(In thousands except per share data)	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Statement of Operations Data:					
Net revenue	$ 1,568,581	$ 1,418,922	$ 1,071,849	$ 802,577	$ 860,017
Operating income	$ 255,634	$ 295,324	$ 199,744	$ 71,703	$ 90,371
Operating margin	16.3%	20.8%	18.6%	8.9%	10.5%
Net income	$ 202,078	$ 226,585	$ 137,294	$ 94,983	$ 111,006
Earnings per share:					
Basic	$ 1.09	$ 1.24	$ 0.78	$ 0.57	$ 0.69
Diluted	$ 1.05	$ 1.19	$ 0.75	$ 0.56	$ 0.67

Balance Sheet Data:	As of September 28, 2012	September 30, 2011	October 1, 2010	October 2, 2009	October 3, 2008
Working capital	$ 700,659	$ 569,238	$ 585,541	$ 393,884	$ 345,916
Property, plant and equipment, net	$ 279,383	$ 251,365	$ 204,363	$ 162,299	$ 173,360
Total assets	$ 2,136,646	$ 1,890,389	$ 1,564,052	$ 1,352,591	$ 1,235,371
Long-term debt (1)	$ —	$ —	$ 24,743	$ 41,483	$ 119,500
Stockholders' equity	$ 1,905,475	$ 1,609,095	$ 1,316,596	$ 1,108,779	$ 961,604

(1)Effective October 3, 2009, the Company adopted ASC 470-20 - *Debt, Debt with Conversions and Other Options* in accordance with GAAP. The Company's financial statements and the accompanying footnotes for all prior periods presented have been adjusted to reflect the retrospective adoption of this new accounting principle.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTSOF OPERATIONS.

The following discussion and analysis of our financial condition and results ofoperations should be read in conjunction with our consolidated financialstatements and related notes that appear elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially and adversely from those referred to herein due to a number of factors, including but not limited to those described below and in Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

OVERVIEW

We, together with our consolidated subsidiaries, are an innovator of high performance analog semiconductors. Leveraging core technologies, we support automotive, broadband, cellular infrastructure, energy management, GPS, industrial, medical, military, smartphone, tablet and wireless networking applications. The Company's portfolio consists of amplifiers, attenuators, circulators, demodulators, detectors, diodes, directional couplers, front-end modules, hybrids, infrastructure radio frequency ("RF") subsystems, isolators, lighting and display solutions, mixers, modulators, optocouplers, optoisolators, phase shifters, PLLs/synthesizers/VCOs, power dividers/combiners, power management devices, receivers, switches and technical ceramics. Key customers include Cisco, Ericsson, Foxconn, General Electric, Google, Honeywell, HTC, Huawei, Itron, LG Electronics, Nokia, Northrop Grumman, Philips, Samsung, Sensus, Siemens, Toshiba and ZTE. Competitors include Analog Devices, Avago Technologies, Hittite Microwave, Linear Technology, Maxim Integrated Products, Peregrine Semiconductor, RF Micro Devices and Triquint Semiconductor.

BASIS OF PRESENTATION

Our fiscal year ends on the Friday closest to September 30 of each year. Fiscal years 2012, 2011 and 2010 each consisted of 52 weeks and ended on September 28, 2012, September 30, 2011 and October 1, 2010, respectively.

The results of operations, assets and liabilities associated with the acquisition of Advanced Analogic Technologies Inc. ("AATI") completed during the fiscal year ended September 28, 2012 have been included in the consolidated statements of operations from the acquisition date (January 9, 2012) and are reflected in the balance sheet as of September 28, 2012. AATI's contribution to our consolidated results of operations for the fiscal year ended September 28, 2012 was insignificant. The transaction costs associated with the AATI acquisition are included within selling, general and administrative expenses for the fiscal year ended September 28, 2012.

RESULTS OF OPERATIONS

FISCAL YEARS ENDED SEPTEMBER 28, 2012, SEPTEMBER 30, 2011, AND OCTOBER 1, 2010.

The following table sets forth the results of our operations expressed as a percentage of net revenue for the fiscal years below:

	2012	2011	2010
Net revenue	100.0 %	100.0 %	100.0 %
Cost of goods sold	57.5	56.3	57.4
Gross profit	42.5	43.7	42.6
Operating expenses:			
Research and development	13.5	11.9	12.5
Selling, general and administrative	10.1	9.7	11.0
Amortization of intangibles	2.1	1.2	0.6
Restructuring and other charges (credits)	0.5	0.1	(0.1)
Total operating expenses	26.2	22.9	24.0
Operating income	16.3	20.8	18.6
Interest expense	—	(0.1)	(0.4)
Income before income taxes	16.3	20.7	18.2
Provision for income taxes	3.4	4.7	5.4
Net income	12.9 %	16.0 %	12.8 %

NET REVENUE

	Fiscal Years Ended				
	September 28, 2012	Change	September 30, 2011	Change	October 1, 2010
(dollars in thousands)					
Net revenue	$ 1,568,581	10.5%	$ 1,418,922	32.4%	$ 1,071,849

We market and sell our products directly to original equipment manufacturers of communications and electronics products, third-party original design manufacturers, contract manufacturers, and indirectly through electronic components distributors. We periodically enter into revenue generating arrangements that leverage our broad intellectual property portfolio by licensing or selling our non-core patents or other intellectual property. We anticipate continuing this intellectual property strategy in future periods.

Overall revenue in fiscal year 2012 increased by $149.7 million or 10.5%. The increase in revenue was primarily driven by sales of our expanded product portfolio consisting of new products from the SiGe and AATI acquisitions. In addition, we benefited from sales of new internally developed products for medical, automotive, military and industrial vertical markets and our increasing addressable content per device as the smartphone upgrade cycle continued to displace traditional 2G cellular phones.

Overall revenue in fiscal year 2011 increased by $347.1 million, or 32.4%, from fiscal year 2010. This revenue increase was principally driven by an increase in our growing addressable market, coupled with increasing market share and the higher overall demand for our products used in mobile internet, wireless infrastructure, energy management and diversified analog applications. In addition, we benefited from the incremental revenue associated with the acquisition of SiGe during fiscal year 2011.

For information regarding net revenue by geographic region and customer concentration, see Note 18 of Item 8 of this Annual Report on Form 10-K.

GROSS PROFIT

(dollars in thousands)	Fiscal Years Ended September 28, 2012	Change	September 30, 2011	Change	October 1, 2010
Gross profit	$ 667,097	7.5%	$ 620,304	35.8%	$ 456,833
% of net revenue	42.5%		43.7%		42.6%

Gross profit represents net revenue less cost of goods sold. Our cost of goods sold consists primarily of purchased materials, labor and overhead (including depreciation and share-based compensation expense) associated with product manufacturing. Erosion of average selling prices of established products is typical of the semiconductor industry. Consistent with trends in the industry, we anticipate that average selling prices for our established products will continue to decline at a normalized rate of 5 to 10 percent per year. As part of our normal course of business, we mitigate the gross margin impact of declining average selling prices with efforts to increase unit volumes, reduce material costs and lower manufacturing costs of existing products and by introducing new and higher value-added products.

Gross profit was $46.8 million greater for the fiscal year ended September 28, 2012 than gross profit for the prior fiscal year. The increase in gross profit was the result of higher unit volumes and lower overall per unit material and manufacturing costs with an aggregate gross profit benefit of approximately $151.7 million. These benefits were offset by the erosion of average selling price, unfavorable changes in product mix, the impact of the fair value step-up of acquired inventory primarily related to AATI and SiGe and higher share-based compensation expense which combined to negatively impact gross profit by approximately $104.9 million. As a result of these impacts, gross profit margin decreased from 43.7% for the fiscal year ended September 30, 2011 to 42.5% for the fiscal year ended September 28, 2012.

We increased our gross profit by $163.5 million for the fiscal year ended September 30, 2011 as compared to the prior fiscal year, resulting in a 110 basis point expansion in gross profit margin to 43.7%. This increase was principally the result of enhanced product mix, lower manufacturing costs as a result of higher factory utilization, and the increase in net revenue.

During fiscal 2012 and 2011 we continued to benefit from higher contribution margins associated with the licensing and/or sale of intellectual property.

RESEARCH AND DEVELOPMENT

(dollars in thousands)	Fiscal Years Ended September 28, 2012	Change	September 30, 2011	Change	October 1, 2010
Research and development	$ 212,534	26.0%	$ 168,637	25.7%	$ 134,140
% of net revenue	13.5%		11.9%		12.5%

Research and development expenses consist primarily of direct personnel costs including share-based compensation expense, costs for pre-production evaluation and testing of new devices, masks, engineering prototypes and design tool costs.

The 26.0% increase in research and development expense in fiscal year 2012 when compared to fiscal year 2011 is primarily attributable to higher head count and related compensation, including share-based compensation expense, resulting from the acquisition of SiGe and AATI, and to a lesser extent, to increased internal product design and development activity for our target markets. This resulted in total research and development expense increasing as a percentage of net revenue.

The 25.7% increase in research and development expenses in fiscal year 2011 when compared to fiscal year 2010 is principally attributable to higher head count and related employee and share-based compensation costs including those related to the SiGe acquisition. In addition, we increased design activity and expense in support of increased product development for our target markets. Research and development expenses decreased as a percentage of net revenue for fiscal year 2011 as a result of the increase in net revenue between fiscal 2011 and fiscal 2010 mentioned above.

SELLING, GENERAL AND ADMINISTRATIVE

	Fiscal Years Ended				
	September 28, 2012	Change	September 30, 2011	Change	October 1, 2010
(dollars in thousands)					
Selling, general and administrative	$ 158,433	15.4%	$ 137,238	16.4%	$ 117,853
% of net revenue	10.1%		9.7%		11.0%

Selling, general and administrative expenses include legal and related legal costs, accounting, treasury, human resources, information systems, customer service, bad debt expense, sales commissions, share-based compensation expense, advertising, marketing, costs associated with business combinations completed or contemplated during the period and other costs.

The increase for the fiscal year ended September 28, 2012 is primarily the result of incremental headcount and compensation expense (including share-based compensation) related to the acquisitions of AATI and SiGe (full year impact), increased acquisition and legal expense of $10.9 million primarily associated with the acquisition of AATI and $5.8 million in charges related to the resolution of contractual disputes. These charges were partially offset by a $5.4 million favorable change in the fair value of contingent consideration liabilities associated with the 2011 acquisitions. These factors resulted in selling, general and administrative expense increasing as a percentage of net revenue.

The increase in selling, general and administrative expenses for fiscal year 2011 as compared to fiscal year 2010 is principally due to the growth in the number of employees and related compensation expense (including share-based compensation), and to a lesser extent the increase related to professional fees associated with completed and pending acquisitions and a settlement of a contractual dispute. Selling, general and administrative expenses as a percentage of net revenue decreased for fiscal year 2011, as compared to fiscal year 2010, due to the increase in revenue between fiscal 2011 and fiscal 2010 mentioned above.

AMORTIZATION OF INTANGIBLES

	Fiscal Years Ended				
	September 28, 2012	Change	September 30, 2011	Change	October 1, 2010
(dollars in thousands)					
Amortization of intangibles	$ 32,744	95.6%	$ 16,742	172.8%	$ 6,136
% of net revenue	2.1%		1.2%		0.6%

The increase in amortization expense in fiscal year 2012 is primarily related to intangible assets recognized in connection with our acquisitions of AATI in fiscal 2012 and the full year impact related to the acquisition of SiGe in fiscal 2011.

The increase in amortization expense in fiscal year 2011 is primarily related to the intangible assets that were recognized in connection with the acquisition of SiGe in fiscal 2011.

For additional information regarding the acquisitions and goodwill and intangible assets, see Note 3 and Note 8 of Item 8 of this Annual Report on Form 10-K, respectively.

RESTRUCTURING AND OTHER CHARGES (CREDITS)

	Fiscal Years Ended				
	September 28, 2012	Change	September 30, 2011	Change	October 1, 2010
(dollars in thousands)					
Restructuring and other charges (credits)	$ 7,752	228.1%	$ 2,363	327.2%	$ (1,040)
% of net revenue	0.5%		0.1%		(0.1)%

The increase in restructuring and other charges for fiscal year 2012 relate primarily to employee and lease terminations to reduce redundancies associated with the acquisition of AATI.

The increase in restructuring and other charges for fiscal year 2011 relate primarily to employee and lease terminations to reduce redundancies associated with the acquisition of SiGe.

For additional information regarding the restructuring activities, see Note 16 of Item 8 of this annual report on Form 10-K.

PROVISION FOR INCOME TAXES

	Fiscal Years Ended				
(dollars in thousands)	September 28, 2012	Change	September 30, 2011	Change	October 1, 2010
Provision for income taxes	$ 52,898	(21.4)%	$ 67,301	16.5%	$ 57,780
% of net revenue	3.4%		4.7%		5.4%

Income tax expense was $52.9 million for fiscal 2012, compared to $67.3 million for fiscal year 2011. The annual effective tax rate for fiscal year 2012 was 20.7% as compared to a tax rate of 22.9% for fiscal year 2011.

The annual effective tax rate for fiscal 2012 of 20.7% was less than the United States federal statutory rate of 35% primarily due to benefits of 16.8% related to foreign earnings taxed at a rate less than the United States federal rate, and benefits of 1.5% related to a domestic production activities deduction partially offset by income tax expense of 4.1% related to a change in our tax reserves.

As of September 28, 2012, the United States Congress has not taken action to extend the federal tax credit available under the Internal Revenue Code for research and development. Accordingly, the income tax provision for the year ended September 28, 2012 does not include the impact of such research and development tax credits earned after December 31, 2011.

On October 2, 2010, we expanded our presence in Asia by launching operations in Singapore. We operate under a tax holiday in Singapore, which is effective through September 30, 2020. The tax holiday is conditional upon our compliance in meeting certain employment and investment thresholds in Singapore.

The annual effective tax rate for fiscal 2011 of 22.9% was less than the United States federal statutory rate of 35% primarily due to benefits of 8.3% related to foreign earnings taxed at a rate less than the United States federal rate, benefits of 6.0% and 2.1% related to the research and development tax credits and domestic production activities deduction, respectively, which are partially offset by income tax expense of 3.2% related to a change in our tax reserves.

LIQUIDITY AND CAPITAL RESOURCES

	Fiscal Years Ended		
(dollars in thousands)	September 28, 2012	September 30, 2011	October 1, 2010
Cash and cash equivalents at beginning of period (1)	$ 410,087	$ 453,257	$ 364,221
Net cash provided by operating activities	285,239	365,818	222,962
Net cash used in investing activities	(302,857)	(349,944)	(95,329)
Net cash used in financing activities	(86,176)	(59,044)	(38,597)
Cash and cash equivalents at end of period (1)	$ 306,293	$ 410,087	$ 453,257

(1) Does not include restricted cash balances

Cash Flow from Operating Activities:
Cash provided from operating activities is net income adjusted for certain non-cash items and changes in certain operating assets and liabilities. For fiscal year 2012 we generated $285.2 million in cash flow from operations, a decrease of $80.6 million when compared to $365.8 million generated in fiscal year 2011. The decrease in cash flow from operating activities during the fiscal year ended September 28, 2012 was related to lower net income combined with a net cash outflow from changes in operating assets and liabilities partially offset by an increase in non-cash amortization of intangibles, depreciation and share-based compensation expense. Specifically, the changes in operating assets were increases of $109.2 million in accounts receivable due to the timing of customer shipments towards the end of the fiscal year triggered by a need to respond to key customer program ramp-ups, an increase of $19.3 million in inventory in response to key customer program ramp-ups and$9.5 million in other current assets primarily relating to taxes and pre-paid assets. The offsetting changes in operating liabilities were increases of approximately $15.2 million in accounts payable related to the timing of vendor payments and $13.8 million in other current and long-term liabilities primarily related to long-term tax liabilities and changes in payroll related accruals.

Cash Flow from Investing Activities:
Cash flow from investing activities consists of cash paid for acquisitions, net of cash acquired, capital expenditures, cash received from the sale of capital assets and the sale and maturity of short-term and other investments. Net cash used in investing activities was $302.9 million during the fiscal year 2012, compared to$349.9 million during the fiscal year 2011. Net cash used in investing activities decreased primarily because we used more cash to acquire businesses in 2011 than we did to acquire AATI in 2012, in each instance, net of cash acquired. In fiscal year 2012 we used $229.6 million of cash, net of cash acquired, for the acquisition of AATI and we invested $94.1 million in capital expenditures, primarily related to the purchase of manufacturing equipment to support increased production at our assembly and test facility in Mexicali, Mexico and to a lesser extent, our wafer fabrication facilities located in California and Massachusetts. During fiscal year 2011, we paid invested $100.7 million in capital expenditures. Our uses of cash for investing activities during fiscal year 2012 were partially offset by $20.9 million in proceeds we received upon the sale and maturity of short-term investments acquired as part of our acquisition of AATI during the fiscal year ending September 28, 2012

Cash Flow from Financing Activities:
Cash flows from financing activities consist primarily of cash transactions related to debt, equity and payment of contingent consideration related to our fiscal 2011 acquisitions. During fiscal year 2012, we had net cash outflows of $86.2 million, compared to $59.0 million in fiscal year 2011. During fiscal year 2012 we had the following significant uses of cash:

- $52.9 million related to the cash payment of contingent consideration obligation related to the acquisition of SiGe;
- $48.0 million in connection with the redemption and retirement of the remaining $26.7 million aggregate principal amount of our 1.50% convertible subordinated notes due March 2012;
- $18.6 million related to payroll tax withholdings on vesting of employee performance and restricted stock awards; and,
- $12.4 million related to our repurchase of approximately 750,000 shares of our common stock pursuant to the share repurchase program approved by our Board of Directors on August 3, 2010.

These uses of cash were partially offset by the net proceeds from employee stock option exercises of$39.0 million and the tax benefit from stock option exercises of $6.8 million during fiscal 2012.

Liquidity:
Cash and cash equivalent balances (excluding restricted cash which is used to collateralize outstanding letters of credit for insurance and lease obligations)decreased by $103.8 million to $306.3 million at September 28, 2012 from $410.1 million at September 30, 2011. During fiscal year 2012 we used $229.6 million in cash, net of cash acquired, in connection with the acquisition of AATI and paid cash of $94.1 million in capital expenditures, $52.9 million for contingent consideration obligations related to the acquisition of SiGe, $48.0 million to retire the remaining $26.7 million of aggregate principal amount of our 1.50% convertible subordinated notes due March 2012, and $12.4 million for share repurchases. During fiscal 2012 our cash provided by operations was $285.2 million. Our net cash position decreased by $77.7 million to $306.3 million at September 28, 2012 from $384.0 million at September 30, 2011, after deducting our debt outstanding atSeptember 30, 2011. Based on our historical results of operations, we expect that our cash and cash equivalents on hand and the cash we expect to generate from operations will be sufficient to fund our research and development, capital expenditures, working capital and other cash requirements for at least the next 12 months. However, we cannot be certain that our cash from operations will be available in the future to fund all of our capital and operating requirements. In addition, any strategic investments and acquisitions that we may make may require additional capital resources. If we are unable to obtain sufficient cash or capital to meet our capital needs on a timely basis and on favorable terms, our business and operations could be materially and adversely affected.

Our invested cash balances primarily consist of money market funds where the underlying securities primarily consist of United States treasury obligations, United States agency obligations and repurchase agreements collateralized by United States Government and agency obligations. Our invested cash balances also include time deposits and certificates of deposit.

Our cash, cash equivalents and restricted cash balance of $307.1 million atSeptember 28, 2012 consisted of $169.1 million held domestically and $138.0 million held by foreign subsidiaries. Of the cash, cash equivalents and restricted cash held by our foreign subsidiaries at September 28, 2012, approximately $76.6 million is being and will be indefinitely reinvested outside of the United States and would be subject to material tax effects if repatriated to the United States. Accordingly, we do not intend to repatriate these funds.

OFF-BALANCE SHEET ARRANGEMENTS

We have no significant contractual obligations not fully recorded on our consolidated balance sheet or fully disclosed in the notes to our consolidated financial statements. We have no material off-balance sheet arrangements as defined in SEC Regulation S-K- 303(a)(4)(ii).

CONTRACTUAL CASH FLOWS

Set forth below is a summary of our contractual payment obligations related to our consolidated, contingent consideration, operating leases, other commitments and long-term liabilities at September 28, 2012, (in thousands):

	Payments Due By Period				
Obligation	**Total**	**Less Than 1Year**	**1-3 years**	**3-5 Years**	**Thereafter**
Other long-term liabilities (1)	48,466	3,204	791	108	44,363
Operating lease obligations	34,185	8,491	14,619	6,991	4,084
Other commitments (2)	11,287	6,632	3,477	912	266
Contingent consideration for business combinations (3)	1,046	1,046	—	—	—
Total	$ 94,984	$ 19,373	$ 18,887	$ 8,011	$ 48,713

(1) Other long-term liabilities include our gross unrecognized tax benefits, as well as executive deferred compensation which are both classified as beyond five years due to the uncertain nature of the liabilities.

(2) Other commitments consist of contractual license and royalty payments, and other purchase obligations. See Notes 13 of Item 8 of this Annual Report on Form 10-K

(3) Contingent consideration related to business combinations is recorded at fair value and actual results could differ. See Note 5 of Item 8 of this Annual Report on Form 10-K for further detail.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The SEC has defined critical accounting policies as those that are both most important to the portrayal of our financial condition and results and which require our most difficult, complex or subjective judgments or estimates. Based on this definition, we believe our critical accounting policies include the policies of revenue recognition, inventory valuation, impairment of long-lived assets, business combinations, share-based compensation, loss contingencies and income taxes.

On an ongoing basis, we evaluate the judgments and estimates underlying all of our accounting policies. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures, and reported amounts of revenues and expenses. These estimates and assumptions are based on our best judgments. We evaluate our estimates and assumptions using historical experience and other factors, including the current economic environment, which we believe to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Our significant accounting policies are discussed in detail in Note 2 of Item 8 In this Annual Report on Form 10-K. We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue in accordance with Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 605 *Revenue Recognition* net of estimated reserves. We maintain revenue reserves for product returns and allowances for price protection and stock rotation for certain electronic component distributors. These reserves are based on historical experience or specific identification of a contractual arrangement necessitating a revenue reserve.

Our revenue recognition accounting methodology contains uncertainties because it requires management to make assumptions and to apply judgment to estimate the value of future credits to customers for product returns, price protection and stock rotation. Our estimates of the amount and timing of the reserves is based primarily on historical experience and specific contractual arrangements. Historically, we have not experienced material differences between our estimated sales reserves and actual results.

Inventory Valuation. We value our inventory at the lower of cost of the inventory or fair market value through the establishment of excess and obsolete inventory reserves. Our reserve is based on a detailed analysis of forecasted demand in relation to on-hand inventory, saleability of our inventory, general market conditions, and product life cycles.

Our inventory reserves contain uncertainties because the calculation requires management to make assumptions and to apply judgment regarding historical experience, forecasted demand and technological obsolescence. Historically, we have not experienced material differences between our estimated inventory reserves and actual results.

Impairment of Long-Lived Assets. We assess the impairment of long-lived assets, including goodwill, on an ongoing basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

We evaluate goodwill and other indefinite-lived intangible assets for impairment annually on the first day of the fiscal fourth quarter and whenever events or circumstances arise that may indicate that the carrying value of the goodwill or other indefinite-lived intangibles may not be recoverable. Pursuant to the guidance provided under ASC 280 *Segment Reporting*, we have determined that we have one reporting unit for the purposes of allocating and testing goodwill.

The impairment evaluation of goodwill involves comparing the fair value to the carrying value of the reporting unit. We use the market price of the Company's stock adjusted for a market premium to calculate the fair value of the reporting unit. If the fair value exceeds the carrying value, then it is concluded that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, a second step is required to measure the possible goodwill impairment loss.

In the second step, if required, we would use a discounted cash flow methodology to determine the implied fair value of our goodwill. The implied fair value of the reporting unit's goodwill would then be compared to the carrying value of the goodwill. If the carrying value of the goodwill exceeds the implied fair value of the goodwill, we would recognize a loss equal to the excess.

Our impairment analyses contain uncertainties because it requires management to make assumptions and to apply judgment to items such as; estimate control premiums, discount rate, future cash flows, the profitability of future business strategies and useful lives.

Business Combinations. The Company has applied significant estimates and judgments in order to determine the fair value of the identified tangible and intangible assets acquired, liabilities assumed and the contingent consideration recorded as part of business combinations. The value of all assets and liabilities are recognized at fair value as of the acquisition date.

In measuring the fair value, the Company utilizes valuation techniques consistent with the market approach, income approach and/ or cost approach. The valuation of the identifiable assets and liabilities includes assumptions such as, projected revenue, royalty rates, weighted average cost of capital, discount rates, estimated useful lives, etc. These assessments can be significantly affected by management's judgments.

*Share-Based Compensation***.** We have a share-based compensation plan which includes non-qualified stock options, share awards, employee stock purchase plan and other special share-based awards. See Note 11 of Item 8 of this Annual Report on Form 10-K for a detailed listing and complete discussion of our share-based compensation programs.

We determine the fair value of our non-qualified share-based compensation at the date of grant using the Black-Scholes options-pricing model. Our determination of fair value of share-based payment awards on the date of grant contains assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to; our expected stock price volatility over the term of the award, risk-free rate, and the expected life. The Black-Scholes value, combined with our estimated forfeiture rate, is used to determine the compensation expense to be recognized over the life of the options. For performance based awards, we determine the fair value based on the grant date value of the Company's stock. These awards are expensed based on an estimate of the most probably outcome of the underlying performance metric. Management periodically evaluates these assumptions and updates share-based compensation expense accordingly.

Option-pricing models and generally accepted valuation techniques require management to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the future volatility of our stock price, future employee turnover rates and future employee stock option exercise behaviors. Changes in these assumptions can materially affect the fair value estimate and stock based compensation recognized by the Company.

Loss Contingencies. The outcomes of legal proceedings and claims brought against us are subject to significant uncertainties. Estimated loss from a loss contingency such as a legal proceeding or claim should be accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a material loss contingency is required if there is at least a reasonable possibility that a loss has been incurred.

Our loss contingency analysis contains uncertainties because it requires management to assess the degree of probability of an unfavorable outcome and to make a reasonable estimate of the amount of potential loss.

Income Taxes. We account for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between tax and financial reporting. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. Significant management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that might be required against the deferred tax assets. ASC 740 *Income Taxes* ("ASC 740"), clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with GAAP. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This statement also provides guidance on derecognition, classification, interest and penalties, accounting in the interim periods and disclosure.

The application of tax laws and regulations to calculate our tax liabilities is subject to legal and factual interpretation, judgment, and uncertainty in a multitude of jurisdictions. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations, and court rulings. We recognize potential liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and interest will be due. We record an amount as an estimate of probable additional income tax liability at the largest amount that we feel is more likely than not, based upon the technical merits of the position, to be sustained upon audit by the relevant tax authority. We record a valuation allowance against deferred tax assets that we feel are more likely than not to not be realized.

OTHER MATTERS

Inflation did not have a material impact upon our results of operations during the three-year period endedSeptember 28, 2012.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are subject to investment risk, interest rate risk, and foreign exchange rate risk as described below.

Investment and Interest Rate Risk

Our exposure to interest rate and general market risks relates principally to our investment portfolio consisted of the following (in thousands):

	As of September 28, 2012
Cash and cash equivalents (time deposits and money market funds)	$ 306,293
Restricted cash (time deposits and certificates of deposit)	817
Available for sale securities (auction rate securities) at carrying value	3,093
	$ 310,203

The main objective of our investment activities is the liquidity and preservation of capital. In general, our cash and cash equivalent investments have short-term maturity periods which dampen the impact of significant market or interest rate risk. Credit risk associated with our investments is not material as our investment policy prescribes high credit quality standards and limits the amount of credit exposure to any one issuer. We currently do not use derivative instruments for trading, speculative or investment purposes; however, we may use derivatives in the future.

We are subject to overall financial market risks, such as changes in market liquidity, credit quality and interest rates. Securities that are available for sale carry a longer maturity period (in some cases original contractual maturities exceed ten years).

In the event the market conditions change in the future and our auction rate security becomes fully and permanently impaired, the impact to income before income taxes would be the par value of the auction rate security of approximately $4.0 million as of September 28, 2012.

Based on the results of operations for the fiscal year ended September 28, 2012, a hypothetical reduction in interest rates to zero on our cash and cash equivalents would result in a reduction of interest income of approximately $0.1 million to income before