SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2010.

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 0-21184

MICROCHIP TECHNOLOGY INCORPORATED
(Exact Name of Registrant as Specified in Its Charter)

Delaware	86-0629024
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

2355 W. Chandler Blvd., Chandler, AZ 85224-6199
(480) 792-7200
(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's
Principal Executive Offices)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check One)

Yes o No x

Shares Outstanding of Registrant's Common Stock

Class	Outstanding at January 31, 2011
Common Stock, $0.001 par value	188,422,764 shares

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

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Item 1. Financial Statements

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

ASSETS

	December 31, 2010	March 31, 2010
Cash and cash equivalents	$ 500,616	$ 492,130
Short-term investments	690,568	722,193
Accounts receivable, net	187,267	137,806
Inventories	177,705	116,579
Prepaid expenses	20,968	13,068
Deferred tax assets	107,617	77,810
Assets held for sale	1,109	---
Other current assets	52,594	51,383
Total current assets	1,738,444	1,610,969
Property, plant and equipment, net	528,215	493,039
Long-term investments	381,832	317,215
Goodwill	59,457	40,338
Intangible assets, net	79,074	35,527
Other assets	41,704	19,225
Total assets	$ 2,828,726	$ 2,516,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 66,070	$ 44,238
Accrued liabilities	91,180	60,211
Deferred income on shipments to distributors	142,685	98,941
Total current liabilities	299,935	203,390
Junior convertible debentures	345,581	340,672
Long-term income tax payable	106,201	57,140
Deferred tax liability	415,807	376,713
Other long-term liabilities	11,257	5,018
Stockholders' equity:		
Preferred stock, $0.001 par value; authorized 5,000,000 shares; no shares issued or outstanding	---	---
Common stock, $0.001 par value; authorized 450,000,000 shares; 218,789,994 shares issued and 188,305,939 shares outstanding at December 31, 2010; 218,789,994 shares issued and 185,329,144 shares outstanding at March 31, 2010	188	185
Additional paid-in capital	1,268,449	1,276,822

Retained earnings	1,303,311	1,266,699
Accumulated other comprehensive income	2,774	3,032
Common stock held in treasury: 30,484,055 shares at December 31, 2010; 33,460,850 shares at March 31, 2010	(924,777)	(1,013,358)
Total stockholders' equity	1,649,945	1,533,380
Total liabilities and stockholders' equity	$ 2,828,726	$ 2,516,313

See accompanying notes to condensed consolidated financial statements

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MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Net sales	$ 367,824	$ 250,099	$ 1,107,220	$ 669,709
Cost of sales (1)	151,427	104,103	458,375	303,938
Gross profit	216,397	145,996	648,845	365,771
Operating expenses:				
Research and development (1)	42,198	30,332	126,448	87,536
Selling, general and administrative (1)	56,100	43,096	170,896	120,525
Special charges	646	---	1,679	1,238
	98,944	73,428	299,023	209,299
Operating income	117,453	72,568	349,822	156,472
Gains on equity method investments	280	---	185	---
Other income (expense):				
Interest income	3,955	4,946	12,371	12,727
Interest expense	(7,672)	(7,763)	(23,456)	(23,312)
Other, net	375	128	1,747	7,929
Income from continuing operations before income taxes	114,391	69,879	340,669	153,816
Income tax provision	12,461	476	42,114	12,560
Net income from continuing operations	101,930	69,403	298,555	141,256
Discontinued operations:				
Loss from discontinued operations before income taxes	(1,317)	---	(5,372)	---
Income tax benefit	(163)	---	(239)	---
Net loss from discontinued operations	(1,154)	---	(5,133)	---
Net income	$ 100,776	$ 69,403	$ 293,422	$ 141,256
Basic net income per common share – continuing operations	$ 0.54	$ 0.38	$ 1.60	$ 0.77
Basic net loss per common share – discontinued operations	(0.01)	---	(0.03)	---
Basic net income per common share	$ 0.54	$ 0.38	$ 1.57	$ 0.77
Diluted net income per common share – continuing operations	$ 0.52	$ 0.37	$ 1.55	$ 0.76

Diluted net loss per common share – discontinued operations	(0.01)	---	(0.03)	---
Diluted net income per common share	$ 0.51	$ 0.37	$ 1.53	$ 0.76
Dividends declared per common share	$ 0.689	$ 0.340	$ 1.374	$ 1.018
Basic common shares outstanding	187,488	183,856	186,444	183,301
Diluted common shares outstanding	196,255	187,861	192,344	186,770
(1) Includes share-based compensation expense as follows:				
Cost of sales	$ 1,708	$ 1,266	$ 5,416	$ 4,845
Research and development	3,324	3,108	9,516	9,205
Selling, general and administrative	4,377	4,463	12,853	13,285

See accompanying notes to condensed consolidated financial statements

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine months ended December 31, 2010	2009
Cash flows from operating activities:		
Net income	$293,422	$141,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,153	67,735
Deferred income taxes	17,380	17,555
Share-based compensation expense related to equity incentive plans	27,785	27,335
Excess tax benefit from share-based compensation	(1,240)	(2,050)
Convertible debt derivatives - revaluation and amortization	(192)	154
Amortization of convertible debenture issuance costs	165	302
Amortization of debt discount on convertible debentures	5,101	4,662
Gains on equity method investments	(185)	---
Gain on sale of assets	(89)	(100)
Unrealized impairment loss on available-for-sale investments	1,263	2,170
Special charge	---	1,238
Sales of trading securities, net	---	86,970
Gain on trading securities	---	(7,425)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(3,016)	(25,238)
(Increase) decrease in inventories	(20,779)	19,216
Increase in deferred income on shipments to distributors	41,422	13,652
(Decrease) increase in accounts payable and accrued liabilities	(19,279)	14,600
Change in other assets and liabilities	8,213	(18,013)
Net cash provided by operating activities	430,124	344,019
Cash flows from investing activities:		
Purchases of available-for-sale investments	(859,307)	(1,311,946)
Sales and maturities of available-for-sale investments	838,995	1,083,146
Purchase of Silicon Storage Technology, Inc., net of cash received	(112,707)	---
Investment in other assets	(14,843)	(5,975)
Proceeds from sale of assets	30,559	100
Capital expenditures	(100,114)	(28,416)
Net cash used in investing activities	(217,417)	(263,091)
Cash flows from financing activities:		
Payment of cash dividend	(256,808)	(186,594)
Proceeds from sale of common stock	51,347	18,578
Excess tax benefit from share-based compensation	1,240	2,050
Net cash used in financing activities	(204,221)	(165,966)
Net increase (decrease) in cash and cash equivalents	8,486	(85,038)
Cash and cash equivalents at beginning of period	492,130	446,329
Cash and cash equivalents at end of period	$500,616	$361,291

See accompanying notes to condensed consolidated financial statements

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Microchip Technology Incorporated and its wholly-owned subsidiaries (the Company). All intercompany balances and transactions have been eliminated in consolidation. The Company owns 100% of the outstanding stock in all of its subsidiaries.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. With the exception of certain adjustments associated with the acquisition of Silicon Storage Technology, Inc. (SST), all such adjustments are, in the opinion of management, of a normal recurring nature. Certain information and footnote disclosures normally included in audited consolidated financial statements have been condensed or omitted pursuant to such SEC rules and regulations. It is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2010. The results of operations for the nine months ended December 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2011 or for any other period.

As further discussed in Note 3, on April 8, 2010, the Company completed its acquisition of SST and the Company's fiscal 2011 financial results include SST's results beginning April 9, 2010.

(2) Adopted and Recently Issued Accounting Pronouncements

The Company adopted the provisions of Accounting Standards Codification (ASC) 810-10 (previously included in Financial Accounting Standard 167) on April 1, 2010. The Company noted no arrangements at April 1, 2010 which would be within the scope of ASC 810-10. Upon completing the acquisition of SST, the Company evaluated whether any of SST's relationships with other entities would result in those entities being consolidated under the variable-interest accounting guidance. Based on the Company's evaluation, this guidance had no impact on the Company's financial position, results of operations or cash flows.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2009-13, Multiple Deliverable Revenue Arrangements (codified in ASC 605-25) in October 2009. This guidance is effective for fiscal periods beginning on or after June 15, 2010, with early adoption permitted. The new revenue recognition guidance is for arrangements that include both software and non-software related deliverables. This guidance requires entities to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of VSOE or other third party evidence of the selling price. Additionally, the guidance modifies the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

(3) Acquisition of Silicon Storage Technology, Inc.

On April 8, 2010, the Company acquired SST, a public company based in Sunnyvale, California, in a merger transaction for $3.05 per share, or a total of $353.8 million, which included $295.4 million of cash consideration for the outstanding shares of SST common stock, and $58.4 million of SST shares acquired by the Company on March 8, 2010. The fair value of the SST shares held by the Company on April 8, 2010 was equal to the fair value at March 8, 2010, the date the shares were acquired, and the Company did not recognize any gain or loss on such shares. The SST business acquired included a variety of different business units including a licensing business focused on opportunities in the embedded control market, a microcontroller business, a variety of memory businesses and a Wi-Fi business. The Company's primary reason for this acquisition was to gain access to SST's SuperFlash® technology and extensive patent portfolio, which it believes are critical building blocks for advanced microcontrollers.

The acquisition was accounted for under the acquisition method of accounting, with the Company identified as the acquirer, and the operating results of SST have been included in the Company's condensed consolidated financial statements as of the effective date of the acquisition. Under the acquisition method of accounting, the total purchase price was allocated to SST's net tangible assets and intangible assets based on their estimated fair values as of April 8, 2010. The excess purchase price over the value of the net tangible assets and intangible assets was recorded to goodwill. The Company has not completed its allocation of goodwill to its reporting segments.

None of the goodwill related to the SST acquisition is deductible for tax purposes. The Company retained an independent third-party appraiser to assist management in its valuation; however, the purchase price allocation has not been finalized. Completion of the valuation could result in adjustments to the carrying value of the assets acquired and liabilities assumed, the useful lives of intangible assets and residual amount allocated to goodwill. The remaining areas of the purchase price allocation may be subject to change as the allocation relates to accrued liabilities, deferred tax assets and long-term income taxes payable, purchased intangible assets and goodwill. The preliminary allocation of the purchase price is based on the best estimates of management and is subject to revision based on the final valuations and estimates of useful lives.

The table below represents the preliminary allocation of the purchase price to the acquired net assets based on their estimated fair values as of April 8, 2010, as well as the associated estimated useful lives of the acquired intangible assets at that date. There were no changes to the purchase price allocation in the three months ended December 31, 2010.

	April 8, 2010 (in thousands)
Assets acquired	
Cash and cash equivalents	$ 182,735
Short-term investments	12,069
Accounts receivable, net	44,820
Inventories	39,962
Deferred tax assets	22,899
Other current assets	6,877
Long-term investments	54,342
Property, plant and equipment, net	6,623
Non-marketable equity investments	27,372
Other assets	3,634
Goodwill	9,017
Purchased intangible assets	50,930
Assets held for sale	23,761
Total assets acquired	485,041
Liabilities assumed	
Accounts payable	(28,906)
Accrued liabilities	(40,914)
Deferred income on shipments to distributors	(2,322)
Long-term income tax payable	(36,466)
Deferred tax liability	(17,599)
Other liabilities	(4,990)
Total liabilities assumed	(131,197)
Purchase price allocated	$ 353,844

Purchased Intangible Assets	Useful Life	April 8, 2010

	(in years)	(in thousands)
Core/developed technology	5-10	$ 32,900
In-process research and development	10	900
Trademarks and trade names	5	1,730
Customer-related	10	13,100
Backlog	1	2,300
		$ 50,930

As of the date of acquisition, the gross contractual amount of trade accounts receivable acquired was $44.8 million.

Purchased intangible assets include core and developed technology, in-process research and development, trademarks and trade names, customer-related intangibles and acquisition-date backlog. The preliminary estimated fair values of the core and developed technology and in-process research and development were determined based on the present value of the expected cash flows to be generated by the respective existing technology or future technology. The core and developed technology intangible assets are being amortized on a technology-by-technology basis with the amortization recorded for each technology commensurate with the expected cash flows used in the initial determination of fair value. In-process research and development is capitalized until such time the related projects are completed or abandoned at which time the capitalized amounts will begin to be amortized or written off.

Trademarks and trade names include SST's corporate trade name as well as the SuperFlash trademark. The preliminary estimated fair value of the trademarks and trade names was determined based on the income approach, using the relief from royalty methodology. Trademarks and trade names are being amortized using the straight-line method, which management believes is materially consistent with the pattern of benefit to be realized by these assets.

Customer-related intangible assets consist of SST's contractual relationships and customer loyalty related to the distributor and end-customer relationships, and the preliminary fair values of the customer-related intangibles were determined based on the projected revenues for the licensing entity and the microcontroller entity. An analysis of expected attrition and revenue growth for existing customers was prepared from SST's historical customer information. A similar analysis was performed for the acquired intangible assets related to the business units held for sale. Customer relationships are being amortized in a manner consistent with the estimated cash flows associated with the existing customers and anticipated retention rates. Backlog relates to the value of orders not yet shipped by SST at the acquisition date, and the preliminary fair values were based on the estimated profit associated with those orders. Backlog related assets are being recognized commensurate with recognition of the revenue for the orders on which the backlog intangible assets were determined. Amortization expense associated with acquired intangible assets is not deductible for tax purposes. Thus, approximately $2.0 million was established as a net deferred tax liability for the future amortization of the intangible assets.

Contingent liabilities were recorded in the amount of $13.0 million, as an adverse outcome was determined to be probable and estimable at the acquisition date. The Company was not able to determine the fair value of these contingencies, and as such, the amount recorded reflects the Company's estimate of the outcome of these matters. At December 31, 2010, there were no changes to the amount recognized at the acquisition date related to these contingencies. The amount recorded is presented within accrued liabilities.

The amount of continuing SST revenue and earnings included in the condensed consolidated statements of income for the period April 9, 2010 to September 30, 2010 was $114.9 million and $17.4 million, respectively. The amount of continuing SST revenue included in the condensed consolidated statements of income for the three months ended December 31, 2010 was $56.8 million. The amount of continuing SST revenue included in the condensed consolidated statements of income for the period April 9, 2010 to December 31, 2010 was $171.7 million. The operations of SST have been fully integrated into the Company’s operations as of October 1, 2010 and as such, cost of sales and operating expenses were no longer segregated in the three months ended December 31, 2010.

The following unaudited pro-forma consolidated results of operations for the three and nine-month periods ended December 31, 2010 and 2009, assume the SST acquisition occurred as of April 1 of each year and have been restated for the operations of SST that have been discontinued. The pro-forma results of operations are presented for informational purposes only and are not indicative of the results of operations that would have been achieved if the acquisition had taken place on April 1, 2010 and April 1, 2009 or of results that may occur in the future (amounts in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2010	2009	2010	2009
Total revenue	$ 367,824	$ 313,959	$ 1,114,742	$ 844,432
Net income	101,930	70,353	299,182	130,321
Basic earnings per share	$ 0.54	$ 0.38	$ 1.60	$ 0.71
Diluted earnings per share	$ 0.52	$ 0.37	$ 1.56	$ 0.70

(4) Discontinued Operations and Assets Held for Sale

Discontinued operations includes the following product families that were acquired in the acquisition of SST: NAND Drives, NAND controllers, Smart Card ICs, Combo Memory, Concurrent SuperFlash, Small-Sector Flash and many-time Programmable Flash memories and certain serial NOR Flash products from 512K to 64MB density in the geographic regions of Taiwan, China, Hong Kong, Singapore, Malaysia, Thailand, Indonesia, Vietnam and Philippines. These product lines have been marketed for sale since the acquisition of SST on April 8, 2010 based on management's decision regarding them not being a strategic fit into the Company's product portfolio. On May 21, 2010, the Company completed a transaction to sell the NAND Drives, NAND controllers, Smart Card ICs, Combo Memory, Concurrent SuperFlash, Small-Sector Flash and many-time Programmable Flash memories to Greenliant Systems Ltd. The sale price in this transaction was determined by management to represent fair value, and accordingly, no gain or loss was recognized on the sale of the net assets. In this sale, the Company disposed of approximately $23.6 million of assets held for sale, primarily comprised of inventory, property, plant and equipment, intangible assets and non-marketable securities. On July 8, 2010, the Company granted an exclusive limited license for the manufacture of certain Serial NOR-Flash products to Professional Computer Technology, Ltd. ("PCT"). The license to PCT is limited to the industry segments of optical disc drives, set top boxes, electronic books, video games, digital displays, DVD player/recorder, notebook computers, netbooks, desktop computers, PC monitors, mass storage devices, printers/scanners/copiers/faxes, PC-CAM, point of sale devices, graphic cards, servers/clients/workstations, and mobile phones. PCT has no license to sell these products to any other industry segment or geographic region other than those listed above. Certain multi-national customers are excluded from this license.

For financial statement purposes, the results of operations for these discontinued businesses have been segregated from those of the continuing operations and are presented in the Company's condensed consolidated financial statements as discontinued operations and the net assets of the remaining discontinued business have been presented as assets held for sale.

At the time of the acquisition, the Company determined that it would hold SST's SuperFlash Memory and RF businesses as assets held for sale, in addition to other businesses that the Company has sold since the acquisition date. After operating the SST business for two quarters, the Company found synergies between SST's RF business and the Company's wireless, microcontroller and analog businesses. On the memory side, after divesting the low margin business to PCT, the Company had substantially improved the gross margin for the rest of the SuperFlash Memory business. The Company also determined that running some volume on the memory business is critical to proving out the SuperFlash technology before it can be licensed. As a result, the Company decided to integrate the SuperFlash Memory and RF businesses of SST into the ongoing businesses of the Company during the second quarter of fiscal 2011.

The results of discontinued operations for the three and nine months ended December 31, 2010 are as follows (in thousands):

	Three Months Ended December 31, 2010	Nine Months Ended December 31, 2010
Net sales	$ 364	$ 25,177
Cost of sales	1,681	26,873
Operating expenses	---	3,676
Income tax benefit	(163)	(239)
Net loss from discontinued operations	$ (1,154)	$ (5,133)

In the three months and nine months ended December 31, 2010, the Company had inventory write-downs of approximately $1.3 million and $3.6 million, respectively, related to discontinued operations.

Assets held for sale as of December 31, 2010 include a building in Macao being actively marketed for sale with a net book value of $1.1 million.

(5) Special Charges

During the three and nine months ended December 31, 2010, the Company incurred $0.6 million and $1.7 million, respectively, of severance-related and office closing costs associated with the acquisition of SST. See Note 3 for more information related to this acquisition.

During the nine months ended December 31, 2009, the Company agreed to the terms of a patent license with an unrelated third-party and signed an agreement on July 9, 2009. The patent license settled alleged infringement claims. The total payment made to the third-party in July 2009 was $1.4 million, $1.2 million of which was expensed in the first quarter of fiscal 2010 and the remaining $0.2 million was recorded as a prepaid royalty that was amortized over the remaining life of the patent, which expired in June 2010.

(6) Segment Information

In connection with the acquisition of SST, the Company re-evaluated its segment reporting, based on the nature of the products and services provided to customers, and the information provided to the Company's chief operating decision maker. Based on that evaluation, the Company determined its reporting segments include semiconductor products and technology licensing. The technology licensing segment is a result of the acquisition of SST, and thus for the three and nine months ended December 31, 2009, net sales and gross profit are solely attributable to the semiconductor product segment. The Company does not allocate operating expenses, interest income, interest expense, other income or expense, or provision for or benefit from income taxes to these segments for internal reporting purposes, as the Company does not believe that allocating these expenses is beneficial in evaluating segment performance. Additionally, the Company does not allocate assets to segments for internal reporting purposes as it does not manage its segments by such metrics.

The following table represents revenues and gross profit for each segment (in thousands):

	Three Months Ended December 31, 2010		Nine Months Ended December 31, 2010	
	Net Sales	Gross Profit	Net Sales	Gross Profit
Semiconductor products	$ 348,766	$ 198,347	$ 1,055,532	$ 600,179
Technology licensing	19,058	18,050	51,688	48,666
	$ 367,824	$ 216,397	$ 1,107,220	$ 648,845

(7) Investments

The Company's investments are intended to establish a high-quality portfolio that preserves principal, meets liquidity needs, avoids inappropriate concentrations, and delivers an appropriate yield in relationship to the Company's investment guidelines and market conditions. The following is a summary of available-for-sale and marketable equity securities at December 31, 2010 (amounts in thousands):

	Available-for-sale Securities			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency bonds	$ 466,548	$ 282	$ 329	$ 466,501
Municipal bonds	36,812	32	38	36,806
Auction rate securities	12,889	---	---	12,889
Corporate bonds and debt	498,230	4,899	482	502,647
Marketable equity securities	56,446	9	2,898	53,557
	$ 1,070,925	$ 5,222	$ 3,747	$ 1,072,400

The following is a summary of available-for-sale and trading securities at March 31, 2010 (amounts in thousands):

	Available-for-sale Securities			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency bonds	$ 389,801	$ 215	$ 622	$ 389,394
Municipal bonds	156,415	1,290	---	157,705
Auction rate securities	14,151	---	---	14,151
Marketable equity securities	58,402	---	---	58,402
Corporate bonds	392,108	2,983	235	394,856
	$ 1,010,877	$ 4,488	$ 857	$ 1,014,508

	Trading Securities			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
ARS	$ 23,086	$ ---	$ ---	$ 23,086

Put option on ARS	1,814	---	---	1,814
	$ 24,900	$ ---	$ ---	$ 24,900

At December 31, 2010, the Company's available-for-sale debt securities, and marketable equity securities are presented on the condensed consolidated balance sheets as short-term investments of $690.6 million and long-term investments of $381.8 million. At March 31, 2010, the Company’s available-for-sale debt securities, marketable equity securities and trading securities are presented on the condensed consolidated balance sheets as short-term investments of $722.2 million and long-term investments of $317.2 million.

At December 31, 2010, $12.9 million of the fair value of the Company's investment portfolio was invested in auction rate securities (ARS). With the continuing liquidity issues in the global credit and capital markets, the Company's ARS have experienced multiple failed auctions from September 2007 through the date of this report. While the Company continues to earn interest on these investments based on a pre-determined formula with spreads tied to particular interest rate indices, the estimated market value for these ARS no longer approximates the original purchase value.

The fair value of the failed ARS of $12.9 million has been estimated based on market information and estimates determined by management and could change significantly based on market conditions. The Company evaluated the impairments in the value of these ARS, determining its intent to sell these securities prior to the recovery of its amortized cost basis resulted in the securities being other-than-temporarily impaired and has recognized impairment charges on these investments of $0.4 million and $1.3 million, respectively, in the three and nine months ended December 31, 2010, and impairment charges on these investments of $0.5 million and $2.2 million, respectively, in the three and nine months ended December 31, 2009.

The Company believes that, based on its current unrestricted cash, cash equivalents and short-term investment balances, the current lack of liquidity in the credit and capital markets for ARS will not have a material impact on its liquidity, cash flow or ability to fund its operations.

At December 31, 2010, the Company evaluated its investment portfolio and noted unrealized losses of $0.9 million on its debt securities, which were due to fluctuations in interest rates and credit market conditions. Management does not believe any of the unrealized losses represent other-than-temporary impairment based on its evaluation of available evidence as of December 31, 2010, except for the ARS described above. The Company's intent is to hold these investments until these assets are no longer impaired. For those investments not scheduled to mature until after December 31, 2010, such recovery is not anticipated to occur in the next year and these investments have been classified as long-term investments.

The amortized cost and estimated fair value of the available-for-sale securities at December 31, 2010, by maturity, excluding marketable equity securities of $53.6 million and corporate debt of $3.5 million, which have no contractual maturity, are shown below (amounts in thousands). Expected maturities can differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties, and the Company views its available-for-sale securities as available for current operations.

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale				
Due in one year or less	$ 161,975	$ 1,008	$ ---	$ 162,983
Due after one year and through five years	836,115	4,205	849	839,471
Due after five years and through ten years	---	---	---	---
Due after ten years	12,889	---	---	12,889
	$ 1,010,979	$ 5,213	$ 849	$ 1,015,343

During the three and nine months ended December 31, 2010 and the nine months ended December 31, 2009, the Company had an immaterial amount of realized gains and losses from sales of available-for-sale securities. During the three months ended December 31, 2009, the Company had no realized gains or losses from sales of available-for-sale securities.

Marketable Equity Investments

The Company acquired investments in public companies as part of the SST acquisition valued at $47.1 million at the time of acquisition. These public companies are listed on the Taiwan Stock Exchange and include: King Yuan Electronics Company Limited (KYE); Insyde Software Corporation (Insyde); Powertech Technology, Incorporated (PTI); and Professional Computer Technology, Ltd. (PCT). During the quarter ended December 31, 2010, Apacer Technology, Inc. (Apacer) completed an Initial Public Offering on the Taiwan Stock Exchange and is now publicly traded. The Company reclassified this investment out of non-marketable equity investments to marketable equity investments resulting in an increase in the fair value of the marketable equity investments of $9.0 million as of December 31, 2010. As of the quarter ended December 31, 2010, approximately $0.3 million and $53.3 million of these investments have been included in short-term and long-term available-for-sale investments, respectively, based upon management's intent to hold such securities until recovery. Cash dividends and other distributions of earnings from the investees, if any, are included in other income at the date of record. The Company has classified the shares owned in these companies as marketable securities. As of December 31, 2010, the Company had an unrealized loss in other comprehensive income of $2.9 million on these marketable securities, which the Company has determined to be a temporary impairment.

Non-marketable Equity Investments

The Company has certain investments in privately held companies with a carrying value of $19.3 million at December 31, 2010. As part of the acquisition of SST, the Company acquired certain investments in privately held companies with a carrying value of $29.7 million at the date of the acquisition. These investments had a carrying value of $17.1 million at December 31, 2010 as a result of sales of investments of $4.5 million and a reclassification to marketable equity investments of $8.1 million. The investments in privately held companies are accounted for using the cost or the equity method of accounting, as appropriate. Each period the Company evaluates whether an event or change in circumstances has occurred that may indicate an investment has been impaired. If upon further investigation of such events the Company determines the investment has suffered a decline in value that is other than temporary, the Company writes down the investment to its estimated fair value. At December 31, 2010, the Company determined there were no such impairments. These investments are included in other assets on the condensed consolidated balance sheet.

The following is a summary of the non-marketable equity investments at December 31, 2010 and March 31, 2010 (amounts in thousands):

	December 31, 2010		March 31, 2010	
Grace Semiconductor Manufacturing Corp	$	15,200	$	---
Apacer Technology, Inc.		---		---
Others		4,121		1,000
Total	$	19,321	$	1,000

The Company's non-marketable equity investments include an investment in Grace Semiconductor Manufacturing Corporation (GSMC), a privately held Cayman Islands company. GSMC has a wholly owned subsidiary, Grace, which is a wafer foundry with operations in Shanghai, China. The investment in GSMC had a fair-value of $15.2 million as of April 8, 2010, the acquisition date of SST. At December 31, 2010, the investment is valued at cost. The investment in GSMC includes Series D preferred shares valued at $14.4 million, common shares valued at $0.6 million and Series D options valued at $0.2 million. The Company does not have any long-term obligations to purchase products from GSMC and is not obligated to provide GSMC with any additional financing.

(8) Fair Value Measurements

Accounting rules for fair value clarify that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at December 31, 2010 are as follows (amounts in thousands):

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market fund deposits	$ 182,329	$ ---	$ ---	$ 182,329
Marketable equity securities	53,557	---	---	53,557
Corporate bonds & debt	---	499,147	3,500	502,647
Government agency bonds	---	466,501	---	466,501
Deposit accounts	---	318,287	---	318,287
Municipal bonds	---	36,806	---	36,806
Auction Rate Securities	---	---	12,889	12,889
Total assets measured at fair value	$ 235,886	$ 1,320,741	$ 16,389	$ 1,573,016

Assets and liabilities measured at fair value on a recurring basis at March 31, 2010 are as follows (amounts in thousands):

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market fund deposits	$ 206,376	$ ---	$ ---	$ 206,376
Deposit accounts	---	285,754	---	285,754
Government agency bonds	---	389,394	---	389,394
Municipal bonds	---	157,705	---	157,705
ARS	---	---	37,237	37,237
Put option on ARS	---	---	1,814	1,814
Corporate bonds	---	394,856	---	394,856
Marketable equity securities	58,402	---	---	58,402
Total assets measured at fair value	$ 264,778	$ 1,227,709	$ 39,051	$ 1,531,538

For Level 3 valuations, the Company estimated the fair value of its ARS based on the following: (i) the underlying structure of each security; (ii) the present value of future principal and interest payments discounted at rates considered to reflect current market conditions; (iii) consideration of the probabilities of default, auction failure, or repurchase at par for each period; and (iv) estimates of the recovery rates in the event of default for each security. The estimated fair values that are categorized as Level 3 as well as the marketable equity securities could change significantly based on future market conditions.

The following tables present a reconciliation for all assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the three and nine months ended December 31, 2010, and the three and nine months ended December 31, 2009 (amounts in thousands):

Three months ended December 31, 2010	Auction Rate Securities	Put Option on Auction Rate Securities	Corporate Debt	Total Gains (Losses)
Balance at September 30, 2010	$ 13,311	$ ---	$ 3,500	$ ---
Total gains or losses (realized and unrealized):				
Included in earnings	(422)	---	---	(422)
Included in other comprehensive income (loss)	---	---	---	---
Purchases, sales, issuances, and settlements, net	---	---	---	---
Transfer into Level 3	---	---	---	---
Transfer out of Level 3	---	---	---	---
Balance at December 31, 2010	$ 12,889	$ ---	$ 3,500	$ (422)

Nine months ended December 31, 2010	Auction Rate Securities	Put Option on Auction Rate Securities	Corporate Debt	Total Gains (Losses)
Balance at March 31, 2010	$ 37,237	$ 1,814	$ ---	$ ---
Total gains or losses (realized and unrealized):				
Included in earnings	552	(1,814)	---	(1,262)
Included in other comprehensive income (loss)	---	---	---	---
Purchases, sales, issuances, and settlements, net	(24,900)	---	3,500	---
Transfer into Level 3	---	---	---	---
Transfer out of Level 3	---	---	---	---
Balance at December 31, 2010	$ 12,889	$ ---	$ 3,500	$ (1,262)

Three months ended December 31, 2009