principle, net of tax of $1,039	1,643				
Net income	$ 387,701	$ 462,277	$ 305,610	$ 236,684	$ 188,567
Earnings per share:					
Basic:					
Before cumulative effect of a change in accounting principle	$ 1.19	$ 1.42	$ 0.94	$ 0.73	$ 0.58
Cumulative effect of a change in accounting principle	0.01				
Basic net income per share	$ 1.20	$ 1.42	$ 0.94	$ 0.73	$ 0.58
Diluted:					
Before cumulative effect of a change in accounting principle	$ 1.14	$ 1.35	$ 0.88	$ 0.70	$ 0.54
Cumulative effect of a change in accounting principle					
Diluted net income per share	$ 1.14	$ 1.35	$ 0.88	$ 0.70	$ 0.54
Shares used in the calculation of earnings per share:					
Basic	323,460	326,239	326,731	322,106	325,527
Diluted (4)	338,627	342,466	348,308	340,147	352,314

Dividends declared per share	$	0.475	$	0.380	$	0.320	$	0.080	$	

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	June 24, 2006	June 25, 2005 (Restated) (2) (3)	As of June 26, 2004 (Restated) (2) (3)	June 28, 2003 (Restated) (2) (3)	June 29, 2002 (Restated) (2) (3)
			(Amounts in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 422,333	$ 185,551	$ 126,905	$ 250,798	$ 173,807
Short-term investments	920,317	1,289,141	948,879	913,209	591,694
Total cash, cash equivalents and short-term investments	$ 1,342,650	$ 1,474,692	$ 1,075,784	$ 1,164,007	$ 765,501
Working capital	$ 1,557,755	$ 1,652,990	$ 1,279,950	$ 1,384,503	$ 1,048,265
Total assets	$ 3,286,537	$ 3,059,939	$ 2,631,912	$ 2,436,053	$ 2,085,475
Stockholders equity	$ 2,775,489	$ 2,685,505	$ 2,233,814	$ 2,175,582	$ 1,830,268

The following table presents details of stock-based compensation included in the Consolidated Statement of Income Data above:

	June 24, 2006 (1)	June 25, 2005 (Restated) (2) (3)	Fiscal Year Ended June 26, 2004 (Restated) (2) (3)	June 28, 2003 (Restated) (2) (3)	June 29, 2002 (Restated) (2) (3)
			(Amounts in thousands)		
Cost of goods sold	$ 62,140	$ 24,342	$ 39,866	$ 28,620	$ 18,247
Research and development	138,327	51,435	84,787	73,176	51,774
Selling, general and administrative	50,947	14,537	28,877	25,570	21,124
Total	$ 251,414	$ 90,314	$ 153,350	$ 127,366	$ 91,145

(1) We adopted Statement of Financial Accounting Standard (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), on June 26, 2005. Pre-tax income for the year ended June 24, 2006 includes $251.4 million recorded for stock-based compensation expense under SFAS 123(R). Cumulative effect of a change in accounting principle relates to the compensation cost of unvested awards that are not expected to vest based on the Company s estimate of forfeitures as of the date of adoption of SFAS 123(R). Prior to the adoption of SFAS 123(R), we recorded forfeitures as they occurred as previously permitted under SFAS 123 and APB 25.

(2) The selected consolidated financial data as of June 25, 2005, June 26, 2004, June 28, 2003 and June 29, 2002 and for the fiscal years then ended have been corrected to reflect the restatements described in Note 2, Restatements of Consolidated Financial Statements of the notes to the consolidated financial statements. The cumulative after tax impact of all restatement adjustments related to years prior to the fiscal year ended June 29, 2002 was $157.9 million, which is reflected as an adjustment to retained earnings at July 1, 2001.

(3) See Restatements of Consolidated Financial Statements and Special Committee and Company Findings in Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 2, Restatements of Consolidated Financial Statements of the notes to the consolidated financial statements.

(4) Diluted shares in fiscal years 2002, 2003, 2004 and 2005 were restated as a result of changes in measurement date which, in turn, affect the number of weighted-average shares. We use the treasury stock method to calculate the weighted-average shares used in the diluted earnings per share calculation. As part of the restatement, we corrected our treasury stock calculations in accordance with Statement of Financial Accounting Standard No. 128, *Earnings Per Share*.

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The tables below reflects the impact of the restatement adjustments on our fiscal year 2005, 2004, 2003 and 2002 consolidated statements of income data and fiscal year end 2005, 2004, 2003 and 2002 consolidated balance sheet data:

	Fiscal Year Ended June 25, 2005			Fiscal Year Ended June 26, 2004		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(Amounts in thousands, except percentages and per share data)					
Consolidated Statements of Income Data:						
Net revenues	$ 1,671,713	$ 21	$ 1,671,734	$ 1,439,263	$ 1,319	$ 1,440,582
Cost of goods sold	463,664	36,052	499,716	433,358	46,886	480,244
Gross margin	1,208,049	(36,031)	1,172,018	1,005,905	(45,567)	960,338
Gross margin percentage	72.3%	-2.2%	70.1%	69.9%	-3.2%	66.7%
Operating income	781,372	(112,603)	668,769	606,035	(181,162)	424,873
Operating income as % of net revenues	46.7%	-6.7%	40.0%	42.1%	-12.6%	29.5%
Net income	$ 540,837	$ (78,560)	$ 462,277	$ 419,752	$ (114,142)	$ 305,610
Earnings per share:						
Basic	$ 1.66	$ (0.24)	$ 1.42	$ 1.28	$ (0.35)	$ 0.94
Diluted	$ 1.58	$ (0.23)	$ 1.35	$ 1.20	$ (0.32)	$ 0.88
Shares used in the calculation of earnings per share:						
Basic	326,239		326,239	326,731		326,731
Diluted	342,843	(377)	342,466	350,575	(2,267)	348,308
Dividends declared per share	$ 0.380	$	$ 0.380	$ 0.320	$	$ 0.320

The following table presents details of the total stock-based compensation expense that is included in the Consolidated Statement of Income Data above:

	Fiscal Year Ended June 25, 2005			Fiscal Year Ended June 26, 2004		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(Amounts in thousands)					
Supplemental Data on Stock-based Compensation Expense (1)						
Cost of goods sold	$ 321	$ 24,021	$ 24,342	$	$ 39,866	$ 39,866
Research and development	3,365	48,070	51,435		84,787	84,787
Selling, general and administrative		14,537	14,537		28,877	28,877
Total	$ 3,686	$ 86,628	$ 90,314	$	$ 153,530	$ 153,530

	As of June 25, 2005			As of June 26, 2004		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(Amounts in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 185,551	$	$ 185,551	$ 147,734	$ (20,829)	$ 126,905
Short-term investments	1,289,141		1,289,141	948,879		948,879
Total cash, cash equivalents and short-term investments	$ 1,474,692	$	$ 1,474,692	$ 1,096,613	$ (20,829)	$ 1,075,784
Working capital	$ 1,688,563	$ (35,573)	$ 1,652,990	$ 1,259,369	$ 20,581	$ 1,279,950
Total assets	$ 3,004,071	$ 55,868	$ 3,059,939	$ 2,549,462	$ 82,450	$ 2,631,912
Stockholders equity	$ 2,584,182	$ 101,323	$ 2,685,505	$ 2,112,318	$ 121,496	$ 2,233,814

(1) We previously recorded $3.7 million of stock-based compensation expense associated with guaranteed gains in fiscal year 2005; this amount had not been separately disclosed in the related stock-based compensation disclosures in our previously reported consolidated financial statements for fiscal year 2005.

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	Fiscal Year Ended June 28, 2003			Fiscal Year Ended June 29, 2002		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(Amounts in thousands, except percentages and per share data)					
Consolidated Statements of Income Data:						
Net revenues	$ 1,153,219	$ (29)	$ 1,153,190	$ 1,025,104	$ 1,885	$ 1,026,989
Cost of goods sold	348,264	12,280	360,544	312,223	18,569	330,792
Gross margin	804,955	(12,309)	792,646	712,881	(16,684)	696,197
Gross margin percentage	69.8%	-1.1%	68.7%	69.5%	-1.8%	67.8%
Operating income	447,036	(113,286)	333,750	345,352	(104,070)	241,282
Operating income as % of net revenues	38.8%	-9.8%	28.9%	33.7%	-10.2%	23.5%
Net income	$ 309,601	$ (72,917)	$ 236,684	$ 259,183	$ (70,616)	$ 188,567
Earnings per share:						
Basic	$ 0.96	$ (0.23)	$ 0.73	$ 0.80	$ (0.22)	$ 0.58
Diluted	$ 0.91	$ (0.21)	$ 0.70	$ 0.73	$ (0.19)	$ 0.54
Shares used in the calculation of earnings per share:						
Basic	322,106		322,106	325,527		325,527
Diluted	341,253	(1,106)	340,147	355,821	(3,507)	352,314
Dividends declared per share	$ 0.080	$	$ 0.080	$	$	$

The following table presents details of the total stock-based compensation expense that is included in net income in the Consolidated Statement of Income Data above:

	Fiscal Year Ended June 28, 2003			Fiscal Year Ended June 29, 2002		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(Amounts in thousands)					
Supplemental Data on Stock-based Compensation Expense						
Cost of goods sold	$	$ 28,620	$ 28,620	$	$ 18,247	$ 18,247
Research and development		73,176	73,176		51,774	51,774
Selling, general and administrative		25,570	25,570		21,124	21,124
Total	$	$ 127,366	$ 127,366	$	$ 91,145	$ 91,145

	As of June 28, 2003			As of June 29, 2002		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(Amounts in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 210,841	$ 39,957	$ 250,798	$ 173,807	$	$ 173,807
Short-term investments	953,166	(39,957)	913,209	591,694		591,694

Total cash, cash equivalents and short-term investments	$ 1,164,007	$	$ 1,164,007	$ 765,501	$	$ 765,501
Working capital	$ 1,348,725	$ 35,778	$ 1,384,503	$ 1,006,637	$ 41,628	$ 1,048,265
Total assets	$ 2,367,962	$ 68,091	$ 2,436,053	$ 2,010,812	$ 74,663	$ 2,085,475
Stockholders equity	$ 2,070,412	$ 105,170	$ 2,175,582	$ 1,741,151	$ 89,117	$ 1,830,268

Restatement of Previously Reported Quarterly Results (Unaudited)

In connection with the restatement of the Company s Restated Annual Periods as discussed in Note 2 of the Consolidated Financial Statements, we are presenting our restated unaudited quarterly consolidated financial information for the interim periods in fiscal 2006 through the quarter ended March 25, 2006 and for all quarters in our fiscal year ended June 25, 2005 and the related management s discussion and analysis of financial condition and results of operations for these periods.

We recorded adjustments for the three months ended March 25, 2006, December 24, 2005, September 24, 2005, June 25, 2005, March 26, 2005, December 25, 2004 and September 25, 2004 that decreased pre-tax income from that previously reported by $20.7 million, $22.8 million, $30.6 million, $29.7 million, $29.8 million, $24.8 million and $26.6 million, respectively. The following tables present our restated unaudited quarterly financial data as previously reported, adjustments recorded, and as restated for the interim periods in fiscal 2006 through the quarter ended March 25, 2006 and for all quarters in our fiscal year ended June 25, 2005. This information has been prepared on a basis consistent with Article 10-01 of Regulation S-X.

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Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 25, 2006			Nine Months Ended March 25, 2006		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
Net revenues	$ 478,120	$ 50	$ 478,170	$ 1,348,365	$ (580)	$ 1,347,785
Cost of goods sold	156,901	6,912	163,813	431,453	26,706	458,159
Gross margin	321,219	(6,862)	314,357	916,912	(27,286)	889,626
Operating expenses:						
Research and development	119,862	7,575	127,437	353,793	26,517	380,310
Selling, general and administrative	33,036	6,855	39,891	92,954	21,240	114,194
Total operating expenses	152,898	14,430	167,328	446,747	47,757	494,504
Operating income	168,321	(21,292)	147,029	470,165	(75,043)	395,122
Interest income and other, net	10,444	573	11,017	32,647	891	33,538
Income before provision for income taxes and cumulative effect of a change in accounting principle	178,765	(20,719)	158,046	502,812	(74,152)	428,660
Provision for income taxes	58,456	(7,520)	50,936	164,577	(25,833)	138,744
Income before cumulative effect of a change in accounting principle	120,309	(13,199)	107,110	338,235	(48,319)	289,916
Cumulative effect of a change in accounting principle, net of tax of $1,039					1,643	1,643
Net income	$ 120,309	$ (13,199)	$ 107,110	$ 338,235	$ (46,676)	$ 291,559
Earnings per share:						
Basic:						
Before cumulative effect of a change in accounting principle	$ 0.38	$ (0.05)	$ 0.33	$ 1.04	$ (0.15)	$ 0.89
Cumulative effect of a change in accounting principle					0.01	0.01
Basic net income per share	$ 0.38	$ (0.05)	$ 0.33	$ 1.04	$ (0.14)	$ 0.90
Diluted:						
Before cumulative effect of a change in accounting principle	$ 0.36	$ (0.04)	$ 0.32	$ 1.00	$ (0.15)	$ 0.85
Cumulative effect of a change in accounting principle						
Diluted net income per share	$ 0.36	$ (0.04)	$ 0.32	$ 1.00	$ (0.15)	$ 0.85
Shares used in the calculation of earnings per share:						
Basic	320,686		320,686	324,117		324,117
Diluted	334,036	2,084	336,120	338,385	769	339,154

Dividends declared per share	$	0.125	$		$	0.125	$	0.350	$		$	0.350

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Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended December 24, 2005			Six Months Ended December 24, 2005		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
Net revenues	$ 445,881	$ (361)	$ 445,520	$ 870,245	$ (630)	$ 869,615
Cost of goods sold	141,937	10,378	152,315	274,552	19,794	294,346
Gross margin	303,944	(10,739)	293,205	595,693	(20,424)	575,269
Operating expenses:						
Research and development	116,878	6,533	123,411	233,931	18,942	252,873
Selling, general and administrative	31,053	5,798	36,851	59,918	14,385	74,303
Total operating expenses	147,931	12,331	160,262	293,849	33,327	327,176
Operating income	156,013	(23,070)	132,943	301,844	(53,751)	248,093
Interest income and other, net	11,236	250	11,486	22,203	318	22,521
Income before provision for income taxes and cumulative effect of a change in accounting principle	167,249	(22,820)	144,429	324,047	(53,433)	270,614
Provision for income taxes	54,691	(7,933)	46,758	106,121	(18,313)	87,808
Income before cumulative effect of a change in accounting principle	112,558	(14,887)	97,671	217,926	(35,120)	182,806
Cumulative effect of a change in accounting principle, net of tax of $1,039					1,643	1,643
Net income	$ 112,558	$ (14,887)	$ 97,671	$ 217,926	$ (33,477)	$ 184,449
Earnings per share:						
Basic:						
Before cumulative effect of a change in accounting principle	$ 0.35	$ (0.05)	$ 0.30	$ 0.67	$ (0.11)	$ 0.56
Cumulative effect of a change in accounting principle					0.01	0.01
Basic net income per share	$ 0.35	$ (0.05)	$ 0.30	$ 0.67	$ (0.10)	$ 0.57
Diluted:						
Before cumulative effect of a change in accounting principle	$ 0.33	$ (0.04)	$ 0.29	$ 0.64	$ (0.11)	$ 0.53
Cumulative effect of a change in accounting principle					0.01	0.01
Diluted net income per share	$ 0.33	$ (0.04)	$ 0.29	$ 0.64	$ (0.10)	$ 0.54
Shares used in the calculation of earnings per share:						
Basic	323,935		323,935	325,832		325,832
Diluted	337,429	1,310	338,739	340,715	2,412	343,127
Dividends declared per share	$ 0.125	$	$ 0.125	$ 0.225	$	$ 0.225

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Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 24, 2005		
	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)		
Net revenues	$ 424,364	$ (269)	$ 424,095
Cost of goods sold	132,615	9,416	142,031
Gross margin	291,749	(9,685)	282,064
Operating expenses:			
Research and development	117,053	12,409	129,462
Selling, general and administrative	28,865	8,587	37,452
Total operating expenses	145,918	20,996	166,914
Operating income	145,831	(30,681)	115,150
Interest income and other, net	10,967	68	11,035
Income before provision for income taxes and cumulative effect of a change in accounting principle	156,798	(30,613)	126,185
Provision for income taxes	51,430	(10,380)	41,050
Income before cumulative effect of a change in accounting principle	105,368	(20,233)	85,135
Cumulative effect of a change in accounting principle, net of tax of $1,039		1,643	1,643
Net income	$ 105,368	$ (18,590)	$ 86,778
Earnings per share:			
Basic:			
Before cumulative effect of a change in accounting principle	$ 0.32	$ (0.06)	$ 0.26
Cumulative effect of a change in accounting principle		0.01	0.01
Basic net income per share	$ 0.32	$ (0.05)	$ 0.27
Diluted:			
Before cumulative effect of a change in accounting principle	$ 0.31	$ (0.06)	$ 0.25
Cumulative effect of a change in accounting principle			$
Diluted net income per share	$ 0.31	$ (0.06)	$ 0.25
Shares used in the calculation of earnings per share:			
Basic			
Diluted	327,959		327,959
	344,860	1,833	346,693
Dividends declared per share	$ 0.100	$	$ 0.100

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Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 25, 2005		
	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)		
Net revenues	$ 400,397	$ (1,010)	$ 399,387
Cost of goods sold	112,079	9,217	121,296
Gross margin	288,318	(10,227)	278,091
Operating expenses:			
Research and development	84,891	13,325	98,216
Selling, general and administrative	23,414	7,016	30,430
Total operating expenses	108,305	20,341	128,646
Operating income	180,013	(30,568)	149,445
Interest income and other, net	8,819	843	9,662
Income before provision for income taxes	188,832	(29,725)	159,107
Provision for income taxes	62,692	(7,951)	54,741
Net income	$ 126,140	$ (21,774)	$ 104,366
Earnings per share:			
Basic	$ 0.38	$ (0.06)	$ 0.32
Diluted	$ 0.37	$ (0.06)	$ 0.31
Shares used in the calculation of earnings per share:			
Basic	327,682		327,682
Diluted	340,552	300	340,852
Dividends declared per share	$ 0.100	$	$ 0.100

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 26, 2005			Nine Months Ended March 26, 2005		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
Net revenues	$ 400,188	$ 2,485	$ 402,673	$ 1,271,316	$ 1,031	$ 1,272,347
Cost of goods sold	111,896	7,782	119,678	351,585	26,835	378,420
Gross margin	288,292	(5,297)	282,995	919,731	(25,804)	893,927

Operating expenses:						
Research and development	83,141	16,290	99,431	243,273	38,931	282,204
Selling, general and administrative	24,713	8,532	33,245	75,099	17,300	92,399
Total operating expenses	107,854	24,822	132,676	318,372	56,231	374,603
Operating income	180,438	(30,119)	150,319	601,359	(82,035)	519,324
Interest income and other, net	7,492	347	7,839	19,446	956	20,402
Income before provision for income taxes	187,930	(29,772)	158,158	620,805	(81,079)	539,726
Provision for income taxes	62,393	(9,637)	52,756	206,108	(24,293)	181,815
Net income	$ 125,537	$ (20,135)	$ 105,402	$ 414,697	$ (56,786)	$ 357,911
Earnings per share:						
Basic	$ 0.38	$ (0.06)	$ 0.32	$ 1.27	$ (0.17)	$ 1.10
Diluted	$ 0.37	$ (0.06)	$ 0.31	$ 1.21	$ (0.17)	$ 1.04
Shares used in the calculation of earnings per share:						
Basic	326,945		326,945	325,758		325,758
Diluted	342,720	(1,002)	341,718	343,607	(842)	342,765
Dividends declared per share	$ 0.100	$	$ 0.100	$ 0.280	$	$ 0.280

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Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended December 25, 2004			Six Months Ended December 25, 2004		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
Net revenues	$ 436,061	$ (2,578)	$ 433,483	$ 871,128	$ (1,454)	$ 869,674
Cost of goods sold	119,437	6,303	125,740	239,689	19,053	258,742
Gross margin	316,624	(8,881)	307,743	631,439	(20,507)	610,932
Operating expenses:						
Research and development	81,035	11,233	92,268	160,132	22,641	182,773
Selling, general and administrative	25,324	4,848	30,172	50,386	8,768	59,154
Total operating expenses	106,359	16,081	122,440	210,518	31,409	241,927
Operating income	210,265	(24,962)	185,303	420,921	(51,916)	369,005
Interest income and other, net	6,225	207	6,432	11,954	609	12,563
Income before provision for income taxes	216,490	(24,755)	191,735	432,875	(51,307)	381,568
Provision for income taxes	71,875	(7,338)	64,537	143,715	(14,656)	129,059
Net income	$ 144,615	$ (17,417)	$ 127,198	$ 289,160	$ (36,651)	$ 252,509
Earnings per share:						
Basic	$ 0.44	$ (0.05)	$ 0.39	$ 0.89	$ (0.11)	$ 0.78
Diluted	$ 0.42	$ (0.05)	$ 0.37	$ 0.84	$ (0.10)	$ 0.74
Shares used in the calculation of earnings per share:						
Basic	325,660		325,660	325,164		325,164
Diluted	343,226	(1,035)	342,191	344,051	(1,320)	342,731
Dividends declared per share	$ 0.100	$	$ 0.100	$ 0.180	$	$ 0.180

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 25, 2004		
	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)		
Net revenues	$ 435,067	$ 1,124	$ 436,191
Cost of goods sold	120,252	12,750	133,002
Gross margin	314,815	(11,626)	303,189

Operating expenses:			
Research and development	79,097	11,408	90,505
Selling, general and administrative	25,062	3,920	28,982
Total operating expenses	104,159	15,328	119,487
Operating income	210,656	(26,954)	183,702
Interest income and other, net	5,729	402	6,131
Income before provision for income taxes	216,385	(26,552)	189,833
Provision for income taxes	71,840	(7,318)	64,522
Net income	$ 144,545	$ (19,234)	$ 125,311
Earnings per share:			
Basic	$ 0.45	$ (0.06)	$ 0.39
Diluted	$ 0.42	$ (0.05)	$ 0.37
Shares used in the calculation of earnings per share:			
Basic	324,668		324,668
Diluted	344,875	(1,644)	343,231
Dividends declared per share	$ 0.080	$	$ 0.080

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Condensed Consolidated Balance Sheets

(Unaudited)

	March 25, 2006		
	As Previously Reported	Adjustments (in thousands)	As Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 243,310	$	$ 243,310
Short-term investments	1,092,791		1,092,791
Total cash, cash equivalents and short-term investments	1,336,101		1,336,101
Accounts receivable, net	259,921	6,678	266,599
Inventories	204,598	3,968	208,566
Deferred tax assets	128,818	45,350	174,168
Other current assets	11,805	4,860	16,665
Total current assets	1,941,243	60,856	2,002,099
Property, plant and equipment, net	1,060,854	5,646	1,066,500
Other assets	39,459	15,536	54,995
TOTAL ASSETS	$ 3,041,556	$ 82,038	$ 3,123,594
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 82,516	$	$ 82,516
Income taxes payable	43,820	30,587	74,407
Accrued salary and related expenses	112,636	57,362	169,998
Accrued expenses	61,882	(8,141)	53,741
Deferred income on shipments to distributors	22,433		22,433
Total current liabilities	323,287	79,808	403,095
Other liabilities		17,402	17,402
Deferred tax liabilities	110,259	(110,259)	
Total liabilities	433,546	(13,049)	420,497
Stockholders equity:			
Preferred stock			
Common stock	321		321
Additional paid-in capital	99,190	(92,740)	6,450
Retained earnings	2,517,406	187,827	2,705,233
Accumulated other comprehensive loss	(8,907)		(8,907)
Total stockholders equity	2,608,010	95,087	2,703,097
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 3,041,556	$ 82,038	$ 3,123,594

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Condensed Consolidated Balance Sheets

(Unaudited)

	December 24, 2005		
	As Previously Reported	Adjustments (in thousands)	As Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 148,466	$	$ 148,466
Short-term investments	1,192,930		1,192,930
Total cash, cash equivalents and short-term investments	1,341,396		1,341,396
Accounts receivable, net	221,029	6,320	227,349
Inventories	197,772	5,627	203,399
Deferred tax assets	133,515	14,080	147,595
Other current assets	16,081	4,614	20,695
Total current assets	1,909,793	30,641	1,940,434
Property, plant and equipment, net	1,017,612	6,096	1,023,708
Other assets	29,628	36,652	66,280
TOTAL ASSETS	$ 2,957,033	$ 73,389	$ 3,030,422
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 77,042	$	$ 77,042
Income taxes payable	52,775	31,725	84,500
Accrued salary and related expenses	114,649	54,685	169,334
Accrued expenses	58,925	(9,462)	49,463
Deferred income on shipments to distributors	19,400		19,400
Total current liabilities	322,791	76,948	399,739
Other liabilities		18,327	18,327
Deferred tax liabilities	118,636	(118,636)	
Total liabilities	441,427	(23,361)	418,066
Stockholders equity:			
Preferred stock			
Common stock	321		321
Additional paid-in capital	80,902	(80,902)	
Retained earnings	2,443,976	177,652	2,621,628
Accumulated other comprehensive loss	(9,593)		(9,593)
Total stockholders equity	2,515,606	96,750	2,612,356
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 2,957,033	$ 73,389	$ 3,030,422

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Condensed Consolidated Balance Sheets

(Unaudited)

	September 24, 2005		
	As Previously Reported	Adjustments (in thousands)	As Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 202,800	$	$ 202,800
Short-term investments	1,382,313		1,382,313
Total cash, cash equivalents and short-term investments	1,585,113		1,585,113
Accounts receivable, net	212,949	8,064	221,013
Inventories	183,243	14,547	197,790
Deferred tax assets	133,040	12,947	145,987
Other current assets	11,241	4,662	15,903
Total current assets	2,125,586	40,220	2,165,806
Property, plant and equipment, net	999,788	6,546	1,006,334
Other assets	28,850	24,826	53,676
TOTAL ASSETS	$ 3,154,224	$ 71,592	$ 3,225,816
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 64,695	$	$ 64,695
Income taxes payable	52,701	32,883	85,584
Accrued salary and related expenses	128,927	55,324	184,251
Accrued expenses	62,702	(9,305)	53,397
Deferred income on shipments to distributors	19,247		19,247
Total current liabilities	328,272	78,902	407,174
Other liabilities		19,423	19,423
Deferred tax liabilities	128,196	(128,196)	
Total liabilities	456,468	(29,871)	426,597
Stockholders equity:			
Preferred stock			
Common stock	328		328
Additional paid-in capital	177,715	49,285	227,000
Retained earnings	2,528,293	52,178	2,580,471
Accumulated other comprehensive loss	(8,580)		(8,580)
Total stockholders equity	2,697,756	101,463	2,799,219
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 3,154,224	$ 71,592	$ 3,225,816

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Condensed Consolidated Balance Sheets

(Unaudited)

	March 26, 2005		
	As Previously Reported	Adjustments (in thousands)	As Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 142,482	$ (21,475)	$ 121,007
Short-term investments	1,260,744		1,260,744
Total cash, cash equivalents and short-term investments	1,403,226	(21,475)	1,381,751
Accounts receivable, net	192,380	9,097	201,477
Inventories	159,463	14,758	174,221
Deferred tax assets	146,406	13,417	159,823
Other current assets	11,199	29,489	40,688
Total current assets	1,912,674	45,286	1,957,960
Property, plant and equipment, net	999,403	7,446	1,006,849
Other assets	27,624	4,063	31,687
TOTAL ASSETS	$ 2,939,701	$ 56,795	$ 2,996,496
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 50,157	$ (646)	$ 49,511
Income taxes payable	16,145	18,227	34,372
Accrued salary and related expenses	109,605	50,471	160,076
Accrued expenses	95,727	5,962	101,689
Deferred income on shipments to distributors	20,095		20,095
Total current liabilities	291,729	74,014	365,743
Other liabilities	4,000	3,541	7,541
Deferred tax liabilities	140,107	(140,107)	
Total liabilities	435,836	(62,552)	373,284
Stockholders equity:			
Preferred stock			
Common stock	328		328
Additional paid-in capital	152,825	218,718	371,543
Deferred stock-based compensation		(191,913)	(191,913)
Retained earnings	2,362,317	92,542	2,454,859
Accumulated other comprehensive loss	(11,605)		(11,605)
Total stockholders equity	2,503,865	119,347	2,623,212

TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 2,939,701	$ 56,795	$ 2,996,496

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Condensed Consolidated Balance Sheets

(Unaudited)

	December 25, 2004		
	As Previously Reported	Adjustments (in thousands)	As Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 164,414	$ (20,829)	$ 143,585
Short-term investments	1,122,270		1,122,270
Total cash, cash equivalents and short-term investments	1,286,684	(20,829)	1,265,855
Accounts receivable, net	179,682	9,537	189,219
Inventories	146,582	15,066	161,648
Deferred tax assets	152,254	13,157	165,411
Other current assets	11,993	33,290	45,283
Total current assets	1,777,195	50,221	1,827,416
Property, plant and equipment, net	1,003,965	7,896	1,011,861
Other assets	27,694	15,918	43,612
TOTAL ASSETS	$ 2,808,854	$ 74,035	$ 2,882,889
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 61,740	$	$ 61,740
Income taxes payable	23,384	18,585	41,969
Accrued salary and related expenses	102,193	46,982	149,175
Accrued expenses	88,929	8,094	97,023
Deferred income on shipments to distributors	21,351		21,351
Total current liabilities	297,597	73,661	371,258
Other liabilities	4,000	3,784	7,784
Deferred tax liabilities	122,569	(122,569)	
Total liabilities	424,166	(45,124)	379,042
Stockholders equity:			
Preferred stock			
Common stock	326		326
Additional paid-in capital	120,685	223,511	344,196
Deferred stock-based compensation		(217,029)	(217,029)
Retained earnings	2,269,462	112,677	2,382,139
Accumulated other comprehensive loss	(5,785)		(5,785)
Total stockholders equity	2,384,688	119,159	2,503,847

TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 2,808,854	$ 74,035	$ 2,882,889

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Condensed Consolidated Balance Sheets

(Unaudited)

	September 25, 2004		
	As Previously Reported	**Adjustments (in thousands)**	**As Restated**
ASSETS			
Current assets:			
Cash and cash equivalents	$ 246,405	$ (20,829)	$ 225,576
Short-term investments	939,155		939,155
Total cash, cash equivalents and short-term investments	1,185,560	(20,829)	1,164,731
Accounts receivable, net	200,491	7,626	208,117
Inventories	135,818	13,376	149,194
Deferred tax assets	151,899	11,147	163,046
Other current assets	12,576	33,068	45,644
Total current assets	1,686,344	44,388	1,730,732
Property, plant and equipment, net	990,765	8,405	999,170
Other assets	28,922	15,547	44,469
TOTAL ASSETS	$ 2,706,031	$ 68,340	$ 2,774,371
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 90,004	$	$ 90,004
Income taxes payable	44,850	16,411	61,261
Accrued salary and related expenses	107,183	48,452	155,635
Accrued expenses	92,160	2,325	94,485
Deferred income on shipments to distributors	22,994		22,994
Total current liabilities	357,191	67,188	424,379
Other liabilities	4,000	4,027	8,027
Deferred tax liabilities	118,649	(118,649)	
Total liabilities	479,840	(47,434)	432,406
Stockholders equity:			
Preferred stock			
Common stock	325		325
Additional paid-in capital	71,342	220,465	291,807
Deferred stock-based compensation		(234,785)	(234,785)
Retained earnings	2,157,419	130,094	2,287,513
Accumulated other comprehensive loss	(2,895)		(2,895)
Total stockholders equity	2,226,191	115,774	2,341,965

TOTAL LIABILITIES & STOCKHOLDERS EQUITY	$ 2,706,031	$ 68,340