Carmack Karen K
Form 4
March 16, 2018

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Carmack Karen K

(Last) (First) (Middle)

20 SOUTH MAIN STREET

(Street)

CHAMBERSBURG, PA 17201

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FRANKLIN FINANCIAL SERVICES CORP /PA/ [FRAF]

3. Date of Earliest Transaction (Month/Day/Year)
03/14/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director
_____ 10% Owner
__X__ Officer (give title below)
_____ Other (specify below)
svp

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Franklin Financial Services Corporation	03/14/2018		P		1	A	$ 34.35	597	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Carmack Karen K 20 SOUTH MAIN STREET CHAMBERSBURG, PA 17201			svp	

Signatures

Karen K. Carmack, by Amanda M. Ducey, Corporate Secretary	03/16/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Remarks:
POA on file with Corporation.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. g-bottom:2px;border-bottom:1px solid #000000;">
291

704

427

$
6,858

$
7,018

$
13,997

$
11,281

Total stock-based compensation expense

Stock options
$
5,098

$
6,299

$
12,030

$
14,194

Restricted stock units
17,398

19,005

35,544

35,658

Employee stock purchase plan
2,026

1,629

4,087

3,546

Pre-tax stock-based compensation expense
24,522

26,933

51,661

53,398

Less: income tax effect
6,954

9,061

14,293

17,078

Net stock-based compensation expense
$
17,568

$
17,872

$
37,368

$
36,320

Modifications and Settlements

2009 Goodwill Program:

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

The Company recorded a liability for the options settling in cash under the Goodwill Program. Options associated with payments being made in the form of RSUs under the Goodwill Program contained market and service conditions. The Company recognized $0.2 million and $4.6 million in stock-based compensation expenses related to this program during the six months ended December 25, 2010 and December 26, 2009, respectively.

Fair Value

12

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

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

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

	Stock Option Plan Three Months Ended				Stock Option Plan Six Months Ended			
	December 25, 2010		December 26, 2009		December 25, 2010		December 26, 2009	
Expected holding period (in years)	5.1		5.2		5.2		5.2	
Risk-free interest rate	1.3	%	2.3	%	1.7	%	2.3	%
Expected stock price volatility	36.3	%	37.8	%	36.8	%	37.8	%
Dividend yield	4.8	%	4.5	%	4.3	%	4.5	%

	ESP Plan Three Months Ended				ESP Plan Six Months Ended			
	December 25, 2010		December 26, 2009		December 25, 2010		December 26, 2009	
Expected holding period (in years)	0.5		0.5		0.5		0.5	
Risk-free interest rate	0.2	%	0.2	%	0.2	%	0.2	%
Expected stock price volatility	30.0	%	34.4	%	30.0	%	34.4	%
Dividend yield	4.2	%	4.5	%	4.2	%	4.5	%

The weighted-average fair value of stock options granted was $4.42 and $4.26 per share for the three months ended December 25, 2010 and December 26, 2009, respectively.The weighted-average fair value of RSUs granted was $20.35 and $15.97 per share for the three months ended December 25, 2010 and December 26, 2009, respectively. The weighted-average fair value of stock options granted was $3.81 and $4.21 per share for the six months ended December 25, 2010 and December 26, 2009, respectively. The weighted-average fair value of RSUs granted was $14.99 and $15.96 per share for the six months ended December 25, 2010 and December 26, 2009, respectively.

13

Stock Options

The following table summarizes outstanding, exercisable and vested and expected to vest stock options as of December 25, 2010 and their activity for the six months ended December 25, 2010:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value(1)
Balance at June 26, 2010	29,162,507	$27.05		
Options Granted	3,297,984	16.93		
Options Exercised	(543,423)	16.52		
Options Cancelled	(1,182,511)	31.21		
Balance at December 25, 2010	30,734,557	$25.90	4.0	$122,380,638
Exercisable, December 25, 2010	17,184,016	$33.34	2.8	$17,561,232
Vested and expected to vest, December 25, 2010	28,724,264	$26.55	3.9	$107,758,448

(1) Aggregate intrinsic value represents the difference between the exercise price and the closing price per share of the Company's common stock on December 23, 2010, the last business day preceding the fiscal quarter-end multiplied by the number of options outstanding, exercisable or vested and expected to vest as of December 25, 2010.

As of December 25, 2010, there was $40.5 million of total unrecognized stock compensation cost related to 13.6 million unvested stock options, which is expected to be recognized over a weighted average period of approximately 2.8 years.

Restricted Stock Units

The following table summarizes outstanding and expected to vest RSUs as of December 25, 2010 and their activity during the six months ended December 25, 2010:

	Number of Shares	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value(1)
Balance at June 26, 2010	10,575,417		
Restricted stock units granted	3,456,556		
Restricted stock units released	(2,127,907)		
Restricted stock units cancelled	(438,228)		
Balance at December 25, 2010	11,465,838	2.7	$271,201,002
Vested and expected to vest, December 25, 2010	9,918,529	2.6	$235,168,314

(1) Aggregate intrinsic value for RSUs represents the closing price per share of the Company's common stock on December 23, 2010, the last business day preceding the fiscal quarter-end multiplied by the number of RSUs outstanding or expected to vest as of December 25, 2010.

The Company withheld shares totaling $7.2 million in value as a result of employee withholding taxes based on the value of the RSUs on their vesting date as determined by the Company's closing stock price for the three months ended December 25, 2010. The total payments for the employees' tax obligations to the taxing authorities are reflected as financing activities within the Condensed Consolidated Statements of Cash Flows.

As of December 25, 2010, there was $139.3 million of unrecognized compensation expense related to 11.5 million unvested RSUs, which is expected to be recognized over a weighted average period of approximately 2.7 years.

2010 Employee Stock Purchase Plan:

14

As of December 25, 2010, there was $6.7 million of unrecognized compensation expense related to the ESPP.

NOTE 7: EARNINGS PER SHARE

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

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

	Three Months Ended		Six Months Ended	
	December 25, 2010	December 26, 2009	December 25, 2010	December 26, 2009
	(Amounts in thousands, except per share data)			
Numerator for basic earnings per share and diluted earnings per share				
Net income	$109,590	$58,635	$227,140	$100,587
Denominator for basic earnings per share	296,550	305,324	297,329	305,821
Effect of dilutive securities:				
Stock options, ESPP and RSUs	6,710	4,766	4,538	4,977
Denominator for diluted earnings per share	303,260	310,090	301,867	310,798
Earnings per share:				
Basic	$0.37	$0.19	$0.76	$0.33
Diluted	$0.36	$0.19	$0.75	$0.32

Approximately 15.3 million and 22.2 million of the Company's stock options were excluded from the calculation of diluted earnings per share for the three months ended December 25, 2010 and December 26, 2009, respectively. Approximately 22.9 million and 22.1 million of the Company's stock options were excluded from the calculation of diluted earnings per share for the six months ended December 25, 2010 and December 26, 2009, respectively. These options were excluded because they were determined to be antidilutive. However, such options could be dilutive in the future and, under those circumstances, would be included in the calculation of diluted earnings per share.

NOTE 8: SEGMENT INFORMATION

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

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

- the nature of products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services.

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

•the sale of analog and mixed signal integrated circuits is the primary source of revenue for each of the Company's fifteen operating segments;
•the integrated circuits sold by each of the Company's operating segments are manufactured using similar

16

•semiconductor manufacturing processes;
•the integrated circuits marketed by each of the Company's operating segments are sold to the same types of customers; and
•all of the Company's integrated circuits are sold through a centralized sales force and common wholesale distributors.

All of the Company's operating segments share similar economic characteristics as they have a similar long term business model. The causes for variation among the Company's operating segments are the same and include factors such as (i) life cycle and price and cost fluctuations, (ii) number of competitors, (iii) product differentiation and (iv) size of market opportunity. Additionally, each operating segment is subject to the overall cyclical nature of the semiconductor industry. The number and composition of employees and the amounts and types of tools and materials required are similar for each operating segment. Finally, even though the Company periodically reorganizes its operating segments based upon changes in customers, end-markets or products, acquisitions, long-term growth strategies and the experience and bandwidth of the senior executives in charge, the common financial goals for each operating segment remain constant.

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

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

	Three Months Ended		Six Months Ended	
	December 25, 2010	December 26, 2009	December 25, 2010	December 26, 2009
	(in thousands)			
United States	$84,354	$70,158	$180,542	$139,125
China	228,143	159,839	460,444	301,260
Japan	45,332	30,713	82,454	65,123
Korea	66,474	74,270	152,374	156,785
Rest of Asia	71,651	54,747	135,720	106,476
Europe	94,606	65,182	184,509	126,070
Rest of World	22,376	18,606	43,032	27,922
	$612,936	$473,515	$1,239,075	$922,761

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

	December 25, 2010	June 26, 2010
	(in thousands)	
United States	$941,631	$983,761
Philippines	215,873	216,738
Thailand	131,194	116,050
Rest of World	9,457	7,887
	$1,298,155	$1,324,436

NOTE 9: COMPREHENSIVE INCOME

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

	Three Months Ended		Six Months Ended	
	December 25, 2010	December 26, 2009	December 25, 2010	December 26, 2009
	(in thousands)			
Net income, as reported	$109,590	$58,635	$227,140	$100,587
Change in unrealized losses on investments, net of tax benefits of $0, $135, $0, and $348 respectively	—	(237)	—	(608)
Change in unrealized (loss) gains on forward exchange contracts, net of tax benefits (expenses) of $117 , $0, $(25), $0, respectively	(205)	—	43	—
Deferred tax on unrealized exchange gains on long-term intercompany receivables	(813)	(531)	(2,878)	(959)
Actuarial gains on post-retirement benefits, net of tax (expense) benefit of $(33), $(29), $(66), $(58), respectively	58	52	116	104
Total comprehensive income	$108,630	$57,919	$224,421	$99,124

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

	December 25, 2010	June 26, 2010
	(in thousands)	
Deferred tax on unrealized exchange gains on long-term intercompany receivables	$(8,483)	$(5,848)
Unrealized components of post-retirement benefits	(4,543)	(4,659)
Cumulative translation adjustment	(1,527)	(1,527)
Net unrealized loss on cash flow hedges	(107)	(150)
Net unrealized gain on available-for-sale securities	—	243
Accumulated Other Comprehensive Loss	$(14,660)	$(11,941)

NOTE 10: INCOME TAXES

In the three and six months ended December 25, 2010, the Company recorded an income tax provision of $38.3 million and $96.2 million respectively, compared to an income tax provision of $54.1 million and $104.2 million in the three and six months ended December 26, 2009, respectively.

The Company's federal statutory tax rate is 35%. The Company's income tax provision for the three and six months ended December 25, 2010 was lower than the amount computed by applying the statutory tax rate primarily because of earnings of foreign subsidiaries taxed at lower rates. The income tax provision for the three and six months ended December 25, 2010 also includes a $5.6 million one-time benefit for the retroactive extension of the federal research tax credit to January 1, 2010 by legislation that was signed into law on December 17, 2010.

The Company's income tax provision for the three and six months ended December 26, 2009 was higher than the amount computed by applying the statutory tax rate primarily because of losses of a foreign subsidiary for which no tax benefit is available. These foreign losses represent costs of ongoing research and developmental efforts as well as licensing rights to preexisting intangibles.

During the fiscal quarter ended December 25, 2010, the Internal Revenue service completed its audit of the Company's federal corporate income tax returns for the fiscal years 2007- 2008 and issued a Revenue Agents Report ("RAR"). The Company agreed with the RAR findings and made a payment of $0.8 million that reduced the Company's liability for uncertain tax positions. The resolution of this audit had no impact on the income tax provision for the fiscal quarter ended December 25, 2010 as the Company

18

had adequately provided for all issues in the RAR.

In the third quarter of fiscal year 2011 the Company expects to reduce its liability for unrecognized tax benefits by $67.5 million because of the expiration of the federal statute of limitations for the fiscal years 2004 - 2007. Of this reduction, $36.9 million will be credited to the income tax provision and the remaining $30.6 million will be credited to additional paid in capital.

19

NOTE 11: COMMITMENTS AND CONTINGENCIES

Stock Option Litigation

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

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

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

Other Legal Proceedings

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

Indemnifications

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

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

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

20

Explanation of Responses:

NOTE 12: COMMON STOCK REPURCHASES

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

During the six months ended December 25, 2010, the Company repurchased approximately 6.8 million shares of its common stock for $125.3 million. As of December 25, 2010, the Company had remaining authorization to repurchase up to an additional $199.5 million of the Company's common stock. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and general market and business conditions.

NOTE 13: IMPAIRMENT OF LONG-LIVED ASSETS

End of Line Sorting and Testing Facilities

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

Fabrication Facility, Oregon

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

NOTE 14: RESTRUCTURING ACTIVITIES

Business Unit Reorganization

During the six months ended December 25, 2010, the Company recorded and paid approximately $1.6 million in severance costs associated with the reorganization of one if its business units and to employees from the Teridian acquisition who remained employed for a temporary period following the completion of the acquisition for transitional purposes.

Ireland Sales Operations Restructuring

In fiscal year 2010, the Company recorded approximately $3.0 million in restructuring costs associated with the reorganization of its international sales operations to Ireland.

Shutdown of Dallas Wafer Fabrication Facility

In fiscal year 2010, the Company recorded approximately $1.6 million in restructuring costs associated with the closure of the Dallas, Texas wafer manufacturing facility. These costs consisted of decommissioning of equipment at the facility and estimated severance and benefits associated with employees of the facility.

Change in Estimate

During fiscal year 2010, the Company recognized reversals of expense of approximately $5.3 million related to reductions in estimated benefits costs compared to amounts originally estimated.

21

Activity and liability balances related to the restructuring activity for the six months ended December 25, 2010 were as follows:

	Severance and Benefits (in thousands)
Balance at June 26, 2010	$748
Restructuring accrual	2,258
Cash payments	(2,131)
Changes in estimates	(5)
Balance at December 25, 2010	$870

The Company has included $0.9 million within the line item Accrued salary and related expenses in the Condensed Consolidated Balance Sheets.

NOTE 15: ACQUISITIONS

PHYWORKS

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

The Condensed Consolidated Financial Statements for the three and six months ended December 25, 2010 include the operations of Phyworks commencing as of the acquisition date. No supplemental pro forma information is presented for the acquisition due to the immaterial effect of the acquisition on the Company's results of operations.

TERIDIAN

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

NOTE 16: GOODWILL AND INTANGIBLE ASSETS

Goodwill

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

Activity and goodwill balances for the six months ended December 25, 2010 were as follows:

	Goodwill
Balance at June 26, 2010	$226,223
Acquisition	26,086
Adjustments	(2,532)
Balance at December 25, 2010	$249,777

In the first six months of fiscal year 2011, the Company adjusted the carrying values of certain acquired assets and liabilities primarily related to reserves and allowances, resulting in a reduction in goodwill of approximately $2.5 million.

Intangible Assets

The useful lives of amortizable intangible assets are as follows:

Asset	Life
Intellectual Property	5-10 years
Customer Relationships	5-10 years
Tradename	3 years
Backlog	1 year

Intangible assets consisted of the following:

	December 25, 2010			June 26, 2010		
	Original Cost (in thousands)	Accumulated Amortization	Net	Original Cost	Accumulated Amortization	Net
Intellectual property	$195,712	$48,516	$147,196	$145,262	$33,305	$111,957
Customer relationships	88,630	18,304	70,326	87,030	11,745	75,285
Backlog	6,400	4,975	1,425	4,500	2,350	2,150
Tradename	1,700	597	1,103	1,400	264	1,136
Total amortizable purchased intangible assets	292,442	72,392	220,050	238,192	47,664	190,528
IPR&D*	8,400	—	8,400	4,200	—	4,200
Total purchased intangible assets	$300,842	$72,392	$228,450	$242,392	$47,664	$194,728

* IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When the IPR&D project is complete, it is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life. If an IPR&D project is abandoned, Maxim will record a charge for the value of the related intangible asset to Maxim's Consolidated Statement of Income in the period it is abandoned.

23

The following table presents the amortization expense of intangible assets and its presentation in the Condensed Consolidated Statements of Income:

	Three Months Ended		Six Months Ended	
	December 25, 2010	December 26, 2009	December 25, 2010	December 26, 2009
	(in thousands)			
Cost of goods sold	$7,919	$2,349	$14,268	$4,694
Intangible Asset Amortization	4,447	1,846	10,460	3,690
Total Intangible Asset Amortization Expenses	$12,366	$4,195	$24,728	$8,384

The following table represents the estimated future amortization expense of intangible assets as of December 25, 2010:

Fiscal Year	Amount (in thousands)
Remaining six months of 2011	$24,216
2012	47,310
2013	42,365
2014	35,210
2015	32,903
2016	20,782
Thereafter	17,264
Total	$220,050

24

NOTE 17: LONG-TERM DEBT

On June 17, 2010, the Company completed a public offering of $300 million aggregate principal amount of the Company's 3.45% senior unsecured and unsubordinated notes (the"Notes") due on June 14, 2013, with an effective interest rate of 3.49%. Interest on the Notes is payable semi-annually in arrears on June 14 and December 14 of each year, commencing December 14, 2010. The Notes are governed by a base and supplemental indenture dated June 10, 2010 and June 17, 2010, respectively, between the Company and Wells Fargo Bank, National Association, as trustee. The Company accounts for the Notes based on their amortized cost. The discount and expenses are being amortized to Interest and other (expense) income, net over the life of the Notes. Interest expenses associated with the Notes was $2.8 million and $5.6 million during the three and six months ended December 25, 2010, respectively and is recorded in Interest and other (expense) income, net in the Condensed Consolidated Statements of Income.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company disclaims any duty to and undertakes no obligation to update any forward-looking statement, whether as a result of new information relating to existing conditions, future events or otherwise or to release publicly the results of any future revisions it may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by federal securities laws. Readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Readers should carefully review future reports and documents that the Company files with or furnishes to the SEC from time to time, such as its Annual Reports on Form 10-K (particularly Management's Discussion and Analysis of Financial Condition and Results of Operations), its Quarterly Reports on Form 10-Q (particularly Management's Discussion and Analysis of Financial Condition and Results of Operations) and any Current Reports on Form 8-K.

Overview of Business

Maxim Integrated Products, Inc. ("Maxim" or the "Company" and also referred to as "we," "our" or "us") is incorporated in the state of Delaware. Maxim designs, develops, manufactures and markets a broad range of linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of geographically diverse customers. The Company also provides 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, a great number of product variations and, with respect to many circuit types, relatively long product life cycles. The Company is a global company with wafer manufacturing facilities in the United States, testing facilities in the Philippines and Thailand and sales and circuit design offices throughout the world. The major end-markets in which the Company's products are sold are the communications, computing, consumer and industrial markets.

CRITICAL ACCOUNTING POLICIES

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. The SEC has defined the most critical accounting policies as the ones that are most important to the portrayal of our financial condition and results of operations, and that require us to make our most difficult and subjective accounting judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our most critical accounting policies include revenue recognition and related allowances, which impact the recording of revenues; valuation of inventories, which impacts costs of goods sold and gross margins; the assessment of recoverability of long-lived assets, which impacts write-offs of fixed assets, intangible assets, and goodwill; accounting for stock-based compensation, which impacts cost of goods sold, gross margins and operating expenses; and accounting for income taxes, which impacts the income tax provision; and assessment of contingencies, which impacts charges recorded in cost of goods sold and operating expenses. We have other significant accounting policies that either do not generally require estimates and judgments that are as difficult or subjective, or are less likely to have a material impact on our reported results of operations for a given period.

There have been no material changes during the six months ended December 25, 2010 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended June 26, 2010.

RESULTS OF OPERATIONS

The following table sets forth certain Condensed Consolidated Statements of Income data expressed as a percentage of net revenues for the periods indicated:

	Three Months Ended		Six Months Ended	
	December 25, 2010	December 26, 2009	December 25, 2010	December 26, 2009
Net revenues	100.0 %	100.0 %	100 %	100.0 %
Cost of goods sold	38.0 %	38.4 %	38.1 %	41.1 %
Gross margin	62.0 %	61.6 %	61.9 %	58.9 %
Operating expenses:				
Research and development	21.2 %	24.9 %	20.8 %	25.4 %
Selling, general and administrative	11.8 %	12.6 %	11.6 %	12.3 %
Intangible asset amortization	0.7 %	0.4 %	0.8 %	0.4 %
Impairment of long-lived assets	— %	— %	— %	0.9 %
Severance and restructuring expenses	0.1 %	0.4 %	0.1 %	0.1 %
Other operating expenses (income), net	3.4 %	0.2 %	1.7 %	(1.7)%
Total operating expenses	37.2 %	38.5 %	35.0 %	37.4 %
Operating income	24.8 %	23.1 %	26.9 %	21.5 %
Interest and other (expense) income, net	(0.7)%	0.8 %	(0.6)%	0.6 %
Income before provision for income taxes	24.1 %	23.9 %	26.3 %	22.1 %
Provision for income taxes	6.3 %	11.4 %	7.8 %	11.3 %
Net income	17.8 %	12.5 %	18.5 %	10.8 %

The following table shows stock-based compensation included in the components of the Condensed Consolidated Statements of Income reported above as a percentage of net revenues for the periods indicated:

	Three Months Ended		Six Months Ended	
	December 25, 2010	December 26, 2009	December 25, 2010	December 26, 2009
Cost of goods sold	0.6 %	1.1 %	0.6 %	1.2 %
Research and development	2.3 %	3.1 %	2.4 %	3.4 %
Selling, general and administrative	1.1 %	1.5 %	1.1 %	1.2 %
	4.0 %	5.7 %	4.1 %	5.8 %

Net Revenues

Net revenues were $612.9 million and $473.5 million for the three months ended December 25, 2010 and December 26, 2009, respectively, an increase of 29.4%. Net revenues for the six months ended December 25, 2010 and December 26, 2009, were $1,239.1 million and $922.8 million, respectively, an increase of 34.3%. We classify our net revenue by four major end market categories: Communications, Computing, Consumer and Industrial. Net shipments from all four markets increased during the three and six months ended December 25, 2010 as compared to the corresponding periods ended December 26, 2009 due to improved demand for our products primarily in the Consumer, Industrial and Communications markets.

During the three months ended December 25, 2010 and December 26, 2009, approximately 86% and 85% of net revenues, respectively, were derived from customers outside of the United States. During the six months ended December 25, 2010 and December 26, 2009, approximately 85% of net revenues were derived from customers outside of the United States. While the majority of these sales are denominated in U.S. dollars, we enter into foreign currency forward contracts to mitigate our risks on firm commitments and net monetary assets and liabilities denominated in foreign currencies. The impact of changes in foreign exchange rates on our revenue and results of operations for the three months ended December 25, 2010 and December 26, 2009 was immaterial.

Gross Margin

Our gross margin percentage was 62.0% and 61.6% for the three months ended December 25, 2010 and December 26, 2009, respectively. The gross margin increased primarily due to a product mix with higher margins, improved factory utilization, and lower stock-based compensation as a percentage of revenue. These improvements were offset by a $10.0 million increase in inventory write-downs and a $5.6 million increase in intangible asset amortization.

Our gross margin percentage was 61.9% and 58.9% for the six months ended December 25, 2010 and December 26, 2009, respectively. The gross margin increased primarily due to a product mix with higher margins, improved factory utilization, and lower stock-based compensation as a percentage of revenue. These improvements were offset by a $9.6 million increase in intangible asset amortization and a $6.2 million increase in inventory write-downs.

Research and Development

Research and development expenses were $130.0 million and $118.0 million for the three months ended December 25, 2010 and December 26, 2009, respectively, which represented 21.2% and 24.9% of net revenues, respectively. The $12.0 million increase in research and development expenses was primarily attributable to an increase in salaries and bonuses of $8.8 million, most of which is related to higher bonus levels in connection with increased profitability for the second quarter of fiscal year 2011 and an increase in headcount.

Research and development expenses were $257.8 million and $234.4 million for the six months ended December 25, 2010 and December 26, 2009, respectively, which represented 20.8% and 25.4% of net revenues, respectively. The $23.4 million increase in research and development expenses was primarily attributable to an increase in salaries and bonuses of $20.7 million, most of which is related to higher bonus levels in connection with increased profitability for first six months of fiscal year 2011 and an increase in headcount.

Selling, General and Administrative

Selling, general and administrative expenses were $72.2 million and $59.8 million for the three months ended December 25, 2010 and December 26, 2009, respectively, which represented 11.8% and 12.6% of net revenues, respectively. The $12.4 million increase in selling, general and administrative expenses was primarily attributable to an increase in salaries, bonuses, and benefits of $13.6 million , most of which is related to higher bonus levels in connection with increased profitability for the second quarter of fiscal year 2011 and an increase in headcount.

Selling, general and administrative expenses were $144.3 million and $113.3 million for the six months ended December 25, 2010 and December 26, 2009, respectively, which represented 11.6% and 12.3% of net revenues, respectively. The $31.0 million increase in selling, general and administrative expenses was primarily attributable to an increase in salaries, bonuses, and benefits of $26.0 million most of which is related to higher bonus levels in connection with increased profitability for first six months of fiscal year 2011 and an increase in headcount.

Stock-based Compensation

The following table shows total stock-based compensation expense by type of award, and resulting tax effect, included in the Condensed Consolidated Statements of Income for the six months ended December 25, 2010 and December 26, 2009;

28

Stock-based compensation expense by type of award

	Three Months Ended		Six Months Ended	
	December 25, 2010	December 26, 2009	December 25, 2010	December 26, 2009
	(in thousands)		(in thousands)	
Cost of goods sold				
Stock options	$729	$401	$1,483	$2,416
Restricted stock units	2,637	4,730	5,411	7,808
Employee stock purchase plan	382	134	749	502
	$3,748	$5,265	$7,643	$10,726
Research and development expense				
Stock options	$2,710	$3,625	$7,259	$7,756
Restricted stock units	9,914	9,821	20,128	21,018
Employee stock purchase plan	1,292	1,204	2,634	2,617
	$13,916	$14,650	$30,021	$31,391
Selling, general and administrative expense				
Stock options	$1,659	$2,273	$3,288	$4,022
Restricted stock units	4,847	4,454	10,005	6,832
Employee stock purchase plan	352	291	704	427
	$6,858	$7,018	$13,997	$11,281
Total stock-based compensation expense				
Stock options	$5,098	$6,299	$12,030	$14,194
Restricted stock units	17,398	19,005	35,544	35,658
Employee stock purchase plan	2,026	1,629	4,087	3,546
Pre-tax stock-based compensation expense	24,522	26,933	51,661	53,398
Less: income tax effect	6,954	9,061	14,293	17,078
Net stock-based compensation expense	$17,568	$17,872	$37,368	$36,320

Pre-tax stock-based compensation decreased to $24.5 million during the three months ended December 25, 2010 from $26.9 million during the three months ended December 26, 2009, which represented 4.0% and 5.7% of net revenues, respectively. The decrease in stock-based compensation is attributable to completion of vesting associated with grants issued at higher fair values, offset by issuance of newer grants containing a lower fair value at the time of grant.

Pre-tax stock-based compensation decreased to $51.7 million during the six months ended December 25, 2010 from $53.4 million during the six months ended December 26, 2009, which represented 4.1% and 5.8% of net revenues, respectively. The decrease in stock-based compensation is attributable to completion of vesting associated with grants issued at higher fair values, offset by issuance of newer grants containing a lower fair value at the time of grant.

Intangible Asset Amortization Expenses

Intangible asset amortization expenses were $4.4 million and $1.8 million for the three months ended December 25, 2010 and December 26, 2009, respectively. Intangible asset amortization expenses were $10.5 million and $3.7 million for the six months ended December 25, 2010 and December 26, 2009, respectively. The increases in intangible asset amortization expenses is primarily attributable to the acquisition of Phyworks in the first quarter of fiscal year 2011 and the acquisition of Teridian in the fourth quarter of fiscal year 2010.

Impairment of Long-lived Assets

The year to date decline in impairment charges of $8.3 million relates to a $5.0 million End of Line Sorting and Testing Facilities equipment write-down to its estimated fair value and a $3.3 million write-down of Oregon fabrication facility equipment that occurred during the six months ended December 26, 2009. (For more information on our impairment of long-lived assets, see

29

Note 13 to the Condensed Consolidated Financial Statements in Item 1).

Severance and Restructuring Expenses

Business Unit Reorganization

During the six months ended December 25, 2010, the Company recorded and paid approximately $1.6 million in severance costs associated with the reorganization of one if its business units and to employees from the Teridian acquisition who remained employed for a temporary period following the completion of the acquisition for transitional purposes.

Ireland Sales Operations Restructuring

During the six months ended December 26, 2009, the Company recorded approximately $2.7 million in restructuring costs associated with the reorganization of its international sales operations to Ireland.

Shutdown of Dallas Wafer Fabrication Facility

During the six months ended December 26, 2009, the Company recorded approximately $1.6 million in restructuring costs associated with the closure of the Dallas, Texas wafer manufacturing facility. These costs consisted of decommissioning of equipment at the facility and estimated severance and benefits associated with employees of the facility.

Change in Estimate

During the six months ended December 26, 2009, the Company recognized reversals of expense of approximately $3.8 million related to reductions in estimated benefits costs compared to amounts originally estimated.

Other Operating Expenses (Income), Net

The following table summarizes activities for the three and six months ended December 25, 2010 and December 26, 2009:

	Three Months Ended		Six Months Ended	
	December 25, 2010	December 26, 2009	December 25, 2010	December 26, 2009
	(in thousands)		(in thousands)	
Legal expenses	$6,664	$2,735	$7,599	$8,477
Loss on sale of Sunnyvale headquarters	14,283	—	14,283	—
Payroll tax and related adjustments	153	(1,814)	(749)	(8,043)
Derivative litigation settlement	—	—	—	(16,419)
Other	—	—	—	21
Total	$21,100	$921	$21,133	$(15,964)

The Company's legal expenses increased by $3.9 million during the three months ended December 25, 2010 as compared to the three months ended December 26, 2009. The increase relates to legal settlements and related legal expenses offset by a decrease of $2.2 million in restatement related legal fees, primarily due to decreased indemnification related legal fees and legal fees associated with the settlement of the derivative litigation during the second quarter of fiscal year 2010. The Company's legal expenses decreased by $0.9 million during the six months ended December 25, 2010 as compared to the six months ended December 26, 2009. The decrease relates mainly to lower restatement related legal fees, primarily due to decreased indemnification related legal fees and legal fees associated with the settlement of the derivative litigation during the first six months of fiscal year 2010.

Maxim will be relocating its headquarters from the current site in Sunnyvale, California to a newly purchased site in San Jose, California. During the three months ended December 25, 2010, the Company sold and leased back its current headquarter facilities and recognized a loss of $14.3 million in connection with this transaction. The Company received proceeds from this sale of $24.0 million. Additionally, the Company purchased for $19.6 million its future headquarter facilities which is expected to be ready for occupancy in fiscal year 2012.

As a result of the Company's investigation into its equity awards, the Company recorded certain U.S. and foreign payroll tax, interest and penalty accruals in prior years. These accruals are being reversed upon the expiration of the tax statute of limitations in various foreign jurisdictions. The increase for the three months ended December 25, 2010 is due to additional interest and penalties recorded combined with the absence of statute of limitations expirations.

During the six months ended December 26, 2009 the company also recognized $16.4 million in income attributable to gains directly related to proceeds received associated with the settlement of the derivative litigation during the first quarter of fiscal year 2010. (For more information on contingencies, see Note 11 to the Condensed Consolidated Financial Statements in Item 1).

Interest and Other (Expense) Income, Net

Interest and other (expense) income, net, was $(4.1) million and $3.6 million for the three months ended December 25, 2010 and December 26, 2009, respectively. This increase in expense, was primarily driven by increased foreign exchange losses of $2.8 million, increased interest expenses of $2.7 million related to long-term debt obligations and decreased interest income of $0.8 million due to lower average invested cash and cash equivalents and lower average interest rates.

Interest and other (expense) income, net, was $(7.8) million and $5.5 million for the six months ended December 25, 2010 and December 26, 2009, respectively. This increase in expense, was primarily driven by increased interest expenses of $5.6 million related to long-term debt obligations, increased foreign exchange losses of $4.8 million, and decreased interest income of $1.8 million due to lower average invested cash and cash equivalents and lower average interest rates .

Provision for Income Taxes

In the three and six months ended December 25, 2010, the Company recorded an income tax provision of $38.3 million and $96.2 million respectively, compared to an income tax provision of $54.1 million and $104.2 million in the three and six months ended December 26, 2009, respectively.

The Company's federal statutory tax rate is 35%. The Company's income tax provision for the three and six months ended December 25, 2010 was lower than the amount computed by applying the statutory tax rate primarily because of earnings of foreign subsidiaries taxed at lower rates. The income tax provision for the three and six months ended December 25, 2010 also includes a $5.6 million one-time benefit for the retroactive extension of the federal research tax credit to January 1, 2010 by legislation that was signed into law on December 17, 2010.

The Company's income tax provision for the three and six months ended December 26, 2009 was higher than the amount computed by applying the statutory tax rate primarily because of losses of a foreign subsidiary for which no tax benefit is available. These foreign losses represent costs of ongoing research and developmental efforts as well as licensing rights to preexisting intangibles.

We expect that our effective tax rate for the remainder of the fiscal year 2011 will be lower than 35% as the Company's new global structure becomes fully operational. However, the effective tax rate could be adversely impacted should the expected tax benefits from the new global structure occur later than expected or be lower than expected, which could have a material adverse impact on our results of operations.

During the fiscal quarter ended December 25, 2010, the Internal Revenue service completed its audit of the Company's federal corporate income tax returns for the fiscal years 2007- 2008 and issued a Revenue Agents Report ("RAR"). The Company agreed with the RAR findings and made a payment of $0.8 million that reduced the

Company's liability for uncertain tax positions. The resolution of this audit had no impact on the income tax provision for the fiscal quarter ended December 25, 2010 as the Company had adequately provided for all issues in the RAR.

In the third quarter of fiscal year 2011 the Company expects to reduce its liability for unrecognized tax benefits by $67.5 million because of the expiration of the federal statute of limitations for the fiscal years 2004 - 2007. Of this reduction, $36.9 million will be credited to the income tax provision and the remaining $30.6 million will be credited to additional paid in capital.

BACKLOG

At December 25, 2010, backlog was approximately $512 million. The Company's backlog at the end of the fiscal quarter ended September 25, 2010 was approximately $595 million. Our backlog is subject to revisions, cancellations and rescheduling which could have a material impact on the timing and extent of our revenues and is not indicative of revenue projections for subsequent fiscal quarters.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company anticipates that the available funds and cash generated from operations will be sufficient to meet the requirements of its business for the next twelve months, including its working capital requirements, its anticipated level of capital expenditures and common stock repurchases.

Financial condition

Cash flows were as follows:

	Six Months Ended December 25, 2010	December 26, 2009
	(in thousands)	
Net cash provided by operating activities	$358,483	$169,476
Net cash (used in) provided by investing activities	(145,455)	43,883
Net cash used in financing activities	(241,196)	(185,185)
Net (decrease) increase in cash and cash equivalents	$(28,168)	$28,174

Operating activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain assets and liabilities.

Cash from operations for the six months ended December 25, 2010 increased by approximately $189.0 million compared with the six months ended December 26, 2009. This is due to increases in net income of $126.6 million, a reduction in the receivables balance over the six months ended December 25, 2010 as compared to an increase in the corresponding period and increases of $77.5 million and $28.0 million relating to deferred tax provision and depreciation and amortization expenses, respectively. These increases were offset by the payment of $173.0 million related to the litigation settlement. (For more information on contingencies, see Note 11 to the Condensed Consolidated Financial Statements in Item 1).

Investing activities

Investing cash flows consist primarily of capital expenditures, net investment purchases and maturities ,and acquisitions.

Cash used in investing activities increased by $189.3 million for the six months ended December 25, 2010 compared with the six months ended December 26, 2009. The increase is primarily due to maturity of short-term investments of $100.2 million during the six months ended December 26, 2009, as the Company shifted its investment portfolio to money market funds, and cash used for acquisitions, which increased to $73.1 million during the six months ended December 25, 2010 as compared with $4.0 million during the six months ended December 26, 2009. Additionally, a capital expenditures increase of $42.8 million contributed to the increase in cash used in investing activities.

Financing activities

Financing cash flows consist primarily of repurchases of common stock, payment of dividends to stockholders and withholding tax payments associated with net share settlements of equity awards.

Net cash used in financing activities increased by approximately $56.0 million for the six months ended December 25, 2010 compared with the six months ended December 26, 2009. This increase was primarily due to an increase in repurchases of common stock of $60.8 million.

CAPITAL RESOURCES

Debt Levels

On June 17, 2010, we completed a public offering of $300 million aggregate principal amount of the Company's 3.45% senior unsecured and unsubordinated notes (the"Notes") due on June 14, 2013, with an effective interest rate of 3.49%. Interest on the Notes is payable semi-annually in arrears on June 14 and December 14 of each year.

Off-Balance-Sheet Arrangements

As of December 25, 2010, the Company did not have any material off-balance-sheet arrangements, as defined in Item 303 (a)(4)(ii) of SEC Regulation S-K.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk has not changed materially from the interest rate and foreign currency risks disclosed in Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 2010.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer ("CEO") and our chief financial officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of December 25, 2010. Our management, including the CEO and the CFO, has concluded that the Company's disclosure controls and procedures were effective as of December 25, 2010. The purpose of these controls and procedures is to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, and that such information is accumulated and communicated to our management, including our CEO and our CFO, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the three months ended December 25, 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Internal Controls

A system of internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP and no control system, no matter how well designed and operated, can provide absolute assurance. The design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of its inherent limitations, internal control over financial reporting may not prevent or detect financial statement errors and misstatements. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

The information set forth above under Part I, Item 1, Note 11 to the Condensed Consolidated Financial Statements is incorporated herein by reference.

ITEM 1A: RISK FACTORS

A description of risks associated with our business, financial condition and results of our operations is set forth in Item 1A - Risk Factors of our Annual Report on Form 10-K for the fiscal year ended June 26, 2010, which is incorporated herein by reference.

33

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table summarizes the activity related to stock repurchases for the three months ended December 25, 2010:

Issuer Repurchases of Equity Securities
(in thousands, except per share amounts)

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount That May Yet Be Purchased Under the Plans or Programs
Sep. 26, 2010 - Oct. 23, 2010	700	$18.38	700	$227,456
Oct. 24, 2010 - Nov. 20, 2010	525	21.15	525	216,352
Nov. 21, 2010 - Dec. 25, 2010	675	23.93	675	199,486
Total for the quarter	1,900	$21.49	1,900	$199,486

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

In the fiscal quarter ended December 25, 2010, the Company repurchased approximately 1.9 million shares of its common stock for approximately $40.8 million. As of December 25, 2010, the Company had remaining authorization to repurchase up to an additional $199.5 million of the Company's common stock. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and general market and business conditions.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4: RESERVED

Not applicable.

ITEM 5: OTHER INFORMATION

Not applicable.

ITEM 6: EXHIBITS

(a) Exhibits

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Income for the three and six months ended December 25, 2010, (ii) Condensed Consolidated Balance Sheets at December 25, 2010 and June 26, 2010, (iii) Condensed Consolidated Statements of Cash Flows for the three and six months ended December 25, 2010 and (iv) Notes to Condensed Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

January 21, 2011

MAXIM INTEGRATED PRODUCTS, INC.

By:/s/ David A. Caron

David A. Caron
Vice President and Principal Accounting Officer

36