



**MAXIM INTEGRATED PRODUCTS, INC.
2010 PROXY STATEMENT & 2010 ANNUAL REPORT**



September 29, 2010

To Our Stockholders:

I am pleased to provide you with the attached Maxim Integrated Products, Inc. 2010 Proxy Statement and Annual Report on Form 10-K for the fiscal year ended June 26, 2010.

Many important accomplishments were reached during fiscal year 2010, including:

- 1) Restoring revenue to pre-recession levels of approximately \$2.0 billion;
- 2) Executing on our strategy to integrate many functions on a single chip to add value to our customers' products; approximately 28% of our revenue in the June quarter was generated from highly integrated products, as compared to approximately 19% just two years ago;
- 3) Making great progress towards qualifying two independent wafer foundries to expand manufacturing capacity; and
- 4) Completing the acquisition of Teridian Semiconductor, a leader in smart-meter and energy measurement technologies.

We believe that the analog and mixed-signal semiconductor market continues to present us with great growth opportunities. We are asking for your continued support of our equity compensation plans, including approval of share increases to our Employee Stock Purchase Plan and Employee Stock Incentive Plan as described in the 2010 Proxy Statement. Both are needed to recruit, retain and motivate our workforce, which is essential to our continued growth and success.

Sincerely,

Tunc Doluca
President and Chief Executive Officer
Maxim Integrated Products, Inc.



MAXIM INTEGRATED PRODUCTS, INC.

**120 San Gabriel Drive
Sunnyvale, CA 94086
(408) 737-7600**

September 29, 2010

Dear Stockholders:

We are pleased to invite you to attend Maxim Integrated Products, Inc.'s ("Maxim," "we" or "our") 2010 annual meeting of stockholders to be held on Tuesday, November 9, 2010 at 10:00 a.m. Pacific Time, at our Event Center at 433 N. Mathilda Avenue, Sunnyvale, California 94086.

Details regarding admission to the meeting and the business to be conducted are described in this proxy statement, as well as in the Notice of Internet Availability of Proxy Materials (the "Notice") to be mailed to you on or about September 30, 2010. We have also made available a copy of our 2010 Annual Report on Form 10-K with this proxy statement. We encourage you to read our 2010 Annual Report as it includes our audited financial statements and provides information about our business and products.

As we did last year, we have elected to provide access to our proxy materials for the 2010 annual meeting over the Internet under the "notice and access" rules of the Securities and Exchange Commission ("SEC"). We believe that this process expedites stockholders' receipt of proxy materials, lowers the costs of our annual meeting, and helps to conserve natural resources. The Notice you will receive in the mail contains instructions on how to access this proxy statement and 2010 Annual Report and vote online. The Notice also includes instructions on how to request a paper copy of the annual meeting materials, should you wish to do so.

Of particular importance is our proposal to increase the number of shares reserved for issuance under our 1996 Stock Incentive Plan (the "1996 Equity Plan"). With this letter, I am seeking your support of the addition of 7 million shares to the 1996 Equity Plan, which represents approximately 2.36% of the total number of shares currently outstanding. In order to achieve our long-range plan, our goal of being recognized by our employees, customers, and investors as the leading company in the analog and mixed-signal semiconductor industry, and to maximize stockholder value, management and the board of directors believe it is imperative that stockholders approve our request for the addition of 7 million shares to the 1996 Equity Plan.

Your vote is important. Please review the instructions on each of your voting options described in this proxy statement as well as in the Notice.

Also, please let us know if you plan to attend our annual meeting when you vote by telephone or over the Internet by indicating your plans when prompted or, if you requested to receive printed proxy materials, by marking the appropriate box on the enclosed proxy card.

Thank you for your ongoing support of Maxim. We look forward to seeing you at our annual meeting.

Sincerely,

Tunc Doluca
President and Chief Executive Officer



MAXIM INTEGRATED PRODUCTS, INC.

120 San Gabriel Drive
Sunnyvale, CA 94086
(408) 737-7600

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- Time and Date** 10:00 a.m., Pacific Time, on Tuesday, November 9, 2010 (the “meeting date”).
- Place** Event Center, 433 N. Mathilda Avenue, Sunnyvale, California 94086.
- Items of Business** (1) To elect seven members of the board of directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected and qualified.
- (2) To ratify the appointment of Deloitte & Touche LLP as Maxim’s independent registered public accounting firm for the fiscal year ending June 25, 2011.
- (3) To ratify and approve amendments to Maxim’s 2008 Employee Stock Purchase Plan (the “2008 ESP Plan”) to increase the number of shares available for issuance thereunder by 2,000,000 shares.
- (4) To ratify and approve an amendment to Maxim’s Amended and Restated 1996 Stock Incentive Plan (the “1996 Equity Plan”) to increase the number of shares available for issuance thereunder by 7,000,000 shares.
- (5) To consider such other business as may properly come before the meeting.
- Adjournments and Postponements** Any action on the items of business described above may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly adjourned or postponed.
- Record Date** You are entitled to vote only if you were a Maxim stockholder as of the close of business on September 13, 2010 (the “record date”).
- Meeting Admission** You are entitled to attend the annual meeting **only if you were a Maxim stockholder as of the close of business on the record date or hold a valid proxy to vote at the annual meeting.** Since seating is limited, admission to the meeting will be on a first-come, first-served basis. You should be prepared to present photo identification for admittance. If you are not a stockholder of record but hold shares through a brokerage firm, bank, broker-dealer, trustee or nominee (i.e., in street name), you should provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to the record date, a copy of the voting instruction card provided by your brokerage firm, bank, broker-dealer, trustee or nominee, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the annual meeting. Cameras and other video or audio recording devices will not be permitted at the meeting.

Please let us know if you plan to attend the meeting by marking the appropriate box on the enclosed proxy card, if you requested to receive printed proxy materials, or, if you vote by telephone or over the Internet, by indicating your plans when prompted.

The annual meeting will begin promptly on the meeting date at 10:00 a.m., Pacific Time. Check-in will begin at 9:30 a.m., Pacific Time, and you should allow ample time for the check-in procedures.

Your vote is very important. Whether or not you plan to attend the annual meeting, we encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions on the Notice of Internet Availability of Proxy Materials you will receive in the mail, the Questions and Answers section in this proxy statement or, if you requested to receive printed proxy materials, your enclosed proxy card.

By order of the board of directors,

A handwritten signature in black ink, appearing to read 'T. Doluca', with a stylized, cursive script.

Tunc Doluca
President and Chief Executive Officer

This proxy statement and form of proxy will be filed with the SEC on September 29, 2010. The Notice containing instructions on how to access this proxy statement online or receive a paper or email copy will be mailed to the stockholders on or about September 30, 2010.

MAXIM INTEGRATED PRODUCTS, INC.
120 San Gabriel Drive
Sunnyvale, California 94086

Proxy Statement for Annual Meeting of Stockholders

NOVEMBER 9, 2010

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why am I receiving these materials?

A: Our board of directors is making these materials available to you on the Internet, or, upon your request, is delivering printed proxy materials to you, in connection with the solicitation of proxies for use at Maxim's 2010 annual meeting of stockholders, which will take place on November 9, 2010 at 10 a.m. Pacific Time, at our Event Center located at 433 N. Mathilda Avenue, Sunnyvale, California 94086. As a stockholder holding shares of our common stock on September 13, 2010 (the "record date"), you are invited to attend the annual meeting and requested to vote on the proposals described in this proxy statement.

As of the record date, 296,980,830 shares of Maxim's common stock were issued and outstanding.

Q: What information is contained in this proxy statement?

A: The information in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, the compensation of our directors and most highly paid executive officers, and certain other information required to be provided by the rules and regulations of the Securities and Exchange Commission (the "SEC").

Q: Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of printed proxy materials?

A: Under the applicable rules of the SEC, we may furnish proxy materials, including this proxy statement and our 2010 Annual Report, to our stockholders by providing access to such documents on the Internet instead of mailing printed copies. Providing access to proxy materials over the Internet would help us lower the cost of holding our annual meeting and save natural resources. On or about September 30, 2010, we are mailing the notice of the Internet Availability of Proxy Materials (the "Notice") to our stockholders (except those stockholders who previously requested electronic or paper delivery of proxy materials), which includes instructions as to how stockholders may access and review all of the proxy materials on the Internet. The Notice also instructs you as to how you may submit your proxy on the Internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials provided in the Notice.

Q: How do I get electronic access to the proxy materials?

A: The Notice will provide you with instructions regarding how to:

- View our proxy materials for the annual meeting on the Internet and vote online; and
- If desired, instruct us to send our future proxy materials to you electronically by email or by mail.

Q: I share an address with another stockholder and we only received one copy of the Notice and/or other proxy materials. How may I obtain a separate copy?

A: Under the procedure approved by the SEC called "householding," if you have the same address and last name as another stockholder and do not participate in electronic delivery of proxy materials, you may receive only one copy of the Notice, or, if applicable, one copy of any other proxy materials, unless you instruct us otherwise. Please note that you will still be able to access the proxy materials on the Internet and

vote your shares separately. If you received a single copy of the Notice or other proxy materials as a result of householding and you would like to have separate copies of such materials mailed to you, please submit your request either by calling the number provided below or mailing a written request to the address provided below:

Corporate Secretary
Maxim Integrated Products, Inc.
120 San Gabriel Drive
Sunnyvale, CA 94086
(408) 470-5606

We will promptly mail a separate copy of this proxy statement upon our receipt of such request. Please note that if you want to receive a paper copy of this proxy statement or other proxy materials, you should follow the instructions included in the Notice.

Q: What items of business will be voted on at the annual meeting?

A: The items of business scheduled to be voted on at the annual meeting are:

- the election of seven directors;
- the ratification of the appointment of Deloitte & Touche LLP as Maxim's independent registered public accounting firm for the fiscal year ending June 25, 2011;
- the ratification and approval of an amendment to Maxim's 2008 ESP Plan to increase the number of shares available for issuance thereunder by 2,000,000 shares; and
- the ratification and approval of an amendment to Maxim's 1996 Equity Plan to increase the number of shares available for issuance thereunder by 7,000,000 shares.

In addition, we will consider any other items of business that properly come before the annual meeting.

Q: What are the requirements for admission to the meeting?

A: Only stockholders holding shares of Maxim's common stock as of the record date or their proxy holders and Maxim's guests may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at 9:30 a.m. (Pacific Time). Cameras and other video or audio recording devices will not be permitted at the meeting.

If you attend, please note that you may be asked to present valid picture identification, such as a driver's license or passport. If you hold your shares as a beneficial owner through a brokerage firm, bank, broker-dealer, trustee or nominee, you will need to ask your brokerage firm, bank, broker-dealer, trustee or nominee for an admission card in the form of a legal proxy. You will need to bring the legal proxy with you to the meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement (reflecting your share ownership as of September 13, 2010, the record date) with you to the meeting. We can use that to verify your ownership of shares of our common stock and admit you to the meeting. However, as discussed more fully under the heading "What is the difference between holding shares as a stockholder of record and as a beneficial owner?", beneficial owners will not be able to vote their shares at the annual meeting without a legal proxy.

Q: How does the board of directors recommend that I vote?

A: Our board of directors recommends that you vote your shares (1) "FOR" the election of each of the nominees to the board of directors, (2) "FOR" the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending June 25, 2011, (3) "FOR" the ratification and approval of an amendment to Maxim's 2008 ESP Plan to increase the number of shares available for issuance thereunder by 2,000,000 shares, and (4) "FOR" the ratification and approval of an amendment to Maxim's 1996 Equity Plan to increase the number of shares available for issuance thereunder by 7,000,000 shares.

Q: How many votes do I have?

A: For each proposal to be voted on, you have one vote for each share of Maxim's common stock you own as of the record date.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Many Maxim stockholders hold their shares through a broker or other nominees rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record: If your shares are registered directly in your name with our transfer agent, Computershare, as of the record date, you are considered, with respect to those shares, the *stockholder of record*, and the Notice was sent directly to you by Maxim. As the *stockholder of record*, you have the right to grant your voting proxy directly to Maxim or to vote in person at the annual meeting. If you requested to receive printed proxy materials, Maxim has enclosed or sent a proxy card for you to use. You may also vote on the Internet or by telephone, as described in the Notice and below under the heading "How can I vote my shares without attending the annual meeting?", or by completing and mailing the proxy card if you requested a printed copy of the proxy materials.

Beneficial Owner: If your shares are held in an account at a brokerage firm, bank, broker-dealer, trust or other similar organization, like the vast majority of our stockholders, you are considered the *beneficial owner* of shares held in *street name*, and the Notice was forwarded to you by that organization. As the beneficial owner, you have the right to direct your brokerage firm, bank, broker-dealer or trustee how to vote your shares, and you are also invited to attend the annual meeting. Since a *beneficial owner* is not the *stockholder of record*, you may not vote your shares in person at the annual meeting unless you obtain a legal proxy from the brokerage firm, bank, broker-dealer, trust or other similar organization that holds your shares giving you the right to vote the shares at the meeting. If you do not wish to vote in person or you will not be attending the annual meeting, you may vote by proxy. You may vote by proxy over the Internet or by telephone, as described in the Notice and below under the heading "How can I vote my shares without attending the annual meeting?"

Q: How can I vote my shares in person at the annual meeting?

A: Shares held in your name as the stockholder of record may be voted by you in person at the annual meeting. Shares held beneficially in street name may be voted by you in person at the annual meeting only if you obtain a legal proxy from the brokerage firm, bank, broker-dealer, trustee or nominee that holds your shares giving you the right to vote the shares.

Even if you plan to attend the annual meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.

Q: How can I vote my shares without attending the annual meeting?

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the annual meeting. If you are a stockholder of record, you may vote by proxy. You may vote by proxy over the Internet or by telephone by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you may also vote by mail pursuant to instructions provided on the proxy card. If you hold shares beneficially in street name, you may also vote by proxy over the Internet or by telephone by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you may also vote by mail by following the voting instruction card provided to you by your brokerage firm, bank, broker-dealer, trustee or nominee.

Q: Can I change my vote?

A: You may change your vote at any time prior to the taking of the vote at the annual meeting. If you are a stockholder of record, you may change your vote by (1) delivering to Maxim's Corporate Secretary at 120 San Gabriel Drive, Sunnyvale, California 94086 a written notice of revocation or a duly executed proxy bearing a date subsequent to your original proxy prior to the date of the annual meeting, or (2) attending the annual meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your brokerage firm, bank, broker-dealer, trustee or nominee following the instructions they provided, or, if you have obtained a legal proxy from your brokerage firm, bank, broker-dealer, trustee or nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

Q: What happens if I deliver a signed proxy without specifying how my shares should be voted?

A: If you sign and deliver your proxy without instructions and do not later revoke the proxy, the proxy will be voted "FOR" the slate of nominees to the board of directors described in this proxy statement and "FOR" Proposals No. 2, No. 3 and No. 4. As to any other matter that may properly come before the annual meeting, the proxy will be voted according to the judgment of the proxy holders.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. An independent tabulator, not Maxim, will count the votes, and your vote will not be disclosed either within Maxim or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the results and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide on their proxy card written comments, which are then forwarded to Maxim management.

Q: How many shares must be present or represented to conduct business at the annual meeting?

A: The quorum requirement for holding the annual meeting and transacting business is that holders of a majority of the voting power of the issued and outstanding common stock of Maxim as of the record date must be present in person or represented by proxy. Both abstentions and broker non-votes (described below) are counted for the purpose of determining the presence of a quorum.

Q: What is the voting requirement to approve each of the proposals?

A: In the election of directors, the seven nominees receiving the highest number of affirmative "FOR" votes at the annual meeting will be elected.

The affirmative "FOR" vote of a majority of the votes cast on the proposal is required to approve (1) the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending June 25, 2011, (2) the ratification and approval of an amendment to Maxim's 2008 ESP Plan to increase the number of shares available for issuance thereunder by 2,000,000 shares, and (3) the ratification and approval of an amendments to Maxim's 1996 Equity Plan to increase the number of shares available for issuance thereunder by 7,000,000 shares.

Q: What are my voting choices?

A: In the election of directors, you may vote "FOR" or "WITHHOLD" with regards to all or some of the nominees. Votes "WITHHOLD" with respect to the election of directors will be counted for purposes of determining the presence or absence of a quorum at the annual meeting but will have no other legal effect upon election of directors, as the election of a director only requires a plurality of affirmative "FOR" votes.

For the other items of business, you may vote “FOR,” “AGAINST” or “ABSTAIN.” If you elect to “ABSTAIN,” the abstention has the same effect as a vote “AGAINST.”

Q: What is the effect of broker non-votes and abstentions?

A: If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute “broker non-votes.” Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered votes cast on that proposal. Therefore, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained.

Abstentions are considered votes cast and thus have the same effect as votes against the matter. However, in the election of directors, the vote “WITHHOLD” will have no effect on the outcome as such election only requires a plurality of affirmative “FOR” votes.

Q: Is cumulative voting permitted for the election of directors?

A: Yes. You may cumulate your votes for the election of directors. You are entitled to as many votes as equals the number of directors to be elected multiplied by the number of shares held by you, and you may cast all such votes for a single director or distribute such votes among as many candidates who have been properly nominated as you see fit. Please note that the proxy holders may exercise discretionary authority to cumulate votes and to allocate such votes among the seven nominees recommended by the board of directors.

Q: What happens if additional matters are presented at the annual meeting?

A: Other than the four specific items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxy holders, Mark Casper and Bruce Kiddoo, or either of them, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any reason any of the nominees described in this proxy statement is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the board of directors.

Q: Who will serve as inspector of elections?

A: The inspector of elections will be a representative from Broadridge Financial Services. Broadridge Financial Services will tabulate the votes in connection with the annual meeting.

Q: Who will bear the cost of soliciting votes for the annual meeting?

A: Maxim will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of our common stock.

Q: Where can I find the voting results of the annual meeting?

A: We intend to announce preliminary voting results at the annual meeting and publish final results in our current report on Form 8-K within four business days of the annual meeting date.

Q: What is the deadline for submission of stockholder proposals for consideration at the 2011 annual meeting?

A: For proposals other than nomination of director candidates: Pursuant to the SEC Rule 14a-8(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), a stockholder proposal will be considered for inclusion in our proxy materials for the 2011 annual meeting only if the Corporate Secretary of Maxim receives the proposal by no later than June 2, 2011.

Pursuant to the SEC Rule 14a-4 and 14a-5 promulgated under the Exchange Act, a stockholder proposal for consideration before the 2011 annual meeting that is not intended to be included in our proxy materials for the 2011 annual meeting will be considered timely only if the Corporate Secretary of Maxim receives notice of such stockholder proposal by no later than August 16, 2011. If the Corporate Secretary is not notified of such proposal on or before August 16, 2011, then Maxim’s proxy holders will be permitted to use their discretionary voting authority to vote on such proposal if such proposal is raised at the 2011 annual meeting.

Proposals should be addressed to:

Corporate Secretary
Maxim Integrated Products, Inc.
120 San Gabriel Drive
Sunnyvale, CA 94086

Our bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement.

Our bylaws provide that the only business that may be conducted at an annual meeting is business that is (1) pursuant to Maxim’s proxy materials with respect to such meeting, (2) brought by, or at the direction of, our board of directors, or (3) brought by a stockholder of Maxim who is a stockholder of record entitled to vote at the annual meeting who has timely delivered written notice to our Corporate Secretary, which notice must contain the information specified in our bylaws. To be timely for our 2011 annual meeting of stockholders, our Corporate Secretary must receive the written notice, prepared in accordance with our bylaws, at our principal executive offices:

- not later than the close of business on August 16, 2011; and
- not earlier than the close of business on July 15, 2011.

In the event that we hold our 2011 annual meeting of stockholders more than 30 days before or 60 days after the one-year anniversary date of the 2010 annual meeting, then notice of a stockholder proposal that is not intended to be included in our proxy statement must be received not later than the close of business on the earlier of the following two dates:

- the 90th day prior to the 2011 annual meeting; or
- the 10th day following the day on which public announcement of the meeting date is made (either in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by Maxim with the SEC).

If a stockholder who has notified us of his or her intention to present a proposal at an annual meeting takes any action contrary to the representations made in his or her notice to Maxim’s Corporate Secretary, or if such representations contain an untrue statement of a material fact or omit a material fact, we are not required to present the proposal for a vote at such meeting.

For nomination of director candidates: Stockholders may propose nominees to be eligible for election as directors at the 2011 annual meeting in accordance with the provisions of our bylaws. To properly nominate

such a candidate, a stockholder must deliver written notice, prepared in accordance with our bylaws, to Maxim's Corporate Secretary prior to the deadlines set forth above for stockholder proposals. Prior to submitting a nomination, stockholders should take care to note all deadlines under the SEC Rules and Maxim bylaws described above.

Nominations should be addressed to:

Corporate Secretary
Maxim Integrated Products, Inc.
120 San Gabriel Drive
Sunnyvale, CA 94086

If a stockholder who has notified us of his or her intention to nominate a director candidate at an annual meeting takes any action contrary to the representations made in his or her notice to Maxim Corporate Secretary, or if such representations contain an untrue statement of a material fact or omit a material fact, we are not required to present the nomination at such meeting. For further information on requirements for director nominations by stockholders, please see our bylaws and the section entitled "Nominations of Director Candidates by Stockholders" in this proxy statement.

Copy of Bylaw Provisions: A copy of our bylaws can be found in the Corporate Governance section of Maxim's corporate website at <http://www.maxim-ic.com/company/investor/governance>. You may also contact our Corporate Secretary at the address given above for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

* * *

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS MATTERS

Board of Directors

The names, ages and qualifications of each of our directors as of September 29, 2010 are as set forth in the table below. Except as described below, each of the nominees has been engaged in his principal occupation during the past five years. There are no family relationships among any of our directors or executive officers.

| <u>Name</u> | <u>Age</u> | <u>Principal Occupation and Business Experience</u> |
|-------------------------------|------------|--|
| B. Kipling Hagopian | 68 | Mr. Hagopian has served as a director of Maxim since 1997 and has been the Chairman of the board of directors since January 2007. Mr. Hagopian is a founder of Brentwood Associates, a venture capital investment company, and was a General Partner of Brentwood until 1996 and a General Partner of all of the funds established by Brentwood from inception in 1972 until 1989. He has been a Special Limited Partner of each of the five Brentwood venture funds established since 1989 and is a Special Advisory Partner to Redpoint Ventures I, which is a successor to Brentwood's information technology funds. Mr. Hagopian is also Chairman and President of Segue Productions, a feature film production company, and a Managing Member of Apple Oaks Partners LLC, a private investment company. From January 2006 to July 2010, Mr. Hagopian served on the board of directors of Thomas Weisel Partners Group, Inc. |
| Tunc Doluca | 52 | Mr. Doluca has served as a director of Maxim, as well as the President and Chief Executive Officer, since January 2007. He joined Maxim in October 1984 and served as Vice President between 1994 and 2005. He was promoted to Senior Vice President in 2004 and Group President in May 2005. Prior to 1994, he served in a number of integrated circuit development positions. |
| James R. Bergman | 68 | Mr. Bergman has served as a director of Maxim since 1988. Mr. Bergman was a founder and has been a General Partner of DSV Associates since 1974 and a founder and General Partner of its successors, DSV Partners III and DSV Partners IV. These firms provide venture capital and management assistance to emerging companies, primarily in high technology. Since July 1997, he has also served as a Special Limited Partner of Cardinal Health Partners and Cardinal Partners II, which are private venture capital funds. |
| Joseph R. Bronson | 62 | Mr. Bronson has served as a director of Maxim since November 2007. Mr. Bronson is Principal and Chief Executive Officer of the Bronson Group, LLC, which provides financial and operational consulting services. Mr. Bronson served as the Chief Executive Officer of Silicon Valley Technology Company, a private company that provides technical services to the semiconductor and solar industries, from 2009 to March 2010, and he also served on Silicon Valley Technology Company's board of directors. Mr. Bronson served as President and Chief Operating Officer of Sanmina-SCI Corporation, a worldwide contract manufacturer, between August 2007 and October 2008, and he also served on Sanmina-SCI's board of directors between August 2007 and January 2009. Before joining Sanmina-SCI, Mr. Bronson served as President, Co-Chief Executive Officer and a director of FormFactor, Inc., a manufacturer of advanced semiconductor wafer probe cards, between 2004 and 2007. |

| <u>Name</u> | <u>Age</u> | <u>Principal Occupation and Business Experience</u> |
|------------------------------|------------|---|
| | | Prior to 2004, Mr. Bronson spent 20 years at Applied Materials in senior level operations management, concluding with the position of Executive Vice President and Chief Financial Officer. In addition to Maxim, Mr. Bronson currently serves on the boards of directors of Jacobs Engineering Group Inc. and SDC Materials. |
| Robert E. Grady | 52 | Mr. Grady has served as a director of Maxim since August 2008. Since October 2009, Mr. Grady has been a Managing Director at the Cheyenne Capital Fund, a private equity investment firm. Mr. Grady was appointed as Chairman of New Jersey's Council of Economic Advisors by Governor Chris Christie in January 2010, became a member of the New Jersey State Investment Council (which oversees the state's \$68 billion pension fund) in June 2010, and was elected Chairman of the New Jersey State Investment Council in September 2010. Mr. Grady was a Managing Director at The Carlyle Group, a global private equity firm, from 2000 to 2009, where he served as a member of the firm's Management Committee; Chairman and Fund Head of Carlyle's U.S. venture and growth capital group, Carlyle Venture Partners (CVP); on the investment committees of CVP, Carlyle Asia Growth Partners, and Carlyle Europe Technology Partners; and as a director of multiple Carlyle portfolio companies. Between 1993 and 2000, he was a Partner and Member of the Management Committee at Robertson Stephens & Company, an emerging growth-focused investment banking firm. Previously, Mr. Grady served in the White House as Deputy Assistant to the President of the United States of America, as Executive Associate Director of the Office of Management and Budget ("OMB"), and as Associate Director of OMB for Natural Resources, Energy and Science. Mr. Grady is a former director of the National Venture Capital Association, and he served as Chairman of the National Venture Capital Association in 2006 and 2007. From 1993 to 2004, Mr. Grady served on the faculty of the Stanford Graduate School of Business as a Lecturer in Public Management. In addition to Maxim, Mr. Grady currently serves on the board of directors of Stifel Financial Corp., a financial services firm focused on investment banking and asset management, and of several privately-held companies. From July 2004 to June 2010, Mr. Grady also served on the board of directors of AuthenTec, Inc., a maker of fingerprint identification semiconductors, and from September 2009 to July 2010, Mr. Grady served on the board of directors of Thomas Weisel Partners Group, Inc., which was acquired by Stifel Financial Corp. |
| William D. Watkins | 57 | Mr. Watkins has served as a director of Maxim since August 2008. Mr. Watkins is the Chief Executive Officer and a member of the board of directors of Bridgelux, Inc., a leading light emitting diode (LED) developer. Mr. Watkins was Seagate Technology's Chief Executive Officer between July 2004 and January 2009 and was a member of its board of directors between 2000 and January 2009. Previously, Mr. Watkins was Seagate's President and Chief Operating Officer, a position he had held since 2000, and in this capacity was responsible for the company's global hard disc drive operations. Mr. Watkins joined Seagate in 1996 as part of the company's merger with Conner Peripherals. In addition to Maxim, Mr. Watkins currently serves on the board of directors of Flextronics International Ltd. |

| <u>Name</u> | <u>Age</u> | <u>Principal Occupation and Business Experience</u> |
|------------------------------|------------|---|
| A. R. Frank Wazzan | 74 | Dr. Wazzan has served as a director of Maxim since 1990. Dr. Wazzan is Distinguished Professor and Dean Emeritus of the School of Engineering, University of California, Los Angeles. Dr. Wazzan has served as consultant to Douglas Aircraft, Hughes Electrodynamics, North American Rockwell, the U.S. Atomic Energy Commission, Westinghouse Oceanics Division, Honeywell, and the Department of Defense while at Rand Corporation, where he was granted secret, top secret, and critical nuclear weapon design and information clearances to work on the design of underwater weapon systems, the effect of nuclear radiation on the performance of electronic materials and communication satellites, and methods of hardening boosters and satellites to laser and microwave weapons. Dr. Wazzan is a member of the American Institute of Aeronautics and Astronautics, a Guggenheim Fellow, and a Fellow of the American Nuclear Society. He is recipient of the Gold Medal Award at the First International Meeting on Nuclear Power Plants in Commercial Operations. |

Board of Directors Leadership Structure and Committee Composition

Currently, there are seven members of the board of directors, consisting of B. Kipling Hagopian, Tunc Doluca, James R. Bergman, Joseph R. Bronson, Robert E. Grady, William D. Watkins and A. R. Frank Wazzan. Mr. Hagopian, an independent director, is the Chairman of the board of directors. The Company has no fixed policy on whether the roles of Chairman and chief executive officer should be separate or combined. This decision is based on the best interests of the Company and its stockholders under the circumstances existing at the time. The board currently believes that it is most appropriate to separate the roles of Chairman and chief executive officer in recognition of the qualitative differences between the two roles as set forth below. The chief executive officer is primarily responsible for setting the strategic direction for the Company and the day to day leadership of the Company, while the Chairman presides over meetings of the full board and ensures that the board of director's time and attention are focused on the matters most critical to the Company.

Our board of directors has the following three standing committees: (1) an Audit Committee, (2) a Compensation Committee (including its sub-committee, the Equity Grant Sub-Committee), and (3) a Nominating and Governance Committee. Each of the committees operates under a written charter adopted by the board of directors. All of the committee charters are available in our Corporate Governance section of our website at <http://www.maxim-ic.com/company/investor/governance>. During fiscal year 2010, the board of directors held 16 meetings and acted by written consent 9 times. During fiscal year 2010, each director attended at least 75% of all meetings of the board of directors and applicable committee meetings. While not mandatory, we strongly encourage our directors to attend our annual meeting of stockholders. All of our directors attended the 2009 annual meeting of stockholders.

Independence of the Board of Directors

Our board of directors has determined that, with the exception of Mr. Doluca, Maxim's Chief Executive Officer, all of its members during fiscal year 2010 were, and currently are, "independent directors" as that term is defined in the Marketplace Rules of The NASDAQ Stock Market ("NASDAQ"), including for the purposes of the Audit Committee composition requirements. Such independence definition includes a series of objective tests, including that the director not be an employee of Maxim and not be engaged in certain types of business transactions or dealings with Maxim. In addition, as further required by the NASDAQ rules, the board of directors has made a subjective determination that no relationships exist between Maxim and each director which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out his responsibilities as director. The independent directors meet regularly in executive session, without members of management present.

The Board's Role in Risk Oversight

It is management's responsibility to identify, assess and manage the material risks that the Company faces, and the board oversees management in this effort. Specifically, the board's role in the Company's risk oversight process includes receiving periodic reports at regularly scheduled board meetings from members of senior management on areas of material risk to the Company as they arise, including financial, operational, legal and regulatory, and strategic and reputational risks. The full board (or the appropriate Committee in the case of risks that are under the purview of a particular Committee) receives these reports from a member of senior management to enable it to understand our risk identification, risk management and risk mitigation strategies. Upon receiving such reports, the board provides such guidance as it deems necessary.

In general, the entire board has oversight responsibility for the Company's strategic and operational risks, such as mergers and acquisitions and manufacturing, as well as reputational risks. The Audit Committee has oversight responsibility for financial and related legal risks (such as accounting, asset management, tax strategy and internal controls). Oversight for regulatory and compliance risks are generally shared among board committees. For example, the Nominating and Governance Committee oversees compliance with the Company's corporate governance guidelines and governance related laws, the Audit Committee oversees compliance with the Company's code of business conduct and ethics and the Compensation Committee oversees compliance with the company's compensation plans and related laws and policies.

In fiscal year 2010, management and the board established a more formalized process for risk identification and risk management by charging the Chairman of the Nominating and Governance Committee to work on behalf of the board with the Company's Senior Legal Counsel and Managing Director of Internal Audit to help identify, document and assess material risks that the Company faces, with periodic reports to be made to the entire board. As part of this effort, management recently established an enterprise risk committee ("ERC") comprised of executives from key functional areas of the Company, including business units, manufacturing, finance and legal. Each such executive will be responsible for identifying and documenting their respective areas of risk, and the ERC will then seek to ensure that appropriate strategies are in place to manage and mitigate identified material risks.

Risk considerations in our Compensation Policies and Practices

Company management reviewed our compensation policies and programs in effect during fiscal year 2010 for all employees, including officers, to determine if those policies and programs create or encourage unreasonable or inappropriate risk taking. As part of the risk assessment, management, including the Chief Executive Officer, Chief Financial Officer, Vice President of Human Resources, General Counsel and Associate General Counsel, held meetings to discuss: (1) the key components and features of the Company's policies and programs, (2) a methodology to determine if those policies and programs created a material adverse risk to the Company and (3) their conclusions. Based on this assessment, management concluded that the Company's compensation policies and practices for its employees, including all officers, are not reasonably likely to have a material adverse effect on the Company for the following reasons:

- The Company structures its compensation program to consist of both fixed and variable components. The fixed portion (base salary) of compensation program is designed to provide steady income regardless of the Company's stock price performance so that executives and employees of the Company will not focus exclusively on stock price performance to the detriment of other important business metrics. The variable (cash bonus and equity) components of compensation are designed to reward both short and long-term individual and company performance, which we believe discourages employees from taking actions that focus only on the short-term success of the Company. For short-term performance, annual cash performance bonuses are generally awarded (1) for non-officer employees, based on individual performance to quarterly goals and Company operating income (excluding the effect of special expense items), and (2) for officers, based on operating income (excluding the effect of special expense items), year-over-year growth in operating income (excluding

the effect of special expense items), year-over-year relative stock price performance as compared to our five closest peers, and individual performance. For long-term performance, the Company grants various types of equity-based awards that are designed to promote the sustained success of the Company. We attempt to structure equity awards to ensure that employees have equity awards that adequately vest in future years. Stock option awards generally vest in the third and fourth year after grant and are only valuable if our stock price increases over time, and restricted stock units generally vest in quarterly installments over a period of two to four years and provide some value irrespective of our stock price. The Company believes that these variable elements of compensation are a sufficient percentage of overall compensation to motivate our employees and officers to achieve superior short and long-term corporate results, while the fixed element is also sufficiently high to discourage the taking of unnecessary or excessive risks in pursuing such results.

- Officers and non-officer employees are encouraged to take a balanced approach that focuses on corporate profitability, rather than on such other measures as revenue targets, which may incentivize management to drive sales without regard to costs, as operating income is a key performance measure for determining annual performance bonuses. If the Company's profit is lower, then payouts under the applicable bonus programs will be smaller.
- The Company has established substantially the same compensation programs, policies and targets for officers as a group as well as non-officer employees as a group. The Company believes this encourages consistent behavior and focus across the Company.
- The Company has imposed both a floor and a cap on the amount of its annual cash performance bonus pool payable to officers at 1% and 3% of operating income (excluding the effect of special expense items), respectively, which the Company believes mitigates excessive risk taking. Even if the Company greatly exceeds its operating income growth targets and its stock price greatly outperforms, the annual cash bonus payable is limited by the pre-determined bonus pool cap, and the floor ensures (subject to Compensation Committee approval) some level of bonuses if performance metrics are not achieved (largely because of market economic conditions, rather than due to poor performance by the Company).
- We have strict internal controls over the measurement and calculation of operating income (excluding the effect of special expense items) and relative stock price performance (year-over-year measured from April 1-June 30), designed to keep these items from being susceptible to manipulation by any employee, including our officers. As part of our internal controls, our finance department oversees and reviews the calculations used by management to determine the total size of the annual bonus pool payable to officers. In addition, all of our employees are required to be familiar with, and our executives are required to sign a certification that they have read and are bound by, our code of business conduct and ethics, which covers, among other items, accuracy and integrity of books and records.
- Under the Company's Insider Trading Policy, all employees are strongly discouraged from engaging in short-sales involving the Company's stock to avoid insulating themselves from the effects of poor stock price performance.

After reaching this conclusion, management presented its analysis and determination to the Compensation Committee.

Audit Committee and Audit Committee Financial Expert

The Audit Committee, which has been established in accordance with Section 3(a)(58)(A) of the Exchange Act, is currently comprised of Messrs. Bergman, Bronson and Watkins, each of whom is independent within the meaning of the NASDAQ director independence standards, as currently in effect. Since October 2008, Mr. Bronson has been the Chairman of the Audit Committee. Prior to Mr. Bronson's appointment as Chairman of

the Audit Committee, Mr. Bergman served as Chairman of the Audit Committee beginning March 1, 2007. The board of directors has determined that Mr. Bronson is an “audit committee financial expert” as defined under the rules of the SEC. The Audit Committee has a written charter adopted on June 8, 2000 and most recently amended on April 6, 2007 and on August 24, 2009. The Audit Committee held nine meetings during fiscal year 2010, and each member of the Audit Committee attended at least 75% of these meetings.

The Audit Committee oversees the accounting, financial reporting, and audit processes of Maxim’s financial statements. In accordance with the Audit Committee Charter, the Audit Committee appoints Maxim’s independent registered public accounting firm and is primarily responsible for approving the services performed by Maxim’s independent auditors and for reviewing and evaluating Maxim’s accounting principles and its system of internal controls.

Compensation Committee and Equity Grant Subcommittee

The Compensation Committee is currently comprised of Messrs. Bergman, Grady and Wazzan, each of whom is independent within the meaning of the NASDAQ director independence standards, as currently in effect. Since March 2007, Mr. Wazzan has been the Chairman of the Compensation Committee. Among other tasks, the Compensation Committee: (1) annually reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and annually reviews and evaluates Maxim’s Chief Executive Officer against such approved goals and objectives, (2) in consultation with the Chief Executive Officer, reviews and approves the compensation of our officers, (3) administers the 1996 Equity Plan and 2008 ESP Plan, (4) makes recommendations to the board of directors with respect to compensation of our directors and committee members, (5) oversees the preparation of the Compensation Discussion and Analysis and issues the Compensation Committee Report in accordance with the regulations of the SEC to be included in Maxim’s proxy statement or annual report on Form 10-K, and (6) performs such functions regarding compensation as the board of directors may delegate. With respect to its review of the compensation of the Chief Executive Officer and of other officers of the Company, and to its oversight of the 1996 Equity Plan and ESP plan, the Committee retains an independent consultant, Compensia, Inc., to review both the effectiveness of such programs in retaining employees and their comparability to plans offered by other companies in the semiconductor industry and the technology industry broadly. The Compensation Committee, including its two-person Equity Grant Sub-Committee, held 13 meetings, and the Compensation Committee acted by written consent four times during fiscal year 2010 and each member of the Compensation Committee attended at least 75% of these meetings.

Pursuant to its charter, on June 30, 2007, the Compensation Committee established a two-person sub-committee that is comprised of two directors on the Compensation Committee, which sub-committee is referred to as the Equity Grant Sub-Committee. The Equity Grant Sub-Committee’s purpose is to make equity awards under Maxim’s Equity Award Grant Policy. The Equity Grant Sub-Committee meets the first Tuesday of each month to consider and approve equity awards to employees.

Nominating and Governance Committee

The Nominating and Corporate Governance Committee (the “Governance Committee”) is currently comprised of Messrs. Grady and Hagopian, each of whom is independent within the meaning of the NASDAQ director independence standards, as currently in effect. Since October 2008, Mr. Grady has been the Chairman of the Governance Committee. Among other tasks, the Governance Committee assists the board of directors by identifying and recommending prospective director candidates, developing and recommending to the board of directors the governance principles applicable to Maxim and overseeing the evaluation of the board of directors and the board of directors’ evaluation of management. In fiscal year 2010, the Governance Committee also assisted in the review and implementation of a new Code of Business Conduct and Ethics for the Company, the development of a process for enterprise risk management, the annual review of the performance of the board of directors, and the development of appropriate processes for response to reports received on employee and whistleblower “hotlines”.

The Governance Committee is responsible for regularly assessing the appropriate size of the board of directors and whether any vacancies on the board of directors are expected, due to retirement or otherwise. In the event of any anticipated vacancy, the Governance Committee has the policy of considering all bona fide candidates from all relevant sources, including the contacts of current directors, professional search firms, stockholders, and other persons. The Governance Committee held one formal meeting during fiscal year 2010 and each member of the Governance Committee attended such meeting. The Governance Committee also held several “ad hoc” meetings throughout the year to discuss governance matters, and the Governance Committee Chair generally provides an update to the full board of directors on governance related matters during each regular board meeting.

Criteria and Diversity

In evaluating potential candidates for the board of directors, the Governance Committee will apply the criteria set forth in the Company’s Corporate Governance Guidelines. These criteria include the candidate’s experience in the technology industry, the general business or other experience of the candidate, diversity of experience, the needs of Maxim for an additional or replacement director, the personality and character of the candidate, diversity, and the candidate’s interest in the business of Maxim, other commitments, as well as numerous other subjective criteria. The Governance Committee does not assign any particular weighting or priority to these factors. While the board has not established specific minimum qualifications for director candidates, the board of directors believes that such candidates must contribute to the goal of maintaining a board that is (1) independent, (2) of high integrity, (3) composed of directors with qualifications that increase the effectiveness of the board of directors and (4) compliant with the requirements of applicable rules of NASDAQ and the SEC.

Nominations of Director Candidates by Stockholders

Maxim stockholders may nominate a director candidate (1) at any annual meeting of stockholders in accordance with our bylaws, the procedure for which is more fully set forth in the Questions and Answers section of this proxy statement under the heading “What is the deadline for submission of stockholder proposals for consideration at the 2011 annual meeting?”, (2) at any special meeting of stockholders in accordance with our bylaws, and (3) by submitting their recommendations to the Governance Committee in accordance with our Corporate Governance Guidelines.

Maxim’s Corporate Governance Guidelines, together with Maxim’s Certificate of Incorporation, bylaws and charters of committees of the board of directors, form the framework for the corporate governance of Maxim. Maxim’s Corporate Governance Guidelines are available in the Corporate Governance section of Maxim’s website at <http://www.maxim-ic.com/company/investor/governance>. Pursuant to our Corporate Governance Guidelines, our board of directors will consider all bona fide director candidates nominated by stockholders of Maxim.

More specifically, the board of directors has established the following procedures by which stockholders may submit nominations of director candidates for consideration by the Governance Committee and the board of directors:

- To nominate a director candidate for consideration by the Governance Committee, a stockholder must have held at least 100,000 shares of Maxim for at least twelve (12) consecutive months leading up to the date of the recommendation and must notify the Governance Committee by writing to the General Counsel of Maxim.
- The nominating stockholder’s notice shall set forth the following information:
 - (1) To the extent reasonably available, information relating to such director nominee as would be required to be disclosed in a proxy statement pursuant to Regulation 14A under the Exchange Act, in which such individual is a candidate for election to the board of directors;

- (2) The director nominee's written consent to (a) if selected by the Governance Committee as a director candidate, be named in Maxim's proxy statement and proxy, and (b) if elected, serve on the board of directors; and
- (3) Any other information that such stockholder believes is relevant in considering the director nominee.

Stockholder recommendations to the Governance Committee or the board of directors should be sent to:

General Counsel
Maxim Integrated Products, Inc.
120 San Gabriel Drive
Sunnyvale, CA 94086

For purposes of nominating a director candidate to be considered at an annual meeting, it is unnecessary to send recommendations to the board of directors or the Governance Committee. Instead, a stockholder wishing to nominate a director candidate at an annual meeting must follow the procedures set forth in our bylaws, including providing written notice prepared in accordance with our bylaws to Maxim's Corporate Secretary. For more detailed information on nomination requirements at an annual meeting, please see the Questions and Answers section of this proxy statement under the heading "What is the deadline for submission of stockholder proposals for consideration at the 2010 annual meeting?"

Equity Grant Date Policy

The board of directors has adopted a specific procedure in the granting of equity awards to our officers, directors and employees, as set for in the Company's Equity Award Grant Policy effective June 4, 2007 (the "Equity Policy"). The Equity Policy can be located on the Company's Website at <http://www.maximic.com/company/investor/governance>. Under the Equity Policy, equity awards may only be granted by our board of directors or the Compensation Committee of the board of directors, as well as a two-person subcommittee of the Compensation Committee (the "Equity Grant Subcommittee"), at a duly noticed meeting. Equity awards may not be granted by action by unanimous written consent in lieu of a meeting. In addition, while not required, it is the Company's practice to invite its Chief Executive Officer, its Vice President of Human Resources and the Company's independent registered public accounting firm (the "Auditors") to each meeting of the board of directors or Compensation Committee (or Equity Grant Subcommittee) at which equity awards are granted. In fiscal year 2010, our Corporate Secretary and the Auditors, in the capacity as an independent observer, attended every meeting of the Compensation Committee (or Equity Grant Subcommittee) at which equity awards were granted. The grant date for an equity award is the date on which any of the above-listed granting bodies meets and approves the equity award. The exercise price for all stock options will be no less than the closing sales price of Maxim common stock as reported by the Nasdaq Global Select Market on the grant date.

We follow the following specific procedures with respect to the grant of equity awards that are contained in the Equity Policy:

- New Hire Grants; Special Recognition/Promotional Equity Grants: Equity awards to newly hired non-officer employees or awards for special recognition to existing non-officer employees are made on the first Tuesday of the month (or the succeeding month) after the date on which the individual commences employment with us or following the special recognition event. Equity awards to newly hired officers or awards for special recognition are made on the first Tuesday of the month (or a succeeding month) after the date on which the individual commences employment with us or following the special recognition event that is during an open trading window under our Insider Trading Policy.
- Annual Equity Grants: Annual equity grants to employees and officers are made during an open trading window under our Insider Trading Policy.

- **Equity Awards to Directors:** Equity awards are made to incumbent non-employee directors upon their re-election to the board of directors at the annual meeting of stockholders. Equity awards to newly appointed non-employee directors are made on the first Tuesday of the month (or a succeeding month) after the date on which the individual is appointed to the board of directors that is during an open trading window under our Insider Trading Policy.

Compensation Committee Interlocks and Insider Participation

No member of Maxim's Compensation Committee is, or ever has been, an executive officer or employee of Maxim or any of its subsidiaries. No interlocking relationship exists, or during fiscal year 2010 existed, between Maxim's board of directors or Compensation Committee and the board of directors or compensation committee of any other company.

Outside Advisors

Our board of directors and each of its committees may retain outside advisors and consultants of their choosing at Maxim's expense. The board of directors need not obtain management's consent to retain outside advisors.

Board Effectiveness

Our board of directors performs an annual self-assessment to evaluate its effectiveness in fulfilling its obligations. For fiscal year 2010, this assessment was held in February 2010 and September 2010.

Communication between Stockholders and Directors

Maxim's board of directors currently does not have a formal process for stockholders to send communications to the board of directors. Nevertheless, steps are taken to ensure that the views of stockholders are heard by the board of directors or individual directors, as applicable, and that appropriate responses are provided to stockholders on a timely basis. Stockholders may send communications directly to B. Kipling Hagopian, Chairman of the board of directors, c/o Maxim Integrated Products, Inc., 120 San Gabriel Drive, Sunnyvale, California 94086. The board of directors does not recommend that formal communication procedures be adopted at this time because it believes that informal communications are sufficient to communicate questions, comments and observations that could be useful to the board of directors.

Common Stock

Maxim common stock is currently traded on the NASDAQ Global Select Market under the symbol "MXIM."

Headquarters Information

Our headquarters are located at 120 San Gabriel Drive, Sunnyvale, California 94086 and the telephone number at that location is (408) 737-7600.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics (the "Code of Ethics"), which applies to all directors and employees, including but not limited to our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is designed to promote: (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest arising from personal and professional relationships, (2) full, fair, accurate, timely, and understandable disclosure in reports and documents that we are required to file

with the SEC and in other public communications, (3) compliance with applicable governmental laws, rules and regulations, (4) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or entity, and (5) accountability for adherence to the Code of Ethics. A copy of Code of Ethics is available on our website at <http://www.maxim-ic.com/company/policy>. A hard copy of the Code of Ethics will be sent free of charge upon request.

Director Compensation

The following table shows certain information regarding non-employee director compensation for the fiscal year ended June 26, 2010 (except as otherwise noted):

Director Compensation for Fiscal Year 2010

| Name | Fees earned or paid in cash (\$) | Restricted Stock Unit Awards \$(1) | Option Awards \$(2) | All other compensation (\$) | Total (\$) |
|-------------------------------|--|--|------------------------|-----------------------------------|---------------|
| James R. Bergman | 67,500 | 74,680 | 57,375 | 146,241(3)(4) | 345,796 |
| Joseph R. Bronson | 70,000 | 74,680 | 57,375 | — | 202,055 |
| Robert E. Grady | 67,500 | 60,715 | 57,375 | — | 185,590 |
| B. Kipling Hagopian | 77,500 | 74,680 | 57,375 | 101,727(4) | 311,282 |
| William D. Watkins | 60,000 | 60,715 | 57,375 | — | 178,090 |
| A.R. Frank Wazzan | 65,000 | 74,680 | 57,375 | 101,727(4) | 298,782 |

- (1) Represents the aggregate grant date fair value of grants of restricted stock units made during fiscal year 2010, computed in accordance with FASB ASC Topic 718. Each of Messrs. Grady and Watkins was awarded 3,252 restricted stock units on December 10, 2009 in connection with his service on the board of directors, and the aggregate grant date fair value of each of these awards was \$60,715. Each of Messrs. Bergman, Bronson, Hagopian, and Wazzan was awarded 4,000 restricted stock units on December 10, 2009 in connection with his service on the board of directors, and the aggregate grant date fair value of each of these awards was \$74,680. In each case, the aggregate grant date fair value disregards an estimate of forfeitures. The assumptions used in the valuation of these awards are set forth in Note 6, “Stock-Based Compensation” of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended June 26, 2010.
- (2) Represents the aggregate grant date fair value of grants of stock options made during fiscal year 2010, computed in accordance with FASB ASC Topic 718. On December 10, 2009, each non-employee director was awarded 12,824 stock options with an aggregate grant date fair value of \$57,375 per award in connection with his service on the board of directors. The exercise price was \$18.97 for all stock options granted to the non-employee directors on December 10, 2009. In each case, the aggregate grant date fair value disregards an estimate of forfeitures. The assumptions used in the valuation of these awards are set forth in Note 6, “Stock-Based Compensation” of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended June 26, 2010.
- (3) Reflects \$44,514 premium for medical insurance coverage, for Mr. Bergman, which was also available to each member of the board of directors in fiscal 2010 in connection with their board service. Mr. Bergman voluntarily terminated this medical insurance on June 30, 2010.
- (4) Reflects \$101,727 paid to such directors to reimburse them for federal and state taxes imposed on deemed income pursuant to Internal Revenue Code Section 409A, and a corresponding tax gross-up, as a result of receiving stock options that had an actual grant date that was different from their measurement date under applicable accounting principles. These stock options were granted by Maxim’s former Chief Executive Officer in 2002 without any involvement by the board of directors and were never exercised by Messrs. Bergman, Hagopian, and Wazzan.

The type and aggregate number of outstanding equity awards held by each of the directors serving on June 26, 2010 are as follows:

| | |
|--------------------|---|
| Mr. Bergman | 117,074 stock options and 2,000 unvested restricted stock units |
| Mr. Bronson | 82,574 stock options and 2,000 unvested restricted stock units |
| Mr. Grady | 73,574 stock options and 1,876 unvested restricted stock units |
| Mr. Hagopian | 117,074 stock options and 2,000 unvested restricted stock units |
| Mr. Watkins | 73,574 stock options and 1,876 unvested restricted stock units |
| Dr. Wazzan | 117,074 stock options and 2,000 unvested restricted stock units |

Cash Compensation

Each non-employee member of the board of directors is paid an annual retainer of \$50,000. The Chairman of the board of directors is paid an additional \$25,000 annual cash retainer fee, the Chairman of the Audit Committee is paid an additional \$20,000 annual cash retainer fee, the Chairman of the Compensation Committee is paid an additional \$15,000 annual cash retainer fee, and the Chairman of the Nominating and Governance Committee is paid an additional \$10,000 annual cash retainer fee. Each member of the (1) Audit Committee (excluding the Chairman) is paid an additional \$10,000 annual cash retainer fee, (2) Compensation Committee (excluding the Chairman) is paid an additional \$7,500 annual cash retainer fee, and (3) Nominating and Governance Committee (excluding the Chairman) is paid an additional \$5,000 annual cash retainer fee. All retainer fees are paid quarterly in arrears. Maxim reimburses each director for reasonable expenses incurred in attend meetings of the board of directors or its committees. In addition, Maxim makes medical insurance coverage available to each non-employee director in connection with each individual's service as a director of Maxim (please refer to footnote 3 in the table above).

Equity Compensation

Non-employee directors participate in the 1996 Equity Plan. Effective December 10, 2009, the board of directors, based upon the recommendation of the Compensation Committee, determined that each non-employee director should be awarded and vest in stock options exercisable for 12,824 shares of our common stock per calendar year and 4,000 restricted stock units per calendar year. Stock options are generally awarded such that each non-employee director has four full years of vesting to occur in the future immediately following the grant of the option. Restricted stock units are generally awarded on an annual basis. Stock options and restricted stock units vest in quarterly installments. Equity awards to non-employee directors are generally made at the first meeting of the first board of directors or Compensation Committee following re-election to the board of directors that occurs during an open trading window under Maxim's Insider Trading Policy.

* * *

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Nominating and Corporate Governance Committee (the “Governance Committee”) recommended, and the board of directors nominated, B. Kipling Hagopian, Tunc Doluca, James R. Bergman, Joseph R. Bronson, Robert E. Grady, William D. Watkins, and A. R. Frank Wazzan as nominees for election as members of our board of directors at the 2010 annual meeting. Except as set forth below, unless otherwise instructed, the persons appointed as proxy holders in the accompanying form of proxy will vote the proxies received by them for such nominees, who are all presently directors of Maxim. All of these nominees were elected directors by a vote of the stockholders at the last annual meeting of stockholders which was held on December 10, 2009.

In the event that any nominee becomes unavailable or unwilling to serve as a member of our board of directors, the proxy holders will vote in their discretion for a substitute nominee. The term of office of each person elected as a director will continue until the next annual meeting or until a successor has been elected and qualified, or until the director’s earlier death, resignation, or removal.

Each stockholder voting in person or by proxy in the election of directors is entitled to cumulate such stockholder’s votes. Each stockholder who elects to cumulate votes shall be entitled to as many votes as equals the number of directors to be elected multiplied by the number of shares held by such stockholder, and the stockholder may cast all such votes for a single director or distribute such votes among as many candidates who have been properly placed in nomination as the stockholder may see fit. The proxy holders may exercise discretionary authority to cumulate votes and to allocate such votes among the seven nominees recommended by the board of directors.

The following paragraphs provide information as of September 29, 2010 about each nominee. Such information includes the age, position, principal occupation, and business experience for at least the past five years, and the names of other publicly-held companies of which the nominee currently serves as a director or has served as a director during the past five years. In addition, we are providing a description of each nominee’s specific experience, qualifications, attributes and skills that led the board to conclude that such nominee should serve as a director. There are no family relationships among any directors or executive officers of Maxim.

| <u>Name</u> | <u>Age</u> | <u>Director Since</u> |
|---------------------------|------------|-----------------------|
| B. Kipling Hagopian | 68 | 1997 |
| Tunc Doluca | 52 | 2007 |
| James R. Bergman | 68 | 1988 |
| Joseph R. Bronson | 62 | 2007 |
| Robert E. Grady | 52 | 2008 |
| William D. Watkins | 57 | 2008 |
| A. R. Frank Wazzan | 74 | 1990 |

Mr. Hagopian has served as a director of Maxim since 1997 and as the Chairman of the board of directors since January 2007. Mr. Hagopian is a founder of Brentwood Associates, a venture capital investment company, and was a General Partner Brentwood until 1996 and a General Partner of all of the funds established by Brentwood from inception in 1972 until 1989. He has been a Special Limited Partner of each of the five Brentwood venture funds established since 1989 and is a Special Advisory Partner to Redpoint Ventures I, which is a successor to Brentwood’s information technology funds. Mr. Hagopian is also Chairman and President of Segue Productions, a feature film production company, and a Managing Member of Apple Oaks Partners LLC, a private investment company. Mr. Hagopian serves as Chairman of Maxim’s board of directors. From January 2006 to July 2010, Mr. Hagopian served on the board of directors of Thomas Weisel Partners Group, Inc.

In nominating Mr. Hagopian to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Hagopian’s extensive experience in the private equity industry, his leadership

skills, his expertise with financial statements and disclosures, and his long-standing years of service on Maxim's board of directors, as well as being an early investor in Maxim.

Mr. Doluca has served as a director of Maxim, as well as the President and Chief Executive Officer, since January 2007. He joined Maxim in October 1984 and served as Vice President between 1994 and 2005. He was promoted to Senior Vice President in 2004 and Group President in May 2005. Prior to 1994, he served in a number of integrated circuit development positions.

In nominating Mr. Doluca to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Doluca's experience in the semiconductor industry and 26 years of service at Maxim, including 16 years as an officer of the Company, including his current position as the Chief Executive Officer, his technical expertise, and his executive leadership and management skills.

Mr. Bergman has served as a director of Maxim since 1988. Mr. Bergman was a founder and has been General Partner of DSV Associates since 1974 and a founder and General Partner of its successors, DSV Partners III and DSV Partners IV. These firms provide venture capital and management assistance to emerging companies, primarily in high technology. Since July 1997, he has also served as a Special Limited Partner of Cardinal Health Partners and Cardinal Partners II, which are private venture capital funds.

In nominating Mr. Bergman, the Governance Committee considered as important factors, among other items, Mr. Bergman's experience as a venture capitalist in technology companies, his experience and familiarity with financial statements, and his deep and fundamental understanding of Maxim's culture, employees and products as a result of service on the board for over two decades.

Mr. Bronson has served as a director of Maxim since November 2007. Mr. Bronson is Principal and Chief Executive Officer of the Bronson Group, LLC, which provides financial and operational consulting services. Mr. Bronson served as the Chief Executive Officer of Silicon Valley Technology Company, a private company that provides technical services to the semiconductor and solar industries, from 2009 to March 2010, and he also served on Silicon Valley Technology Company's board of directors. Mr. Bronson served as President and Chief Operating Officer of Sanmina-SCI, a worldwide contract manufacturer, between August 2007 and October 2008, and he also served on Sanmina-SCI's board of directors between August 2007 and January 2009. Before joining Sanmina-SCI, Mr. Bronson served as President, Co-Chief Executive Officer and a director of FormFactor, Inc., a manufacturer of advanced semiconductor wafer probe cards, between 2004 and 2007. Prior to 2004, Mr. Bronson spent 20 years at Applied Materials in senior level operations management, concluding with the positions of Executive Vice President and Chief Financial Officer. In addition to Maxim, Mr. Bronson currently serves on the boards of directors of Jacobs Engineering Group Inc. and SDC Materials.

In nominating Mr. Bronson, the Governance Committee considered as important factors, among other items, Mr. Bronson's expertise and familiarity with financial statements, financial disclosures, auditing and internal controls, his senior management level experience at large publicly traded companies and understanding of board best practices.

Mr. Grady has served as a director of Maxim since August 2008. Since October 2009, Mr. Grady has been a Managing Director at the Cheyenne Capital Fund, a private equity investment firm. Mr. Grady was appointed as Chairman of New Jersey's Council of Economic Advisors by Governor Chris Christie in January 2010, became a member of the New Jersey State Investment Council (which oversees the state's \$68 billion pension fund) in June 2010, and was elected Chairman of the New Jersey State Investment Council in September 2010. Mr. Grady was a Managing Director at The Carlyle Group, a global private equity firm, from 2000 to 2009, where he served as a member of the firm's Management Committee; Chairman and Fund Head of Carlyle's U.S. venture and growth capital group, Carlyle Venture Partners (CVP); on the investment committees of CVP, Carlyle Asia Growth Partners, and Carlyle Europe Technology Partners; and as a director of multiple Carlyle portfolio companies. Between 1993 and 2000, he was a Partner and Member of the Management Committee at Robertson

Stephens & Company, an emerging growth-focused investment banking firm. Previously, Mr. Grady served in the White House as Deputy Assistant to the President of the United States of America, as Executive Associate Director of the Office of Management and Budget (“OMB”), and as Associate Director of OMB for Natural Resources, Energy and Science. Mr. Grady is a former director of the National Venture Capital Association, and he served as Chairman of the National Venture Capital Association in 2006 and 2007. From 1993 to 2004, Mr. Grady served on the faculty of the Stanford Graduate School of Business as a Lecturer in Public Management. In addition to Maxim, Mr. Grady currently serves on the board of directors of Stifel Financial Corp., a financial services firm focused on investment banking and asset management, and of several privately-held companies. From July 2004 to June 2010, Mr. Grady also served on the board of directors of AuthenTec, Inc., a maker of fingerprint identification semiconductors, and from September 2009 to July 2010, Mr. Grady served on the board of directors of Thomas Weisel Partners Group, Inc., which was acquired by Stifel Financial Corp.

In nominating Mr. Grady to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Grady’s extensive experience in the financial services industry, including his leadership roles at several large financial services firms, his expertise with strategic business combinations and corporate strategy development, and his corporate governance experience as the chairman of a large public pension fund, and his experience as a director.

Mr. Watkins has served as a director of Maxim since August 2008. Mr. Watkins is the Chief Executive Officer and a member of the board of directors of Bridgelux, Inc., a leading light emitting diode (LED) developer. Mr. Watkins was Seagate Technology’s Chief Executive Officer between July 2004 and January 2009 and was a member of its board of directors between 2000 and January 2009. Previously, Mr. Watkins was Seagate’s President and Chief Operating Officer, a position he had held since 2000, and in this capacity was responsible for the company’s global hard disc drive operations. Mr. Watkins joined Seagate in 1996 as part of the company’s merger with Conner Peripherals. In addition to Maxim, Mr. Watkins currently serves on the board of directors of Flextronics International Ltd.

In nominating Mr. Watkins to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Watkins’ operational and management experience, his experience as Chief Executive Officer, President and Chief Operating Officer of Seagate, his understanding of the electronics and semiconductor industries, as well as his expertise and familiarity with financial statements.

Dr. Wazzan has served as a director of Maxim since 1990. Dr. Wazzan is Distinguished Professor and Dean Emeritus of the School of Engineering, University of California, Los Angeles. Dr. Wazzan has served as consultant to Douglas Aircraft, Hughes Electrodynamics, North American Rockwell, the U.S. Atomic Energy Commission, Westinghouse Oceanics Division, Honeywell, and the Department of Defense while at Rand Corporation, where he was granted secret, top secret, and critical nuclear weapon design and information clearances to work on the design of underwater weapon systems, the effect of nuclear radiation on the performance of electronic materials and communication satellites, and methods of hardening boosters and satellites to laser and microwave weapons. Dr. Wazzan is a member of the American Institute of Aeronautics and Astronautics, a Guggenheim Fellow, and a Fellow of the American Nuclear Society. He is recipient of the Gold Medal Award at the First International Meeting on Nuclear Power Plants in Commercial Operations.

In nominating Dr. Wazzan to serve on the board, the Governance Committee considered as important factors, among other items, Dr. Wazzan’s relevant academic experience, including his experience as Distinguished Professor and Dean Emeritus of a major university’s engineering department, his long-standing service on Maxim’s board and his expertise and familiarity with executive compensation matters.

Required Vote

The seven nominees receiving the highest number of affirmative “FOR” votes shall be elected as directors. Unless marked to the contrary, proxies received will be voted “FOR” these nominees.

Recommendation

Our board of directors recommends a vote “FOR” the election to the board of directors of each of the foregoing nominees.

* * *

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the board of directors has appointed Deloitte & Touche LLP as the independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending June 25, 2011. During fiscal year 2010, Deloitte & Touche LLP served as our independent registered public accounting firm and also provided certain tax and audit-related services. See the information provided in this proxy statement under the heading “Independent Public Accountants.” Notwithstanding its selection, the Audit Committee, in its discretion, may appoint another independent registered public accounting firm at any time during fiscal year 2011 if the Audit Committee believes that such a change would be in the best interests of Maxim and its stockholders. If the appointment is not ratified by our stockholders, the Audit Committee may consider whether it should appoint another independent registered public accounting firm. Representatives of Deloitte & Touche LLP are expected to attend the annual meeting, where they will be available to respond to appropriate questions and, if they desire, to make a statement.

Required Vote

Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending June 25, 2011 requires the affirmative “FOR” vote of a majority of the votes cast on the proposal. Unless marked to the contrary, proxies received will be voted “FOR” ratification of the appointment of Deloitte & Touche LLP.

Recommendation

Our board of directors recommends a vote FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending June 25, 2011.

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PROPOSAL NO. 3

RATIFICATION AND APPROVAL OF AMENDMENTS TO MAXIM'S 2008 EMPLOYEE STOCK PURCHASE PLAN TO INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE BY 2,000,000 SHARES

At the 2010 annual meeting, stockholders will be asked to ratify and approve an amendment to the 2008 ESP Plan to increase the maximum number of shares of Maxim common stock that may be purchased under the ESP Plan by an additional 2,000,000 shares. The 2008 ESP Plan was originally approved by the board of directors in October 2008 and then ratified by stockholders on December 15, 2008, and was amended in 2009 to increase the shares reserved for issuance thereunder by 2,000,000 shares. The amendment to the 2008 ESP Plan to increase the maximum number of shares that may be purchased by 2,000,000 shares was approved by Maxim's board of directors in September 2010.

Prior to the effectiveness of the proposed amendment, a total of 6,000,000 shares of Maxim common stock had been reserved for issuance under the 2008 ESP Plan. As of October 1, 2010, approximately 3,697,707 shares were available for purchase under the 2008 ESP Plan. Maxim anticipates that approximately 2,000,000 shares will be purchased by employees under the 2008 ESP during fiscal year 2011 based upon current assumptions regarding employee participation levels, and is therefore seeking to increase the number of shares reserved for issuance under the 2008 ESP Plan by 2,000,000 shares.

The board of directors has approved, subject to stockholder ratification and approval, amendments to increase the maximum number of shares of Maxim Common Stock reserved under the 2008 ESP Plan by 2,000,000 shares to a total of 8,000,000 shares.

The closing price of Maxim's common stock on September 1, 2010 was \$16.36 per share.

Maxim believes that substantial equity participation by employees is important in creating an environment in which employees will be motivated to remain employed and be productive for long periods of time. Maxim further believes that the attraction, retention and motivation of highly qualified personnel are essential to Maxim's continued growth and success and that incentive plans, such as the 2008 ESP Plan, are necessary for Maxim to remain competitive in its compensation practices. In addition, Maxim believes that the 2008 ESP Plan (and other equity incentive programs) are an effective way to assure alignment of employees' and stockholders' interests and believe all such equity incentives are in the best interest of the stockholders.

The benefits to be received by Maxim's employees and officers pursuant to the 2008 ESP Plan are not determinable at this time.

Required Vote

Ratification and approval of the amendments to increase the number of shares reserved under the 2008 ESP Plan and to make other administrative changes requires the approval of a majority of the shares represented in person or by proxy and voting at the annual meeting. A general description of the principal terms of the 2008 ESP Plan approved by the board of directors and the purpose of the 2008 ESP Plan is set forth below. Unless otherwise marked, all properly signed and returned proxies will be voted FOR Proposal No. 3.

Recommendation

Our board of directors recommends a vote "FOR" the ratification and approval of the amendments to Maxim's 2008 Employee Stock Purchase Plan.

The following summary of certain provisions of the 2008 ESP Plan is qualified in its entirety by reference to the 2008 ESP Plan, a copy of which is attached as Appendix A to this Proxy Statement. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the 2008 ESP Plan.

Summary of Material Features of the 2008 ESP Plan

Eligible Employees

All employees of Maxim and its subsidiaries designated by the committee appointed by the board of directors to administer the 2008 ESP Plan (the “Committee”) will be eligible to participate in the 2008 ESP Plan. However, the Committee may exclude from participation (1) a group of certain highly compensated employees, (2) employees who have been employed by Maxim or any subsidiary for less than two years, (3) employees whose customary employment is for not more than five months in any calendar year, and (4) employees who customarily work 20 hours per week or less.

Notwithstanding the foregoing, no employee shall be eligible for participation under the 2008 ESP Plan if, immediately after such grant, that employee would own stock possessing 5% or more of the total combined voting power or value of all classes of stock of Maxim or of any affiliate of Maxim (including any stock which such employee may purchase under all outstanding rights and options). In addition, no employee will be permitted to purchase stock under all employee stock participation plans, including the 2008 ESP Plan, of Maxim and its affiliates (1) at a rate which in the aggregate exceeds \$25,000 of the fair market value of such stock (determined under Section 423 of the Code at the time the right is granted) for any calendar year in which the right is outstanding at any time or (2) 1,600 shares of stock in an offering period, whichever is less.

Participation

The Committee has the power from time to time to grant or provide for the grant of rights to purchase stock of Maxim under the 2008 ESP Plan to eligible employees (an “Offer”) on a date or dates (the “Offer Date(s)”) identified in the 2008 ESP Plan. Each Offer will be in such form and will contain such terms and conditions as the Committee deems appropriate, except that each Offer must include the substance of the required provisions of the 2008 ESP Plan, which are described below. Each Offer will be outstanding for approximately 12 months (the “Offer Period”) and there will be overlapping Offer Periods.

An eligible employee becomes a participant in an Offer by delivering written enrollment form to Maxim, within the time specified in each Offer, authorizing payroll deductions of up to a maximum percentage of 25% of his or her Eligible Compensation (as defined in the 2008 ESP Plan) during the Offer Period. All payroll deductions made for a participant are credited to his or her account under the 2008 ESP Plan and are deposited with the general funds of Maxim. The purchase price of the shares is accumulated by payroll deductions (or direct payments, if permitted) over the Offer Period. At any time during the Offer Period, a participant may terminate his or her payroll deductions, but a participant may not increase, reduce or begin such payroll deductions after the beginning of any Offer Period.

Purchase of Stock

The purchase dates will occur on the last business day immediately preceding the last Saturday in May and November (each a “Purchase Date”). On each Purchase Date, the balance in each participant’s account will be applied to the purchase of whole shares of stock of Maxim. No fractional shares shall be issued upon the exercise of rights granted under the 2008 ESP Plan. The amount remaining in each participant’s account after the purchase of shares that is less than the amount required to purchase one share of stock on the last Purchase Date of a Offer Period shall be held in each such participant’s account for the purchase of shares during the next Offer Period under the 2008 ESP Plan, unless such participant withdraws from the next Offer or is no longer eligible to be granted rights under the 2008 ESP Plan, in which case such amount is distributed to the participant after the Purchase Date, without interest.

Purchase Price

The purchase price per share of stock acquired pursuant to the 2008 ESP Plan will be the lesser of: (1) 85% of the fair market value per share of such stock on the Offer Date and (2) 85% of the fair market value per share of such stock on the Purchase Date.

Withdrawal

A participant may withdraw from an Offer by terminating his or her payroll deductions and by delivering to Maxim a written notice of withdrawal from the Offer. Such withdrawal may be elected within a certain period of time prior to the end of the applicable Offer Period. Upon any withdrawal from an Offer by the employee, Maxim will distribute to the employee his or her accumulated payroll deductions (reduced for prior purchases) without interest, and such employee's interest in the Offer will be automatically terminated. Upon such withdrawal from an Offer, the employee is not entitled to participate again in such Offer and the employee may not be able to participate in the 2008 ESP Plan for such period of time as determined by the Committee. Any such employee participating in a new Offer after his or her withdrawal from an Offer will be required to timely submit a new enrollment form.

Termination of Employment

Rights granted pursuant to any Offer under the 2008 ESP Plan shall terminate immediately upon cessation of an employee's employment for any reason, and Maxim shall promptly distribute to such employee all of his or her accumulated payroll deductions (reduced for prior purchases), without interest.

No transferability

Rights granted under the 2008 ESP Plan are not transferable by a participating employee other than by will or the laws of descent and distribution and are exercisable during such participating employee's lifetime only by him or her.

Adjustments upon Changes in Stock or Change in Control

If (1) Maxim shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of Maxim or its subsidiaries or a transaction similar thereto, (2) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of Maxim, or any distribution to holders of Maxim common stock other than cash dividends, shall occur or (3) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the number or kind of shares, or both, which thereafter may be sold under the 2008 ESP Plan, then the Committee may take any necessary actions to preserve to the participating employees' rights substantially proportionate to the rights existing prior to such event. Such actions may include, without limitation, adjustments in the number and kind of shares subject to the 2008 ESP Plan and the purchase price of such shares under the 2008 ESP Plan.

Notwithstanding any other provision of the 2008 ESP Plan, if Maxim's common stock ceases to be listed or traded, as applicable, on a national stock exchange or over-the-counter market (the "Triggering Event"), then, in the discretion of the Committee, (1) the balance in the participating employee's payroll account not yet invested may be refunded to the participating employee, and such participating employee will have no further rights or benefits under the 2008 ESP Plan, (2) an amount equal to the product of the fair market value of a share on the date of the Triggering Event multiplied by the number of shares such participating employee would have been able to purchase with the balance of his or her payroll account on the date of such Triggering Event may be paid to the Participating Employee, and such Participating Employee shall have no further rights or benefits under the 2008 ESP Plan, or (3) the 2008 ESP Plan may be continued.

Amendment, Suspension and Termination of the 2008 ESP Plan

The board of directors may at any time and for any reason amend, suspend or terminate the 2008 ESP Plan. However, any amendment of the 2008 ESP Plan shall require stockholder approval if such approval would be required under applicable law or regulation.

Federal Income Tax Consequences

The following summarizes only the federal income tax consequences of participation under the 2008 ESP Plan based upon federal income tax laws in effect on the date of this proxy statement. This summary does not purport to be complete, and does not discuss any non-U.S., state or local tax consequences. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, a participant's individual circumstances. Each participant in the 2008 ESP Plan is strongly urged to consult with his or her tax advisor regarding participation in the 2008 ESP Plan.

The 2008 ESP Plan, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code (except to comply with applicable foreign or local law). Under these provisions, no income will be taxable to a participant at the time of grant of the option or purchase of shares. Amounts deducted from a participant's pay under the 2008 ESP Plan are part of the employee's regular compensation and remain subject to federal, state and local income and employment withholding taxes.

Upon disposition of the shares, the participant will generally be subject to tax, the amount of which will depend upon the participant's holding period. If the participant disposes of his or her shares more than two years after the date of option grant and more than one year after the purchase of the shares, the lesser of (1) 15% of the fair market value of the shares on the date the option was granted or (2) the excess (or zero if there is no excess) of the fair market value of the shares on the date of the disposition of the shares over the purchase price will be treated as ordinary income, and any further gain will be treated as long-term capital gain. If the participant disposes of the shares before the expiration of these holding periods, the excess of the fair market value of the shares on the exercise date over the purchase price will be treated as ordinary income, and any further gain or loss on such disposition will be long-term or short-term capital gain or loss, depending on the holding period.

There currently is no income tax withholding required upon the purchase or disposition of the shares by a participant. However, in the future, a participant may be subject to employment tax withholding (e.g., Social Security and Medicare) at the time of purchase. The United States Internal Revenue Service issued proposed regulations which, if adopted, would subject a participant to withholding for Social Security and Medicare (not including income tax) at the time of purchase based upon the difference between the fair market value of the shares on the date of purchase and the purchase price of the shares. These proposed regulations, if adopted, would be effective only for purchases made under the 2008 ESP Plan two years after the regulations are issued in final form.

Maxim is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent of ordinary income reported by participants upon disposition of shares within two years from date of grant or within one tax year of the date of purchase. Maxim is required to report to the United States Internal Revenue Service any ordinary income recognized by a participant as a result of a disposition if such information is available to Maxim. In the future, Maxim may be required to withhold (from a participant's salary) the amount due as taxes on such ordinary income.

* * *

PROPOSAL NO. 4

RATIFICATION AND APPROVAL OF AN AMENDMENT TO MAXIM'S AMENDED AND RESTATED 1996 STOCK INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE BY 7,000,000 SHARES

At the 2010 annual meeting, stockholders will be asked to ratify and approve an amendment to Maxim's 1996 Equity Plan to increase the maximum number of shares of Maxim common stock that may be purchased under the 1996 Equity Plan by an additional 7,000,000 shares, equivalent to approximately 2.36% of the Company's outstanding shares. The amendment to the 1996 Equity Plan to increase the number of shares that may be purchased by 7,000,000 shares was approved by the board of directors in September 2010.

Prior to the effectiveness of the proposed amendment, a total of 106,100,000 shares of Maxim common stock had been reserved for issuance under the 1996 Equity Plan. As of September 10, 2010, approximately 7,770,713 shares were available for purchase under the 1996 Equity Plan, and there were 31,759,251 outstanding stock options with a weighted average exercise price of \$25.95 and a weighted average remaining contractual term of 4.22 years, and 12,353,868 outstanding RSUs.

Maxim is seeking to increase the number of shares under the 1996 Equity Plan by 7,000,000 shares in order to have a sufficient number of shares to award to its employees as part of the Company's annual focal award in September 2011, which is made in conjunction with employee performance reviews, salary adjustments and cash bonus determinations, as well as to support awards to new employees, awards to employees in connection with acquisitions and promotional awards. These awards will likely be a combination of stock options and restricted stock units. As required by our 1996 Equity Plan, each restricted stock unit (granted with an exercise price less than the fair market value of our common stock) is counted against the share reserve as two shares for every one share subject to such award. By way of an example, if we grant 1,000 restricted stock units with an exercise price of zero, this will result in 2,000 shares being deducted from the share reserve under the 1996 Equity Plan. A 7,000,000 increase in the shares available for issuance would result in 3,500,000 restricted stock units being available for grant, assuming these are granted with a zero exercise price. Thus, given that we expect to grant a combination of stock options and restricted stock units, the number of shares which will ultimately be issued will be less than the requested increase in shares available for issuance.

To continue to manage and control the amount of our common stock used for equity compensation, we have adopted a burn rate policy for fiscal years 2011 through 2013 to be effective if our stockholders approve this proposal. During this three year period, our burn rate policy will require us to limit the number of shares that we grant subject to stock awards over the three year period to no more than an annual average of 5.27% of our outstanding common stock (which is equal to the median burn rate plus one standard deviation for the 2009 and 2010 calendar years average for Russell 3000 companies in the Global Industry Classification Standards Peer Group (Semiconductors & Semiconductor Equipment), as published by RiskMetrics Group in 2009), unless otherwise approved by board of directors and stockholders. Our annual burn rate will be calculated as the number of shares subject to stock awards (including stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock awards) granted during our fiscal year (although for purposes of this analysis the number of shares subject to performance units and performance shares will be counted in the fiscal year that they are earned instead of the fiscal year in which they are granted) divided by our weighted average common stock outstanding for each fiscal year, both as reported in our periodic filings with the SEC. Awards that are settled in cash, awards that are granted pursuant to stockholder approved option exchange programs, awards sold under our employee stock purchase plan and awards issued, assumed or substituted in connection with acquisitions will be excluded from our burn rate calculation. For purposes of our calculation, each share subject to a full value award (i.e., restricted stock, restricted stock units, performance shares, and any other award that does not have an exercise price per share equal to the per share fair market value of our common stock on the grant date) will be counted as 2.5 shares (because our annual common stock price volatility was 31.39% on June 1, 2010).

The board of directors has approved, subject to stockholder ratification and approval, an amendment to increase the maximum number of shares of Maxim common stock reserved under the 1996 Equity Plan by 7,000,000 shares to a total of 113,100,000 shares.

The closing price of Maxim's common stock on September 1, 2010 was \$16.36 per share.

Maxim believes that substantial equity participation by employees is important in creating an environment in which employees will be motivated to remain employed and be productive for long periods of time. Maxim further believes that the attraction, retention and motivation of highly qualified personnel is essential to Maxim's continued growth and success and that incentive plans, such as the 1996 Equity Plan, are necessary for Maxim to remain competitive in its compensation practices. In addition, Maxim believes that the 1996 Equity Plan (and other equity incentive programs) is an effective way to assure alignment of employees' and stockholders' interests and believe all such equity incentives are in the best interest of the stockholders.

The benefits to be received by Maxim's employees and officers pursuant to the 1996 Equity Plan are not determinable at this time.

Required Vote

Ratification and approval of the amendment to increase the number of shares reserved under the 1996 Equity Plan requires the approval of a majority of the shares represented in person or by proxy and voting at the annual meeting. A general description of the principal terms of the 1996 Equity Plan approved by the board of directors and the purpose of the 1996 Equity Plan is set forth below. Unless otherwise marked, all properly signed and returned proxies will be voted "FOR" Proposal No. 4.

Recommendation

Our board of directors recommends a vote "FOR" the amendment to of Maxim's 1996 Stock Incentive Plan as described herein.

The following summary of certain provisions of the 1996 Equity Plan is qualified in its entirety by reference to the 1996 Equity Plan, a copy of which is attached as Appendix B to this Proxy Statement. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the 1996 Equity Plan.

Summary of Material Features of the 1996 Equity Plan

The following paragraphs provide a summary of the principal features of the 1996 Equity Plan and its operation. The following summary is qualified in its entirety by reference to the 1996 Equity Plan as set forth in *Appendix B*. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the 1996 Equity Plan.

Purpose. The purpose of the 1996 Equity Plan is to increase stockholder value. We believe that our employees, including highly talented analog engineers, which are scarce, are the main driver of stockholder value. The Company needs to have competitive compensation programs to recruit, retain and motivate our employees, and the Company's equity programs are a key component of its compensation structure. We also believe that employee ownership aligns employee interests with those of the stockholders and has contributed to Maxim's success.

Types of Awards. The 1996 Equity Plan provides for the grant of the following types of incentive awards: (1) stock options; (2) restricted stock units, and (3) restricted stock, which are hereinafter referred to individually as an "Award." Those who will be eligible for Awards under the 1996 Equity Plan include employees, directors and consultants who provide services to the Company and its parent and subsidiary companies.

Number of Shares of Common Stock Available Under the 1996 Equity Plan. If stockholders approve Proposal 4, a total of 113,100,000 shares of the Company's common stock will be reserved for issuance under the 1996 Equity Plan. Any shares subject to awards of restricted stock units and restricted stock granted with an exercise price less than the fair market value on the date of grant will be counted against the share reserve as two (2) shares for every one (1) share subject to such award. Further, to the extent that a share that was subject to an award that counted as two (2) shares against the 1996 Equity Plan reserve pursuant to the preceding sentence is recycled back into the 1996 Equity Plan, the 1996 Equity Plan will be credited with two (2) shares that will thereafter be available for issuance under the 1996 Equity Plan.

If we experience a stock split, reverse stock split, stock dividend, spin-off, combination, or reclassification of our shares, or any other change or increase or decrease in the number of issued shares effected without our receipt of consideration (except for certain conversions of convertible securities) appropriate adjustments will be made, subject to any required action by the Company's stockholders, to the number of shares available for issuance under the 1996 Equity Plan, the number of shares covered by each outstanding Award, the price per share covered by each outstanding Award, and the numerical per-person share limits for each type of Award, as appropriate to reflect the stock dividend or other change.

Maxim common stock covered by the 1996 Equity Plan may be either authorized but unissued shares or treasury shares. If there is a lapse, expiration, termination, or cancellation of any Award granted under the 1996 Equity Plan without the issuance of shares or payment of cash thereunder, or if shares are issued under any Award under the 1996 Equity Plan and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, the shares subject to or reserved for such Award, or so retained or reacquired, may again be used for new Awards under the 1996 Equity Plan. Notwithstanding the foregoing, any shares of common stock of the Company tendered to or withheld by the Company (a) in connection with the exercise of options under the 1996 Equity Plan (or any other equity plans of the Company) or (b) for the payment of tax withholding on any option, restricted stock unit award or restricted stock award shall not, in each case, be available for future issuance under the 1996 Equity Plan (or any other equity plans of the Company). In addition, the Company will be required to seek prior stockholder approval in order to conduct any award-for-award exchange offer or cash tender offer with respect to outstanding awards under the 1996 Equity Plan (or any other equity plans of the Company).

Administration. The 1996 Equity Plan provides that the grant of Awards and other determinations under the 1996 Equity Plan shall be made by (1) the board of directors or (2) a Committee designated by the board of directors (the "Administrator") which, in case of grants of Awards to employees who are officers of the Company, is constituted in a manner to permit the grants and related transactions under the 1996 Equity Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3 of the Exchange Act and which, in the case of grants to "covered employees," is intended to constitute "performance-based compensation," is made up solely of two or more "outside directors" as such terms are defined under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Administrator has the authority to select employees, directors, and consultants to whom Awards may be granted; to determine the number of shares to be covered by each Award; and to determine the terms and conditions of any Award granted under the 1996 Equity Plan.

Performance Based Compensation. Section 162(m) of the Code limits the annual deduction a public corporation may claim for compensation paid to the Company's Chief Executive Officer and to each of its three most highly compensated executive officers (other than the Chief Financial Officer) to \$1 million, except in limited circumstances. One such exception is for "performance-based compensation," which is defined as compensation paid solely on account of the attainment of one or more performance goals, but only (1) if the goals are determined by a compensation committee of the board of directors comprised of two or more outside directors, (2) the performance goals are disclosed to stockholders and approved by a majority vote before the remuneration is paid, (3) before the remuneration is paid, the compensation committee certifies that the performance goals and any other material terms were in fact satisfied, and (4) setting limits on the number of

Awards that any individual may receive. The 1996 Equity Plan has been designed to permit the Administrator to grant Awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting the Company to continue to receive a federal income tax deduction in connection with such Awards.

The 1996 Equity Plan limits the number of shares with respect to which incentive stock options and non-qualified stock options may be granted in any one fiscal year of the Company to any one participant to 4,000,000 shares and limits the number of shares with respect to which restricted stock units and restricted stock may be granted in any fiscal year of the Company to any one participant to 2,000,000 shares.

Eligibility. Selected employees, directors, service providers, advisors and independent contractors of the Company and any parent or subsidiaries will be eligible to receive Awards under the 1996 Equity Plan. Awards may be granted to eligible persons residing in foreign jurisdictions under additional terms and conditions to accommodate local laws and to provide such eligible persons favorable treatment under local laws, provided that no such terms are inconsistent with the 1996 Equity Plan.

Duration. The 1996 Equity Plan will continue in effect until August 11, 2015, unless terminated earlier by the board of directors.

Corporate Transactions/Changes in Control/Subsidiary Dispositions. The Administrator shall have the authority, exercisable either in advance of any actual or anticipated or at the time of an actual corporate transaction, change in control or subsidiary disposition and exercisable at the time of the grant of an Award under the 1996 Equity Plan or any time while an Award remains outstanding, to provide for the full automatic vesting and exercisability of one or more outstanding unvested Awards under the 1996 Equity Plan and the release from restrictions on transfer and repurchase or forfeiture rights of such Awards in connection with a corporate transaction, change in control or subsidiary disposition, on such terms and conditions as the Administrator may specify. The Administrator also shall have the authority to condition any such Award vesting and exercisability or release from such limitations upon the subsequent termination of the continuous status as an employee or service of the participant within a specified period following the effective date of the change in control or subsidiary disposition. The Administrator may provide that any Awards so vested or released from such limitations in connection with a change in control or subsidiary disposition, shall remain fully exercisable until the expiration or sooner termination of the Award. Effective upon the consummation of a corporate transaction, all outstanding Awards under the 1996 Equity Plan shall terminate unless assumed by the successor company or its parent.

Options. The 1996 Equity Plan provides that the purchase price of any stock option shall be at least 100% of the fair market value of the Company common stock at the time the option is granted. The Administrator may provide for the payment of the purchase price in cash, by delivery of other common stock of the Company having a market value equal to the purchase price of such shares, or by any other method, including by delivery of an exercise notice accompanied by a copy of irrevocable instructions to a broker to deliver promptly to the Company proceeds to pay the purchase price.

The Administrator may permit or require a participant to pay all or a portion of the federal, state and local taxes, including FICA and Medicare withholding tax, arising in connection with the exercise of an option, by having the Company withhold shares or by delivering shares received in connection with the option or previously acquired, having a fair market value approximating the amount to be withheld.

The maximum term of any option will be ten (10) years from the date it is granted, except that with respect to any participant who owns 10% of the voting power of all classes of the Company's outstanding capital stock, the term of an incentive stock option may not exceed five (5) years. Options are generally exercisable for a period of 90 days after termination or retirement, 365 days after termination due to disability or 547 days after termination due to death.

Restricted Stock Units. The Administrator is able to grant Awards of restricted stock units. Awards of restricted stock units vest in accordance with the terms and conditions established by the Administrator in its sole discretion. For example, the Administrator may set restrictions based on the achievement of specific performance goals or based upon continued service. There are no minimum vesting requirements for restricted stock units. Upon satisfying the applicable vesting criteria, a participant is entitled to the payout specified in the Award agreement. The Administrator may pay earned restricted stock units in cash, shares or a combination of both. Awards of restricted stock units may be issued either alone, in addition to, or in tandem with other Awards granted under the 1996 Equity Plan and/or cash awards made outside of the 1996 Equity Plan. The Administrator will determine the number of units granted pursuant to an Award of restricted stock units, but no participant will be granted more than 2,000,000 units during any fiscal year.

Restricted Stock. The Administrator is able to grant Awards of restricted stock. Awards of restricted stock are rights to acquire or purchase shares of Company common stock. Restricted stock vests in accordance with the terms and conditions established by the Administrator in its sole discretion. For example, the Administrator may set restrictions based on the achievement of specific performance goals or based upon continued service. There are no minimum vesting requirements for Awards of restricted stock. Awards of restricted stock may be issued either alone, in addition to, or in tandem with other Awards granted under the 1996 Equity Plan and/or cash awards made outside of the 1996 Equity Plan. The Award agreement will generally grant the Company a right to repurchase or reacquire the shares upon the termination of the participant's service with the Company for any reason (including death or disability). The Committee will determine the number of shares granted pursuant to an Award of restricted stock, but no participant will be granted a restricted stock Award to purchase or acquire more than 2,000,000 shares of common stock during any fiscal year.

Performance Goals. As determined by the Administrator, the performance goals applicable to an Award may provide for a targeted level or levels of achievement using one or more of the following measures: cash flow; cash position; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings per Share; economic profit; economic value added; equity or stockholder's equity; free cash flow, free cash flow per Share and market share; net income; net profit; net sales; operating earnings; operating income; profit before tax; ratio of debt to debt plus equity; ratio of operating earnings to capital spending; return on net assets; sales growth; share price; or total return to stockholders. The performance goals may differ from participant to participant and from Award to Award and may be stated in absolute terms or relative to comparison companies or indices to be achieved during a period of time.

Amendments and Discontinuance. The 1996 Equity Plan is subject to amendment or termination by the Administrator without stockholder approval as deemed in the best interests of the Company. However, no such amendment shall, without the consent of the award holder, reduce the amount of any Award or adversely change the terms and conditions thereof.

The terms and conditions applicable to any Awards granted and outstanding may at any time be amended or modified in any lawful way or canceled by mutual agreement between the Administrator and the participant, so long as any amendment or modification does not increase the number of shares of Maxim common stock issuable under the 1996 Equity Plan and subject to the provisions regarding "repricing" described below.

Repricing Options; Exchange Transactions. The Administrator does not have the authority to "reprice" any outstanding option. For these purposes, to "reprice" an outstanding option means to amend any outstanding option to reduce the exercise price. In addition, the Administrator will be required to seek prior stockholder approval for conducting any award-for-award exchange offer or cash tender offer with respect to outstanding awards under the 1996 Equity Plan (or any other equity plans of the Company).

Number of Awards Granted to Employees, Consultants, and Directors. The number of Awards that an employee, director or consultant may receive under the Plan is in the discretion of the Administrator and therefore cannot be determined in advance. To date, only stock options and restricted stock units have been granted under the 1996 Equity Plan. The following table sets forth (1) the aggregate number of shares subject to options granted under the 1996 Equity Plan during the fiscal year ended June 26, 2010, (2) the average per share exercise price of such options, and (3) the aggregate number of restricted stock units granted under the 1996 Equity Plan during the fiscal year ended June 26, 2010, where each unit represents a right to acquire one share of common stock.

| <u>Name of Individual or Group</u> | <u>Number of Options Granted</u> | <u>Per Share Exercise Price (\$)</u> | <u>Number of Restricted Stock Units Granted</u> |
|--|--------------------------------------|--|---|
| Tunc Doluca | 229,860 | 18.11 | 64,580 |
| Bruce Kiddoo | 72,280 | 18.11 | 28,520 |
| Vivek Jain | 206,854 | 16.23(1) | 30,548 |
| Pirooz Parvarandeh | 86,400 | 18.11 | 39,096 |
| Vijay Ullal | 99,000 | 18.11 | 45,124 |
| All executive officers, as a group | 1,202,510 | 17.82(1) | 551,394 |
| All directors who are not executive officers, as a group | 76,944 | 18.97 | 22,504 |
| All employees who are not executive officers, as a group | 2,392,005 | 18.18(1) | 3,685,858 |

(1) Weighted average per share exercise price.

Federal Income Tax Consequences. *Non-qualified Stock Options.* Under existing law and regulations, the grant of non-qualified stock options with an exercise price equal to the fair market value of the underlying stock on the date of grant will not result in income taxable to the participant. However, the exercise of such a non-qualified stock option results in taxable income to the holder and may be subject to withholding for federal income and employment tax purposes. The Company is entitled to an income tax deduction in the amount of the income recognized by the optionee, subject to possible limitations imposed by Section 162(m) of the Code and so long as the Company withholds the appropriate taxes with respect to such income (if required). At the time of the exercise of a non-qualified stock option, the amount so taxable and so deductible will be the difference between the fair market value of the shares purchased and the exercise price. Any gain or loss on the optionee's subsequent disposition of the shares of Maxim common stock will receive long or short-term capital gain or loss treatment, depending on whether the shares are held for more than one year following exercise. The Company does not receive a tax deduction for any such gain.

Incentive Stock Options. An optionee recognizes no income when an incentive stock option is granted or exercised. However, the difference between the fair market value of the shares on the date of exercise and the option price is classified as an item of adjustment in the year of exercise for purposes of the participant's alternative minimum tax.

If the participant does not dispose of the shares received on exercise of an incentive stock option prior to two years from the date of grant and one year from the date of exercise of the stock option, any gain realized by the holder on the disposition of the stock will be accorded long-term capital gain treatment, and no deduction will be allowed to the Company. If either holding period requirement is not satisfied, the participant will recognize ordinary income at the time of such "disqualifying disposition" equal to the lesser of (1) the gain realized on the disposition, or (2) the difference between the option price and the fair market value of the shares on the date of exercise. Any additional gain or loss on the disqualifying disposition not reflected above would be long-term or short-term capital gain, depending on whether the shares are held for more than one year following exercise. The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant, subject to possible limitations imposed by Section 162 of the Code.

Restricted Stock and Restricted Stock Units. A participant generally will not have taxable income at the time an Award of restricted stock and restricted stock units are granted. Instead, he or she will recognize ordinary income in the first taxable year in which his or her interest in the shares underlying the Award becomes either (1) freely transferable or (2) no longer subject to substantial risk of forfeiture. However, the recipient of a restricted stock Award may elect to recognize income at the time he or she receives the Award of restricted stock in an amount equal to the fair market value of the shares underlying the Award (less any cash paid for the shares) on the date the Award is granted. The Company generally will be entitled to a tax deduction in connection with an Award under the 1996 Equity Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income, subject to possible limitations imposed by Section 162 of the Code.

Tax Effect for the Company. The Company generally will be entitled to a tax deduction in connection with an Award under the 1996 Equity Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, upon the exercise of a nonqualified stock option). Special rules limit the deductibility of compensation paid to the Company's Chief Executive Officer and to each of its three most highly compensated other executive officers other than the Chief Financial Officer. In general under Section 162(m) of the Internal Revenue Code, the annual compensation paid to any of these executives is deductible only to the extent that it does not exceed \$1,000,000. The Company can, however, preserve the deductibility of certain compensation in excess of \$1,000,000 under the 1996 Equity Plan if the conditions of Section 162(m) are met. These conditions include stockholder approval of the 1996 Equity Plan, setting limits on the number of Awards that any individual may receive, and, for Awards other than certain types of stock options, establishing performance criteria that must be met before the Award actually vests or is paid. The 1996 Equity Plan has been designed to permit the Administrator to grant Awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting the Company to continue to receive a federal income tax deduction in connection with those Awards.

The foregoing discussion of the federal income tax aspects of Awards under the 1996 Equity Plan is based upon federal income tax laws in effect on the date of this Proxy Statement. The foregoing discussion is not a complete description of the federal income tax aspects of options under the 1996 Equity Plan. In addition, administrative and judicial interpretations of the application of the federal income tax laws are subject to change. Furthermore, no information is given with respect to state or local taxes that may be applicable to any options. Participants in the 1996 Equity Plan who are residents of or are employed in a country other than the United States may be subject to taxation in accordance with the tax laws of that particular country in addition to or in lieu of United States federal income taxes.

* * *

Security Ownership of Certain Beneficial Owners, Directors and Management

The following table sets forth certain information regarding the ownership of Maxim's common stock as of June 26, 2010, the last day of fiscal year 2010, by: (i) each current director; (ii) each current named executive officer; (iii) all executive officers and directors as a group; and (iv) all those known by Maxim to be beneficial owners of more than five percent of its common stock. The number of shares beneficially owned is determined under the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose.

| Beneficial Owner | Beneficial Ownership(1) | |
|---|-------------------------|------------------|
| | Number of Shares | Percent of Total |
| Wellington Management Company, LLP(2) | 41,625,283 | 13.8% |
| Dodge & Cox(3) | 40,816,750 | 13.6% |
| Capital World Investors(4) | 37,037,000 | 12.3% |
| James R. Bergman, Director(5) | 216,000 | * |
| Joseph Bronson, Director(6) | 48,300 | * |
| Robert E. Grady, Director(7) | 35,939 | * |
| B. Kipling Hagopian, Director(8) | 140,360 | * |
| William D. Watkins, Director(7) | 35,939 | * |
| A. R. Frank Wazzan, Director(9) | 156,800 | * |
| Tunc Doluca, President, Chief Executive Officer and Director(10) | 1,359,249 | * |
| Bruce Kiddoo, Senior Vice President and Chief Financial Officer(11) | 203,531 | * |
| Vivek Jain, Senior Vice President, Manufacturing(12) | 114,515 | * |
| Pirooz Parvarandeh, Group President, High Performance Analog Division(13) | 453,386 | * |
| Vijay Ullal, Group President, Handheld Consumer Division(14) | 421,179 | * |
| All executive officers and directors as a group (17 persons)(15) | 4,158,415 | 1.4% |

* Less than one percent

- (1) This table is based upon information supplied by officers, directors, principal stockholders and Maxim's transfer agent, and contained in Schedules 13G filed with the SEC. Unless otherwise indicated, the address of each person or entity listed is c/o Maxim Integrated Products, Inc., 120 San Gabriel Drive, Sunnyvale, California 94086. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 300,848,000 shares outstanding on June 26, 2010 adjusted as required under rules promulgated by the SEC.
- (2) Based solely on information supplied by Wellington Management Company, LLP ("WMC") in a Schedule 13G/A filed with the SEC on February 12, 2010. The address of WMC is 75 State Street, Boston, MA 02109.
- (3) Based solely on information supplied by Dodge & Cox in a Schedule 13G/A filed with the SEC on February 12, 2010. The address of Dodge & Cox is 555 California Street, 40th Floor, San Francisco, CA 94104.
- (4) Based solely on information provided by Capital World Investors ("CWI"), a division of Capital Research and Management Company ("CRMC") in a Schedule 13G/A filed with the SEC on July 9, 2010. CWI does not own any shares of Maxim for its own account; the shares reported are owned by accounts under the discretionary management of CWI. CWI has no voting power and sole dispositive power over all shares shown. The address of CWI is 333 South Hope Street, Los Angeles, CA 90071.
- (5) Includes (i) 69,000 shares subject to options exercisable within 60 days of June 26, 2010, (ii) 1,000 restricted stock units that vest within 60 days of June 26, 2010 and (iii) 37,000 shares held by the Bergman Family Foundation for which Mr. Bergman disclaims beneficial ownership.
- (6) Includes (i) 37,500 shares subject to options exercisable within 60 days of June 26, 2010, (ii) 1,000 restricted stock units that vest within 60 days of June 26, 2010 and (iii) 400 shares held in custodian accounts.
- (7) Includes (i) 28,500 shares subject to options exercisable within 60 days of June 26, 2010 and (ii) 1,063 restricted stock units that vest within 60 days of June 26, 2010.

- (8) Includes (i) 69,000 shares subject to options exercisable within 60 days of June 26, 2010, (ii) 1,000 restricted stock units that vest within 60 days of June 26, 2010, (iii) 2,000 shares held by a family foundation for which Mr. Hagopian disclaims beneficial ownership and (iv) 62,360 shares held by trust.
- (9) Includes (i) 69,000 shares subject to options exercisable within 60 days of June 26, 2010 and (ii) 1,000 restricted stock units that vest within 60 days of June 26, 2010.
- (10) Includes (i) 438,902 shares subject to options exercisable within 60 days of June 26, 2010, (ii) 11,718 restricted stock units that vest within 60 days of June 26, 2010 and (iii) 2,700 shares owned by Mr. Doluca's daughter.
- (11) Includes (i) 168,971 shares subject to options exercisable within 60 days of June 26, 2010 and (ii) 5,440 restricted stock units that vest within 60 days of June 26, 2010.
- (12) Includes (i) 90,000 shares subject to options exercisable within 60 days of June 26, 2010 and (ii) 2,151 restricted stock units that vest within 60 days of June 26, 2010.
- (13) Includes (i) 313,432 shares subject to options exercisable within 60 days of June 26, 2010 and (ii) 13,777 restricted stock units that vest within 60 days of June 26, 2010.
- (14) Includes (i) 119,705 shares subject to options exercisable within 60 days of June 26, 2010, (ii) 16,311 restricted stock units that vest within 60 days of June 26, 2010 (iii) 125,000 shares held in two Grant Retained Annuity Trusts of which Vijay and Jayshree Ullal each own 62,500 shares.
- (15) Includes (i) 2,207,297 shares subject to options exercisable within 60 days of June 26, 2010 and (ii) 81,954 restricted stock units that vest within 60 days of June 26, 2010.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers, and persons who own more than ten percent (10%) of a registered class of Maxim's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of Maxim. Officers, directors, and greater than ten percent (10%) stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To the best of our knowledge, based solely on a review of the copies of such reports furnished to Maxim and written representations that no other reports were required, during the fiscal year ended June 26, 2010, all Section 16(a) filing requirements applicable to its officers, directors, and greater than ten percent (10%) beneficial owners were complied with.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Transactions

During the fiscal year ended June 26, 2010, the Company sold approximately \$77 million in products to Flextronics International Ltd., a contract manufacturer, in the ordinary course of its business. William D. Watkins, a member of our board of directors, is also a member of the board of directors of Flextronics International Ltd. Other than in his capacity as a member of the board of directors of Flextronics, Mr. Watkins had no other interest in the transaction.

The Company employs Robert Bergman, the son of James R. Bergman, a member of our board of directors. In fiscal year 2010, Robert Bergman received approximately \$194,000 in cash compensation and was granted options to purchase 3,304 shares of the Company's Common Stock at an exercise price of \$18.11 per share and awarded 1,100 restricted stock units.

The Company employs Jennifer Caron, sister of David A. Caron, our principal accounting officer. In fiscal year 2010, Jennifer Caron received approximately \$131,000 in cash compensation and was awarded 1,012 restricted stock units.

Maxim has entered into indemnification agreements with its directors and certain of its officers. More specifically, we have separate written indemnification agreements with our current and former executive officers and directors. The indemnification agreements provide, among other things, that Maxim will indemnify each of its directors and officers, under the circumstances and to the extent provided therein, for expenses, damages, judgments, fines, and settlements each may be required to pay in actions or proceedings to which he or she may be made a party by reason of his or her position or positions as a director, officer or other agent of Maxim, and otherwise to the fullest extent permitted under Delaware law and Maxim's bylaws.

Review, Approval or Ratification of Related Party Transactions

The Audit Committee Charter provides for the Audit Committee to review and approve all related party transactions for potential conflicts of interest on an ongoing basis (if such transactions are not approved by another independent body of the board of directors). Related party transactions include, for purposes of the Audit Committee review, without limitation, transactions involving Maxim and any director, executive officer, beneficial owner of more than 5% of Maxim common stock, any immediate family member of any such person, or any firm, corporation, partnership, or other entity in which any such person is employed or any such person has a 5% or greater beneficial ownership interest. In determining whether to approve or ratify a transaction with a related party, the Audit Committee will take into account all relevant facts and circumstances it deems relevant, including, without limitation, the nature of the related party's interest in the transaction, the benefits to Maxim of the transaction, whether the transaction would impair the judgment of a director or executive officer to act in the best interests of Maxim and its stockholders, the potential impact of such transaction on a director's independence, and whether the transaction is on terms no less favorable than terms that may be available in a transaction with an unaffiliated third party under the same or similar circumstances.

Any member of the Audit Committee who is a related party with respect to a transaction under review may not participate in the deliberations or vote on the approval of the transaction. Maxim will disclose the terms of related person transactions in its filings with the SEC to the extent required.

The terms of the sale of products and the employment of the individual described above under the heading "Related Transactions" were not specifically approved by the Audit Committee because such terms (including compensation terms) were, and continue to be, consistent and commensurate with those of other similarly situated customers and employees of Maxim.

EXECUTIVE COMPENSATION

Executive Officers of the Registrant

The following is information regarding our executive officers, including their positions and their ages as September 29, 2010.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|---------------------------|------------|---|
| Tunc Doluca | 52 | President and Chief Executive Officer |
| David A. Caron | 50 | Vice President, Principal Accounting Officer |
| Vivek Jain | 50 | Senior Vice President, Manufacturing Operations |
| Bruce E. Kiddoo | 49 | Senior Vice President and Chief Financial Officer |
| Edwin B. Medlin | 53 | Vice President, General Counsel |
| Matthew J. Murphy | 37 | Vice President, Worldwide Sales |
| Christopher J. Neil | 44 | Division Vice President |
| Pirooz Parvarandeh | 50 | Group President and Chief Technical Officer |
| Charles G. Rigg | 66 | Senior Vice President |
| Vijay Ullal | 51 | Group President |
| Steve Yamasaki | 56 | Vice President, Human Resources |

Mr. Doluca – Please see Mr. Doluca’s biography under Proposal No. 1 contained in this proxy statement.

Mr. Caron joined Maxim in December 1998 as Director of Accounting and has served as Maxim’s Corporate Controller since July 2003. In August 2010, Mr. Caron was promoted to Vice President and Principal Accounting Officer. Mr. Caron is a Certified Public Accountant in the state of California and holds a Bachelor of Science in Accounting from San Jose State University.

Mr. Jain joined Maxim in April 2007 as Vice President of Wafer Fab Operations. In June 2009, Mr. Jain was promoted to Senior Vice President, Manufacturing Operations, responsible for all of Maxim’s manufacturing operations, including wafer fab, test and assembly operations. Prior to joining Maxim, Mr. Jain was with Intel Corporation as Plant Manager for Technology Development and Manufacturing Facility in Santa Clara, California since 2000.

Mr. Kiddoo joined Maxim in September 2007 as Vice President of Finance. On October 1, 2008, Mr. Kiddoo was appointed Chief Financial Officer and Principal Accounting Officer of Maxim and served as Principal Accounting Officer until August 2010. In September 2009, Mr. Kiddoo was also named a Senior Vice President. Prior to joining Maxim, Mr. Kiddoo held various positions at Broadcom Corporation, a global semiconductor company, beginning in December 1999. Mr. Kiddoo served as Broadcom’s Corporate Controller and Principal Accounting Officer from July 2002 and served as Vice President from January 2003. He also served as Broadcom’s Acting Chief Financial Officer between September 2006 and March 2007.

Mr. Medlin joined Maxim in November 1999 as Director and Associate General Counsel. He was promoted to Vice President and Senior Counsel in April 2006 and was appointed General Counsel in September 2010. Prior to joining Maxim, he was with the law firm of Ropers, Majeski, Kohn and Bentley between 1987 and 1994 where he held various positions, including director. Between 1994 and 1997, he held the positions of General Counsel, and later, General Manager, at Fox Factory, Inc., a privately held manufacturing company. Between 1997 and 1999 he held the positions of General Counsel and later, Vice President of Global Sales and Marketing at RockShox, Inc., a publicly traded corporation.

Mr. Murphy joined Maxim in July 1994 and was promoted to Vice President in November 2006. Prior to November 2006, he served in a number of business unit and executive management positions.

Mr. Neil joined Maxim in September 1990 and was promoted to Vice President in April 2006 and was named Division Vice President in September 2009. Prior to 2006, he held several engineering and executive management positions.

Mr. Parvarandeh joined Maxim in July 1987 and served as Vice President between 1997 and 2005. He was promoted to Senior Vice President in 2004 and Group President in May 2005. In September 2010, Mr. Parvarandeh was also appointed Chief Technical Officer. Prior to 1997, he served in a number of integrated circuit development positions.

Mr. Rigg joined Maxim in August 1996 as Managing Director and General Counsel. He was promoted to Vice President in April 1999 and Senior Vice President in January 2007. Prior to joining Maxim, he was with the law firm of Ropers, Majeski, Kohn and Bentley between 1970 and 1996 where he held various positions, including director.

Mr. Ullal joined Maxim in December 1989 and served as Vice President between 1996 and 2004. He was promoted to Senior Vice President in 2004 and Group President in January 2007. Prior to 2004, he served in a number of wafer fabrication operation and management positions.

Mr. Yamasaki joined Maxim in April 2010 as Vice President of Human Resources. Prior to joining Maxim, he was Corporate Vice President of Human Resources of Applied Materials from 2008 to 2010, and was Executive Vice President of Human Resources of YRC Worldwide from 2004 to 2008. Before joining YRC Worldwide, Mr. Yamasaki was Vice President of Human Resources at ConAgra Foods Inc. and Honeywell International.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides a review of our executive compensation philosophy, policies and practices with respect to the following executive officers of Maxim: the Chief Executive Officer, the Chief Financial Officer, and the other three most highly compensated executive officers during fiscal year 2010 (the “Named Executive Officers”).

Executive Compensation Philosophy and Components

The objectives of our executive compensation program are as follows:

- to attract, retain, motivate, and reward the best and brightest executives who have the talent and experience required to achieve our goals;
- to align the short-term and long-term interests and objectives of our executive officers with stockholders and customers;
- to create a high-performance culture by linking total rewards to company performance, including performance relative to our peers;
- to recognize executives for their contributions to our success by rewarding individual performance; and
- ensure that executive compensation programs are easily understood by program participants.

We accomplish these objectives by providing our executives with compensation components that are specifically linked to either short-term or long-term corporate and executive performance. The majority of executive compensation is short-term or long-term variable compensation. The principal components of our executive compensation are:

- base salary;

- cash performance bonuses;
- stock options and restricted stock units; and
- benefits.

Each of these components is intended to achieve one or more of our compensation objectives. The Compensation Committee relies on its judgment in determining the appropriate mix of cash and equity compensation for our officers. In general, in order to encourage a high-performance culture and to align the interests of our executive officers with those of our stockholders, the Compensation Committee makes a significant portion of each executive officer's compensation performance-based with cash performance bonuses and equity awards, while keeping base salaries below competitive levels. Our variable cash and equity programs are designed to reward recent performance with cash compensation and to motivate long-term performance and retention through equity awards. Both programs are also designed to reward our executives both for individual and overall corporate performance. Such a structure allows the Compensation Committee flexibility to reward outstanding individual performance and to recognize the contributions of our executive officers to the overall success of Maxim.

Governance of Executive Officer Compensation Program

Role and Members of the Compensation Committee

The members of our Compensation Committee are appointed by our board of directors. The Compensation Committee is responsible for determining executive officer compensation. As of the record date, the Committee was comprised of three members of the board of directors, Messrs. James R. Bergman, Robert E. Grady and A. R. Frank Wazzan, each of whom is an independent, non-employee director. Since March 1, 2007, Dr. Wazzan has, and continues to, serve as Chairman of the Compensation Committee.

The primary purpose of the Compensation Committee is to:

- review and approve corporate goals and objectives relevant to the compensation of Maxim's Chief Executive Officer (the "CEO") and other officers, evaluate CEO performance, and determine CEO compensation based on this evaluation;
- approve and oversee, in consultation with our CEO, the total compensation package for our officers including their base salaries, bonus, equity-based compensation, severance benefits and change-in-control benefits (if any);
- review the CEO's performance evaluation of all officers and approve compensation decisions;
- review periodically and make recommendations to the board of directors regarding any equity or long-term compensation plans, and administer these plans; and
- make recommendations to the board of directors with respect to compensation for members of the board of directors and its committees.

The Compensation Committee operates according to a charter that details its specific duties and responsibilities. The Compensation Committee periodically reviews the charter and recommends proposed changes to the board of directors for approval. The Compensation Committee Charter is available on our website in the Corporate Governance section at <http://www.maxim-ic.com/company/investor/governance>. The charter sets forth the membership requirements, authority and duties of the Compensation Committee, which shall consist of no fewer than two members, all of whom (1) meet the independence requirements of the NASDAQ Marketplace Rules, (2) are "non-employee directors" under the definition of Rule 16b-3 promulgated under Section 16 of the Exchange Act, and (3) are "outside directors" for purposes of the regulations promulgated under Section 162(m) of the Internal Revenue Code. During fiscal year 2010, and currently, all members of the Compensation Committee met these criteria.

Process for Evaluating Executive Officer Performance and Compensation

The Compensation Committee generally holds at least two scheduled meetings during the year and holds additional meetings periodically to review and discuss executive compensation issues. The Compensation Committee Chairman will also provide an update to the board of directors during a regularly scheduled meeting regarding Compensation Committee matters when appropriate. In addition, certain members of the Compensation Committee generally communicate on an informal basis concerning Compensation Committee matters throughout the fiscal year. The Compensation Committee may also consider and take certain actions by unanimous written consent. In fiscal year 2010, the Compensation Committee, including its two person Equity Grant Sub-Committee, held 13 meetings and acted by unanimous written consent four times.

Our Vice President of Human Resources and our Corporate Secretary support the Compensation Committee in its work. The Compensation Committee also has the authority to engage the services of outside advisors, experts and others for assistance.

Outside Compensation Consultant

In fiscal year 2010, the Compensation Committee engaged an independent, third party compensation consulting firm, Compensia, Inc., to advise the Compensation Committee and the board of directors on executive cash and equity compensation matters, including Maxim's new officer compensation plan for fiscal year 2010, as well as the change-in-control benefits that employees are eligible to receive in the event of termination of employment in connection with a change-in-control of Maxim. Compensia reports directly to the Compensation Committee, and the Compensation Committee has sole authority to hire, terminate and direct the work of Compensia.

Role of Management in Executive Compensation Process

The Compensation Committee seeks input from our Chief Executive Officer and/or other senior executives, to obtain recommendations with respect to our compensation programs, practices and packages for executives and other employees. Our Chief Executive Officer's role in the compensation-setting process consists of (1) evaluating executive and employee performance; (2) assisting in the establishment of business performance targets and objectives; and (3) recommending salary levels and equity awards. While the Compensation Committee may discuss our CEO's compensation package with him, it meets in executive session in his absence to determine his compensation.

Executive Compensation Benchmark

In September 2009, based on the recommendations of Compensia, and in consultation with Maxim's Chief Executive Officer and Chief Financial Officer, the Committee, approved a compensation peer group to be used for benchmarking and for setting executive compensation for fiscal year 2010. In determining the appropriate compensation peer group, the Compensation Committee considered companies within the semiconductor industry that have revenue, number of employees and operations similar to our corresponding components. Most of the companies in this peer group compete with us for executive talent. Periodically, the Compensation Committee will review and update the compensation peer group as appropriate.

The compensation peer group for fiscal year 2010 are as follows:

| | |
|-------------------------------------|------------------------------------|
| Altera Corporation | Linear Technology Corporation |
| Analog Devices, Inc. | LSI Corporation |
| Atmel Corporation | Marvell Technology Group Ltd. |
| Broadcom Corporation | National Semiconductor Corporation |
| Cypress Semiconductor Corporation | NVIDIA Corporation |
| Fairchild Semiconductor | ON Semiconductor Corp. |
| International Rectifier Corporation | Xilinx, Inc. |

The Compensation Committee also included Texas Instruments, a much larger company, in the peer group for reference purposes only because Texas Instruments is a competitor and competes with us for executive talent.

Total compensation targets for our Named Executive Officers are at the 75th percentile for total compensation paid to similarly situated executives in the compensation peer group companies, as long as superior performance metrics are satisfied. The targets for individual compensation components are as follows: 25th to 50th percentile for base salary, 50th to 75th percentile for total cash compensation and 50th to 75th percentile for equity awards (taking into consideration dilution constraints). We set our target compensation level higher than the median compensation level of executives in the compensation peer group because we believe that providing above-average compensation, payable only upon the achievement of superior performance metrics, will allow us to retain and attract talented and motivated executives in the highly competitive semiconductor industry. The benchmark data are one of many factors that the Compensation Committee considers in making compensation decisions. The Compensation Committee also considers company performance, the executive's level of responsibilities and individual performance, any special retention issues, and compensation relative to the other officers at Maxim when setting the compensation level of our officers.

Evaluation of Named Executive Officer Compensation

Base Salary

Base salaries are used to attract, motivate, and retain highly qualified executives. Base salary is the primary fixed component of compensation in the executive compensation program and is determined by:

- level of responsibility;
- pay levels of similar positions in our peer group;
- expertise and experience of the executive; and
- competitive conditions in the industry.

Annual base salary increases, if any, are a reflection of:

- the individual's performance for the preceding year;
- the individual's pay level relative to similar positions in our peer group;
- anticipated future contributions of the executive; and
- competitive conditions in the industry.

For Named Executive Officers, base salaries are generally targeted at the 25th to 50th percentile of the base salaries paid to similarly situated executives in the compensation peer group companies.

Fiscal 2010 Base Salary Actions

The Compensation Committee, after a review of individual and overall company performance, as well as market practices for executive compensation, did not approve base salary increases for our Named Executive Officers for fiscal year 2010 from fiscal year 2009 base salary levels. The table below sets forth each Named Executive Officer's base salary for fiscal year 2010:

| <u>Named Executive Officer</u> | <u>Title</u> | <u>Annualized 2010 Base Salary</u> | <u>% Increase from 2009</u> |
|--------------------------------|---|------------------------------------|-----------------------------|
| Tunc Doluca | President and Chief Executive Officer | \$500,000 | 0 |
| Bruce Kiddoo | Senior Vice President and Chief Financial Officer | \$350,000 | 0 |
| Vivek Jain | Senior Vice President, Manufacturing Operations | \$330,000 | 0 |
| Pirooz Parvarandeh | Group President and Chief Technical Officer | \$360,000(1) | 0 |
| Vijay Ullal | Group President | \$400,000 | 0 |

(1) Reflects a voluntary 10% reduction from his \$400,000 base salary

2010 Compensation Plan

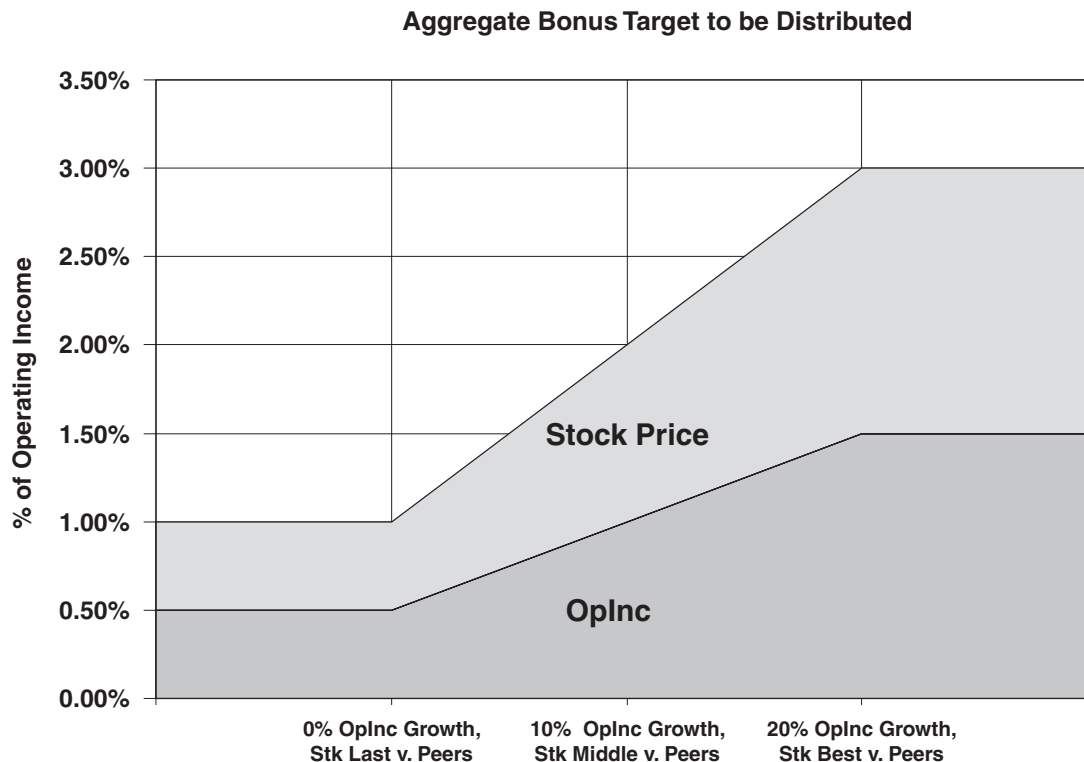
At the October 6, 2009 meeting of the Compensation Committee, the Chief Executive Officer recommended to the Compensation Committee that a new compensation plan for Maxim's officers, including the Named Executive Officers, be adopted to replace the then existing Compensation Plan and offered suggestions on what the new compensation plan should encompass (the "2010 Compensation Plan"). After receiving feedback from the Compensation Committee, the Chief Executive Officer, together with the Compensation Committee Chairman, developed a proposed compensation plan for officers, including the Named Executive Officers, for fiscal year 2010 that was presented to and approved by the Compensation Committee, at a meeting held on October 21, 2009. An additional refinement was made to the 2010 Compensation Plan shortly following the October 21, 2009 Compensation Committee meeting.

Cash Incentive Compensation under 2010 Compensation Plan

Under the 2010 Compensation Plan, the determination of the cash bonus is performance-based. The aggregate annual target cash bonus pool is 2% of our operating income as determined under U.S. General Accepted Accounting Principles (GAAP), excluding the effect of special expense items, which correlates to a \$5 million total bonus pool for every \$250 million in operating income. This target annual bonus pool is subject to potential upward adjustment to 3% of our operating income or downward adjustment to 1% of our operating income, in each case, determined based on the following company-wide performance metrics: (1) year-over-year operating income growth (excluding the effect of special expense items) and (2) the year-over-year stock price performance relative to a six peer company group (which includes Analog Devices, Inc., Intersil Corporation, Linear Technology Corporation, Maxim Integrated Products, Inc., National Semiconductor Corporation and Texas Instruments) by using the average closing prices from April 1, 2009 through June 30, 2009 as compared to the average closing prices from April 1, 2010 through June 30, 2010.

The target year-over-year operating income growth of 10% correlates to the bonus pool size of 1% of fiscal year 2010 operating income, and the target year-over-year stock performance of 50th percentile among the peer group companies correlates to the bonus pool size of 1% of fiscal year 2010 operating income. Therefore, achieving the overall target bonus pool of 2% of fiscal year 2010 operating income would require a sizable growth in operating income as well as maintaining stock performance in line with our five closest peers. The maximum cash bonus pool for Maxim's operating income performance and stock performance, in each case, is 1.5% of fiscal year 2010 operating income, for a combined total of 3%. In order to achieve the maximum cash bonus pool, at least a 20% year-over-year growth in operating income and the best year-over-year stock performance among the six company peer group would be required. In the event of 0% growth in operating income and the worst year-over-year stock performance among the six company peer group, the cash bonus pool would be reduced to a total of 1% of fiscal year 2010 operating income.

The chart below depicts how the percentage of the aggregate bonus pool to be distributed to all officers is calculated:



We selected operating income as the primary program metric (as a basis to determine the overall size of the cash bonus pool and to scale the year-over-year growth) because we deem it to be an objective and clear measure of our operating performance, it demonstrates efficiency of company performance and aligns financial reporting with compensation calculations and cannot be easily manipulated. We selected relative stock price growth as a program metric because we believe that our stock price is an overall indicator of our success and financial health. Furthermore, it aligns bonus payouts with “Maxim’s Manifesto,” our plan of action to fulfill, among others, our goal of being recognized by our employees, customers, and investors as the leading company in the analog/mixed signal industry. We decided to measure our success by comparing our stock price appreciation relative to the stock prices of our peer group of six companies by the year 2014. We selected this peer company group to measure relative stock price performance because we consider this group to be comprised of our closest competitors for not only the sale of analog and mixed-signal semiconductor products but also key talent.

Each officer’s share of the bonus pool is dependent upon his or her position points, which are initially determined at the beginning of the fiscal year and subject to adjustment at the end of the fiscal year by taking into account the officer’s level of responsibility and relative value of the officer’s performance to Maxim as compared to the other executives for the fiscal year, and then scaled by their individual performance which is expressed as a percentage. Each participant’s share of the bonus pool equaled the product of (a) the percentage determined by taking his or her total position points, as approved by the Compensation Committee at the end of the fiscal year, and dividing them by the total number of position points allocated to all officers, (b) their individual performance percentage, which is measured as a percentage and was in the range between 87% to 112% for each participant and (c) the bonus pool calculated as described above.

Actual Results for Fiscal Year 2010 under Cash Bonus Pool and Bonus Payouts to the Named Executive Officers

In fiscal year 2010, actual operating income (excluding the effect of special expense items) was approximately \$492 million compared to \$233 million in fiscal year 2009, which was a 111.2% increase. The total amount of special expense items not included in GAAP operating income totaled \$199.6 million in fiscal year 2010 as compared to \$216 million in fiscal year 2009. Our year-over-year stock price performance during the measurement period was up 25.3%, which was fourth in the six company peer group as the stock prices of three companies in the peer group increased by a greater amount during the measurement period. Accordingly, the aggregate amount of the bonus pool under the 2010 Compensation Plan payable to all officers for fiscal year 2010, including the Named Executive Officers, was determined to be approximately \$11.8 million, or 2.4% of \$492 million, our GAAP operating income (excluding the effect of special expense items). However, as a result of how the total bonus pool was earned due to individual performance, \$11.55 million was distributed to all officers for performance in fiscal year 2010.

The table below describes each Named Executive Officer's performance bonus that was approved by the Compensation Committee for fiscal 2010 performance, which was paid from the aggregate \$11.55 million bonus pool distributed to all officers.

| <u>Named Executive Officer</u> | <u>Amount of FY10 Performance Bonus</u> |
|--------------------------------|---|
| Tunc Doluca | \$1,400,000 |
| Bruce Kiddoo | \$ 745,197 |
| Vivek Jain | \$ 807,951 |
| Pirooz Parvarandeh | \$ 834,098 |
| Vijay Ullal | \$1,153,094 |

Equity Compensation

We believe equity compensation is an effective way to align the interests of our executive officers with those of our stockholders in order to achieve long-term stock price growth. In designing the equity compensation program, we take into account stockholder concerns about stock usage and dilution. Equity awards are granted by the Compensation Committee or its Equity Grant Sub-Committee, and the grant price of stock option awards are equal to the closing price of Maxim's common stock based on the date of grant. We utilize a mix of stock options and restricted stock units to compensate our executive officers. We believe that stock options align our executive officers' interests with our stockholders, as the executive officers only benefit from future stock price appreciation, while restricted stock units promote strong current retention incentives for Maxim's executive officers.

Equity Compensation under 2010 Compensation Plan

The 2010 Compensation Plan also contains an equity compensation component that is comprised of mixture of stock options and restricted stock units. In fiscal year 2010, the aggregate target number of stock options to be awarded to all officers was 1,271,000 shares (vesting per year), and the aggregate target number of restricted stock units to be awarded to all officers was up to 350,000 (vesting per year).

Equity Awards for Fiscal Year 2010 Performance under 2010 Compensation Plan

Pursuant to the 2010 Compensation Plan, an aggregate award of 1,018,656 stock options was made on December 1, 2009 to all officers, including the Named Executive Officers. These options vest quarterly primarily during calendar 2013, in each case subject to continued employment on the applicable vesting date. In addition, all officers, including the Named Executive Officers were granted an aggregate of 489,060 restricted stock units on December 1, 2009. These restricted stock units vest over six quarters starting in August 2010 and ending in

November 2011, in each case subject to continued employment on the applicable vesting date. Although we believe that long-term equity incentives are an important part of our compensation program and that they align our executives with our stockholders, we also recognize the importance of limiting the shareholder dilution associated with our equity compensation programs. The foregoing awards were a result of balancing these two competing objectives and resulted, on average, in our named executive officers (including our CEO) receiving equity awards for fiscal 2010 having values that were below median competitive practices.

Employee Stock Purchase Plan

Our stockholders approved the 2008 Employee Stock Purchase Plan at the 2008 annual meeting of stockholders and approved amendments to the 2008 Employee Stock Purchase Plan at the 2009 annual meeting of the stockholders, pursuant to which employees and officers who meet certain eligibility qualifications are able to purchase Maxim's common stock at a discount of up to 15% from the market price. Employee contributions are made through payroll deductions.

Benefits and Perquisites

Maxim's philosophy regarding benefits for our employees, including executives, is that they should be competitive with the market in order to attract and retain a high quality workforce, meet the needs of our employees, encourage employee well-being, and provide protection from catastrophic events. We provide medical, dental and vision insurance coverage to executives that are generally available to other full-time employees, including basic group life insurance and disability insurance. For all management employees, including our officers, we pay the premiums for executive life insurance, executive disability and umbrella liability insurance plans. We also offer a tax qualified 401(k) plan in which all U.S. based employees, including officers, are eligible to participate. All of our Named Executive Officers participated in our 401(k) plan during fiscal year 2010. Starting on January 1, 2008, employees were eligible to receive a matching contribution from Maxim equal to 100% of the before-tax contributions made by the employee up to 3% of total cash compensation. However, during fiscal year 2010, all 401(k) matching contributions from Maxim were suspended and as of October 1, 2010, they remain suspended. Under certain limited circumstances we have provided reimbursement of expenses for tax preparation for certain executives.

The Compensation Committee reviews the perquisites provided to executive officers as part of its overall review of executive compensation. The Compensation Committee has determined the type and amount paid in perquisites to be within the appropriate range of competitive compensation practices. Details about the named executive officer's perquisites, including fiscal year 2010 cost to Maxim, are shown in the Summary Compensation Table under the "All Other Compensation" column and the accompanying narrative.

Employment Agreements

Several years ago, we entered into at-will employment agreements with each of Messrs. Doluca, Parvarandeh, and Ullal that contain substantially similar terms. The agreements do not grant the executive officers any right to be retained by us, and we may terminate the employment of each executive officer either with or without cause at any time. In the event of any termination of employment by Maxim, all compensation and benefits, except benefits provided by law (e.g., COBRA health insurance continuation benefits) immediately cease to accrue. However, in the event of termination of employment by Maxim without cause, severance payments are to be made in accordance with our normal policy then in effect, if any, or as otherwise mutually agreed between Maxim and the executive officer.

These agreements provide that if the executive officer terminates his full-time employment with us and his written notice of termination provides that he is willing to provide certain consulting services to us, we will make health insurance coverage available to the executive officer and his family during the period of provision of such services (or willingness to provide services) by the executive officer. The terms of his service, unless otherwise

agreed, will provide for part-time services (up to one day per month) and annual compensation equal to at least 5% of the executive officer's base salary at the time of termination, provided that services are rendered. Health insurance coverage will be similar to that under the group health plan we maintain for our employees.

During the ten-year period following the notice of termination, the former executive officer pays the same amount for health coverage as a similarly situated full-time employee is required to pay for coverage under our group health plan. After the ten-year period, the former executive officer pays us what the cost of the coverage would be if it were being provided pursuant to COBRA health insurance continuation benefits. In the event of the former executive officer's death while receiving health insurance coverage, the former executive officer's spouse is eligible for health insurance coverage until her death so long as she pays for the coverage in an amount equal to the cost for an employee with identical coverage. In the event the former executive officer becomes disabled while receiving health insurance coverage, he is deemed to have met his service obligations to us during the disability period. Upon reaching age sixty-five (65), Medicare becomes the primary payer of medical expenses incurred by the former executive. All of such continued health insurance coverage terminates upon the occurrence of certain disqualifying events, including but not limited to, if the former executive officer competes with Maxim or becomes eligible for health insurance coverage elsewhere.

Post-Employment Obligations

The at-will employment agreements with Messrs. Doluca, Parvarandeh, and Ullal provide that in the event of termination of employment by Maxim without cause, severance payments are to be made in accordance with our normal policy then in effect, if any, or as otherwise mutually agreed between Maxim and the individual. Maxim does not have any normal policy with respect to severance payments of former executives.

Reasonableness of Compensation

The Compensation Committee believes it is fulfilling our compensation objectives and in particular, rewarding executive officers in a manner that supports our strong pay-for-performance philosophy. Executive compensation is tied to our performance and is structured to ensure that there is an appropriate balance between our long-term and short-term performance, and also a balance between our operational performance and stockholder return. The Compensation Committee believes the average target pay position relative to market and pay mix are reasonable and appropriate.

Other Considerations

Tax Considerations

Section 162(m) of the Internal Revenue Code states that public companies cannot deduct compensation paid to certain of its top executive officers in excess of \$1 million per officer per year. We believe it is in our best interest, to the extent practical, to have executive officer compensation be fully deductible under Section 162(m). However, the Compensation Committee also retains the discretion, for competitive reasons, to provide compensation that may not be fully deductible. In a few instances, a portion of our annual bonus payments to certain of our executive officers does not currently qualify as deductible under Section 162(m). The Compensation Committee will continue to evaluate whether it is in Maxim's best interest to qualify future incentive awards under Section 162(m). Our 1996 Stock Incentive Plan has been structured with the intention that stock options and performance shares granted under the plan be qualified as performance-based compensation not subject to Section 162(m); however, improperly accounted for options and performance shares granted under this plan may not qualify as performance-based compensation.

Stock Ownership Guidelines

We do not currently have any stock ownership guidelines for our executive officers or members of our board of directors.

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, our Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the fiscal year ended June 26, 2010.

Compensation Committee

A.R. Frank Wazzan, Chairman

James R. Bergman

Robert E. Grady

Summary Compensation Table

The compensation for Maxim's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers (together, "Named Executive Officers") for all services rendered in all capacities to Maxim and its subsidiaries during the fiscal year ended June 26, 2010 is set forth below.

Fiscal Year 2010 Summary Compensation Table

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Restricted Stock Unit Awards \$(1) | Option Awards \$(2) | Non-Equity Incentive Plan Compensation \$(3) | All Other Compensation (\$) | Total (\$) |
|--|------|----------------|---------------|---|---------------------------|---|-----------------------------------|---------------|
| Tunc Doluca President and CEO | 2010 | 500,000 | — | 1,117,409 | 971,664 | 1,400,000 | 14,013(4) | 4,003,086 |
| | 2009 | 480,769 | — | 598,258 | 2,331,823 | 321,429 | 24,842(5) | 3,757,121 |
| | 2008 | 498,077 | — | — | 1,334,483 | 716,418 | 17,269(6) | 2,566,247 |
| Bruce Kiddoo* Senior Vice President and CFO | 2010 | 350,000 | — | 492,965 | 308,383 | 745,197 | 51,892(7) | 1,948,437 |
| | 2009 | 336,538 | — | 51,280 | 1,030,169 | 175,622 | 68,210(8) | 1,661,819 |
| Vivek Jain** Senior Vice President, Manufacturing Operations | 2010 | 330,000 | — | 524,749 | 746,510 | 807,951 | 6,394(9) | 2,415,604 |
| Pirooz Parvarandeh Group President and Chief Technical Officer | 2010 | 360,000 | — | 675,708 | 369,291 | 834,098 | 8,195(10) | 2,247,292 |
| | 2009 | 383,077 | — | 427,342 | 2,153,541 | 244,022 | 14,974(11) | 3,222,956 |
| | 2008 | 400,000 | 1,462,292 | — | 884,628 | 440,475 | 6,388(12) | 3,193,783 |
| Vijay Ullal Group President | 2010 | 400,000 | — | 780,257 | 423,146 | 1,153,094 | 8,722(13) | 2,765,219 |
| | 2009 | 384,615 | — | 461,520 | 2,382,020 | 303,121 | 16,033(14) | 3,547,309 |
| | 2008 | 400,000 | — | — | 1,237,877 | 525,313 | 5,759(15) | 2,168,949 |

* Mr. Kiddoo joined Maxim as Vice President of Finance in September 2007 and became Vice President, Chief Financial Officer and Principal Accounting Officer on October 1, 2008. In September 2009, Mr. Kiddoo was also named a Senior Vice President and he relinquished the position of Principal Accounting Officer to Mr. Caron in August 2010.

** Mr. Jain joined Maxim as Vice President of Wafer Fab Operations in April 2007 and became Senior Vice President, Manufacturing Operations in June 2009.

- (1) Represents the aggregate grant date fair value of restricted stock units awarded in fiscal years 2010, 2009 and 2008, respectively, computed in accordance with FASB ASC Topic 718. Disclosures for fiscal years 2009 and 2008 have been recomputed consistent with the SEC guidance. In each case, the aggregate grant date fair value disregards an estimate of forfeitures. The assumptions used in the valuation of these awards are set forth in Note 6, "Stock-Based Compensation," of the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the fiscal year ended June 26, 2010.
- (2) Represents the aggregate grant date fair value of grants awarded in fiscal years 2010, 2009 and 2008, respectively, computed in accordance with FASB ASC Topic 718. Disclosures for fiscal years 2009 and 2008 have been recomputed consistent with the SEC guidance and also include the incremental fair value of modifications to awards during those respective fiscal years computed as of the modification date in accordance with FASB ASC Topic 718, with respect to that modified award. Such modifications included (i) the incremental fair value associated with the modification of expiring options, and (ii) incremental fair value associated with the modification of outstanding options that were repurchased from officers. In each case, the aggregate grant date fair value disregards an estimate of forfeitures. The assumptions used in the valuation of these awards and other relevant information are set forth in Note 6, "Stock-Based Compensation," to the Consolidated Financial Statements of our Annual Report on Form 10-K for the fiscal year ended June 26, 2010.
- (3) Reflects payments earned under the non-equity incentive plan that were paid in the subsequent fiscal year. These payments are performance bonuses under Maxim's bonus plan for officers.
- (4) Reflects Mr. Doluca's Company paid (i) executive life insurance premium of \$7,648, (ii) executive disability premium of \$3,865, and (iii) umbrella liability insurance premium of \$2,500.
- (5) Reflects Mr. Doluca's Company paid (i) executive life insurance premium of \$6,073, (ii) executive disability premium of \$3,865, (iii) umbrella liability insurance premium of \$2,935, and (iv) matching 401(k) contributions of \$11,969.

- (6) Reflects Mr. Doluca's Company paid (i) executive life insurance premium of \$5,293, (ii) executive disability premium of \$3,865, (iii) umbrella liability insurance premium of \$3,380, and (iv) matching 401(k) contributions of \$4,731.
- (7) Reflects Mr. Kiddoo's Company paid (i) executive life insurance premium of \$1,003 (ii) executive disability premium of \$2,517, (iii) umbrella liability insurance premium of \$963, and (iv) commuting and reimbursement of living expenses totaling \$47,409 including tax gross up amount of \$16,388.
- (8) Reflects Mr. Kiddoo's Company paid (i) executive life insurance premium of \$623 (ii) matching 401(k) contributions of \$7,896 and (iii) commuting and reimbursement of living expenses totaling \$59,691 including tax gross up payment of \$21,181.
- (9) Reflects Mr. Jain's Company paid (i) executive life insurance premium of \$2,360, (ii) executive disability premium of \$3,071, and (iii) umbrella liability insurance premium of \$963.
- (10) Reflects Mr. Parvarandeh's Company paid (i) executive life insurance premium of \$2,853 (ii) executive disability premium of \$2,842, and (iii) umbrella liability insurance premium of \$2,500.
- (11) Reflects Mr. Parvarandeh's Company paid (i) executive life insurance premium of \$2,428 and (ii) matching 401(k) contributions of \$12,546.
- (12) Reflects Mr. Parvarandeh's Company paid (i) executive life insurance premium of \$2,234 and (ii) matching 401(k) contributions of \$4,154.
- (13) Reflects Mr. Ullal's Company paid (i) executive life insurance premium of \$3,326 (ii) executive disability premium of \$2,896, and (iii) umbrella liability insurance premium of \$2,500.
- (14) Reflects Mr. Ullal's Company paid (i) executive life insurance premium of \$2,564 and (ii) matching 401(k) contributions of \$13,469.
- (15) Reflects Mr. Ullal's Company paid (i) executive life insurance premium of \$2,528 and (ii) matching 401(k) contributions of \$3,231.

Grants of Plan-Based Awards

The following table shows certain information regarding grants of plan-based awards to the Named Executive Officers for the fiscal year ended June 26, 2010, which includes estimated possible performance bonuses under our cash bonus plan and equity grants.

Grants of Plan-Based Awards in Fiscal Year 2010

| Name | Grant Date | Estimated Possible Payouts under Non-Equity Incentive Plan Awards | | | All other stock awards: number of restricted stock units (#) | All other option awards: number of underlying securities (#) | Exercise or base price of option awards (\$/sh) | Grant date fair value of stock and option awards \$(1) |
|------------------------|---|---|-------------|--------------|--|--|---|--|
| | | Threshold (\$) | Target (\$) | Maximum (\$) | | | | |
| Tunc Doluca | N/A 12/1/2009 | 575,640 | 1,151,280 | 1,726,920 | 64,580 | 229,860 | \$18.11 | \$ 2,089,073 |
| Bruce Kiddoo | N/A 12/1/2009 | 265,680 | 531,360 | 797,040 | 28,520 | 72,280 | \$18.11 | \$ 801,348 |
| Vivek Jain | N/A 7/7/2009 11/3/2009 12/1/2009 | 295,200 | 590,400 | 885,600 | — 3,000 27,548 | 143,854 — 63,000 | \$15.41 — \$18.11 | \$ 477,236 \$ 50,970 \$ 743,053 |
| Pirooz Parvarandeh . . | N/A 12/1/2009 | 364,080 | 728,160 | 1,092,240 | 39,096 | 86,400 | \$18.11 | \$ 1,044,999 |
| Vijay Ullal | N/A 12/1/2009 | 413,280 | 826,560 | 1,239,840 | 45,124 | 99,000 | \$18.11 | \$ 1,203,403 |

- (1) This column reflects the aggregate grant date fair value of all awards on the grant date computed in accordance with FASB ASC 718 and disregards an estimate of forfeitures related to service-based vesting conditions. The assumptions used in the valuation of these awards are set forth in Note 6, "Stock-Based Compensation," of the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the fiscal year ended June 26, 2010.

Outstanding Equity Awards at June 26, 2010

The following table provides certain information regarding outstanding equity awards as of June 26, 2010 held by the Named Executive Officers.

Outstanding Equity Awards at June 26, 2010

| Name | Option Awards | | | | Restricted Stock Unit Awards | |
|--------------------|---|---|----------------------------|------------------------|---|---|
| | Number of securities underlying unexercised options (#) exercisable | Number of securities underlying unexercised options (#) unexercisable | Option exercise price (\$) | Option expiration date | Number of shares or units of stock that have not vested (#) | Market value of shares or units of stock that have not vested \$(1) |
| Tunc Doluca | 100,000 | — | 33.68 | 9/27/2011 | 58,643(2) | \$1,020,975 |
| | 200,000 | — | 33.04 | 12/31/2012 | | |
| | 89,853 | 415,491(3) | 12.82 | 12/12/2015 | | |
| | 4,549 | 225,311(4) | 18.11 | 12/1/2016 | | |
| Bruce Kiddoo | 92,500 | 112,500(5) | 30.71 | 9/4/2014 | 26,640(6) | \$ 463,802 |
| | 57,354 | 198,824(7) | 12.82 | 12/12/2015 | | |
| | — | 72,280(8) | 18.11 | 12/1/2016 | | |
| Vivek Jain | 35,295 | 122,351(9) | 12.82 | 12/12/2015 | 25,411(10) | \$ 442,406 |
| | 32,206 | 111,648(11) | 15.41 | 7/7/2016 | | |
| | — | 63,000(12) | 18.11 | 12/1/2016 | | |
| Pirooz Parvarandeh | 200,000 | — | 33.04 | 12/31/2012 | 49,185(13) | \$ 856,311 |
| | 85,074 | 294,922(14) | 12.82 | 12/12/2015 | | |
| | — | 86,400(12) | 18.11 | 12/1/2016 | | |
| Vijay Ullal | 89,779 | 311,235(15) | 12.82 | 12/12/2015 | 57,433(16) | \$ 999,909 |
| | — | 99,000(12) | 18.11 | 12/1/2016 | | |

- (1) Market value is computed by multiplying the closing price (\$17.41 per share) of Maxim's common stock on the last trading day of the fiscal year (June 25, 2010) by the number of shares reported in the adjacent column.
- (2) 11,718 shares vest on August 15, 2010, 5,885 shares vest on November 15, 2010 and 10,260 shares each vest over four consecutive quarters beginning on February 15, 2011.
- (3) 39,951 shares each vest on June 30, 2010, September 30, 2010 and December 31, 2010; thereafter, 151,814 shares and 143,824 shares vest in quarterly installments during calendar years 2011 and 2012, respectively.
- (4) 4,549 shares each vest on June 30, 2010, September 30, 2010 and December 31, 2010; thereafter, 26,188 shares, 25,276 shares and 160,200 shares vest in quarterly installments during calendar years 2011, 2012 and 2013, respectively.
- (5) 12,500 shares vest on September 4, 2010; thereafter 50,000 shares vest per year in quarterly installments ending on September 4, 2012.
- (6) 5,440 shares vest on August 15, 2010, 2,440 shares each vest on November 15, 2010 and 4,690 shares each vest over four consecutive quarters beginning on February 15, 2011.
- (7) 19,117 shares, 19,118 shares and 19,117 shares vest on June 30, 2010, September 30, 2010 and December 31, 2010, respectively; thereafter, 72,648 shares and 68,824 shares vest in quarterly installments during calendar years 2011 and 2012, respectively.
- (8) 2,352 shares, 2,428 shares and 67,500 shares vest in quarterly installments during calendar years 2011, 2012 and 2013, respectively.
- (9) 11,764 shares, 11,765 shares and 11,764 shares vest on June 30, 2010, September 30, 2010 and December 31, 2010, respectively; thereafter, 44,706 shares and 42,352 shares vest in quarterly installments during calendar years 2011 and 2012, respectively.

- (10) 2,151 shares vest on August 15, 2010, 2,152 shares vest on November 15, 2010 and 5,277 shares each vest over four consecutive quarters beginning on February 15, 2011.
- (11) 10,735 shares, 10,736 shares and 10,735 shares vest on June 30, 2010, September 30, 2010 and December 31, 2010, respectively; thereafter, 40,794 shares and 38,648 shares vest in quarterly installments during calendar years 2011 and 2012, respectively.
- (12) These shares vest in quarterly installments during calendar year 2013.
- (13) 13,777 shares vest on August 15, 2010, 9,612 shares vest on November 15, 2010 and 6,449 shares each vest over four consecutive quarters beginning on February 15, 2011.
- (14) 28,358 shares each vest on June 30, 2010, September 30, 2010 and December 31, 2010; thereafter, 107,760 shares and 102,088 shares vest in quarterly installments during calendar years 2011 and 2012, respectively.
- (15) 29,926 shares, 29,927 shares and 29,926 shares vest on June 30, 2010, September 30, 2010 and December 31, 2010, respectively; thereafter, 113,720 shares and 107,736 shares vest in quarterly installments during calendar years 2011 and 2012, respectively.
- (16) 16,311 shares vest on August 15, 2010, 11,810 shares vest on November 15, 2010 and 7,328 shares each vest over four consecutive quarters beginning on February 15, 2011.

Option Exercises and Stock Vested

The following table provides certain information regarding option exercises and vesting of restricted stock units with respect to the Named Executive Officers during fiscal year 2010.

Option Exercises and Stock Vested in Fiscal Year 2010

| Name | Option Awards | | Restricted Stock Unit Awards | |
|--------------------------|---|----------------------------------|--|---------------------------------|
| | Number of shares acquired on exercise (#) | Value realized on exercise \$(1) | Number of shares acquired on vesting (#) | Value realized on vesting \$(2) |
| Tunc Doluca | 30,000(3) | 116,100 | 35,102 | 644,414 |
| Bruce Kiddoo | — | — | 16,880 | 309,892 |
| Vivek Jain | — | — | 32,304 | 592,562 |
| Pirooz Parvarandeh | — | — | 48,456 | 889,618 |
| Vijay Ullal | — | — | 57,336 | 1,052,649 |

- (1) The value realized on exercise is the number of shares acquired on exercise multiplied by the difference between the market price upon exercise and the exercise price.
- (2) The value realized is the number of shares vesting multiplied by the fair market value of Maxim's common stock on the respective vesting date.
- (3) These options were exercised but the underlying shares of common stock were not sold.

Non-Qualified Deferred Compensation

We do not have any non-qualified deferred compensation agreements, plans or arrangements for and as of the year ended June 26, 2010 with respect to the Named Executive Officers.

Equity Compensation Plan Information

The following table gives information about Maxim's common stock that may be issued upon the exercise of options, warrants and rights under all of Maxim's existing equity compensation plans as of June 26, 2010 and the option agreements assumed by Maxim pursuant to the terms of Maxim's acquisition of Dallas Semiconductor Corporation ("Dallas Semiconductor") on April 11, 2001.

| <u>Plan Category</u> | <u>(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights</u> | <u>(b)(2) Weighted-average exercise price of outstanding options, warrants, and rights</u> | <u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> |
|---|---|--|--|
| Equity compensation plans approved by security holders(1) | 39,666,149(1) | \$27.02 | 19,544,709(3) |
| Equity compensation plans not approved by security holders(4) | 71,775 | \$38.04 | |
| Total | <u>39,737,924</u> | \$27.05 | <u>19,544,709</u> |

- (1) Represents common stock issuable upon the exercise of options granted under our existing stockholder approved equity compensation plans. Includes 10,575,417 restricted stock units which have an exercise price of zero.
- (2) This weighted average exercise price does not include the 10,575,417 restricted stock units which have an exercise price of zero.
- (3) Represents 15,847,002 shares of common stock available for issuance under the 1996 Equity Plan and 3,697,707 shares of common stock available for issuance under the 2008 ESP Plan.
- (4) Represents shares of our common stock pursuant to option agreements assumed pursuant to our acquisition of Dallas Semiconductor. The option agreements were originally issued by Dallas Semiconductor under the Dallas Semiconductor 1984 Stock Option Plan, the Dallas Semiconductor Corporation 1987 Stock Option Plan and the Dallas Semiconductor 1993 Officer and Director Stock Option Plan (collectively, the "Dallas Plans").

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

Employment Contracts and Change in Control Arrangements

Each of Messrs. Doluca, Parvarandeh, and Ullal is a party to an agreement with us, pursuant to which each such officer may be entitled to certain severance payments and benefits under the specified circumstances.

For further information and detail regarding the above-mentioned agreements and change in control arrangements, please see "Compensation Discussion and Analysis" contained in this proxy statement.

Change-of-Control

We currently have a “double trigger” change-of-control plan (the “Severance Plan”) covering substantially all of our full-time employees, including our Named Executive Officers. The Plan provides for the payment of certain benefits in the event a Named Executive Officer is terminated without cause or resigns for good reason during the 24-month period following a change-of-control of Maxim or within the period following the public announcement of, but prior to, the closing of a change in control event. In serving the interest of stockholders, the Severance Plan is designed to help retain the employees of the Company, help maintain a stable work environment and provide certain economic benefits to employees in the event their employment is terminated in the circumstances described below.

A change-of-control is defined as:

- a merger or consolidation of Maxim in which more than 50% of the outstanding voting power changes hands;
- a sale of all or substantially all of Maxim’s assets;
- the acquisition of more than 50% of Maxim’s voting power by any person or group; or
- a change in the composition of our board of directors, such that a majority of directors are no longer “Incumbent Directors” (Incumbent Directors are directors as of the change-of-control plan was implemented and directors elected other than in connection with an actual or threatened proxy contest).

If, during the 24-month period following the change-of-control or within the period following the public announcement of, but prior to, the closing of a change in control event, the Named Executive Officer’s employment is terminated for reasons other than cause (as defined in the Severance Plan) or the individual terminates employment for good reason (as defined in the Severance Plan), then the Named Executive Officer will receive a lump sum cash payment consisting of:

- base salary not yet paid through the date of termination and all unpaid vacation pay; and
- a severance payment equal to two times the sum of the Named Executive Officer’s annual base salary in effect immediately prior to the date of termination and the average performance bonus during the past three years.

In addition, all unvested stock options and restricted stock units are accelerated and become fully vested upon a change-of-control and a termination without cause (or resignation for good reason) occurring within 24 months following the change-of-control or within the period following the public announcement of, but prior to, the closing of a change in control event. All stock options remain exercisable until the end of their stated term, which is typically 10 years from the grant date for options granted before 2007 and 7 years from the grant date for options granted in 2007 and thereafter. Also, each Named Executive Officer is eligible to receive continued health insurance benefits at the Company’s cost for 24 months. The Named Executive Officers are not entitled to receive a gross-up amount to compensate the officer for any golden parachute excise taxes imposed by the Internal Revenue Code. Our board of directors retains the absolute right to modify and/or terminate the change-of-control plan and the benefits thereunder at any time before the occurrence of a change-of-control.

If there had been a termination of employment without cause during the 24-month period following a change-of-control of Maxim or within the period following the public announcement of, but prior to, the closing of a change in control event, then assuming such termination occurred at the end of fiscal year 2010, the amounts we estimate that would have been paid to the Named Executive Officers are set forth in the table below. The actual amounts that would be paid out can only be determined at the time the named executive officer is terminated from employment.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

| <u>Name</u> | <u>Type of Payment</u> | <u>Payments Upon Involuntary or Good Reason Termination related to a Change-of-Control (\$)(1)(2)(3)(4)</u> |
|-------------------------|---------------------------|---|
| Tunc Doluca | Base Salary | 1,000,000 |
| | Performance Bonus | 812,616 |
| | Health Insurance Benefits | 81,504 |
| | Equity: | |
| | Stock Options | 1,907,104 |
| | Restricted Stock Units | 1,020,975 |
| | Total | 4,822,199 |
| Bruce Kiddoo | Base Salary | 700,000 |
| | Performance Bonus | 393,806 |
| | Health Insurance Benefits | 81,504 |
| | Equity: | |
| | Stock Options | 912,602 |
| | Restricted Stock Units | 463,802 |
| | Total | 2,551,714 |
| Vivek Jain | Base Salary | 660,000 |
| | Performance Bonus | 405,045 |
| | Health Insurance Benefits | 81,504 |
| | Equity: | |
| | Stock Options | 784,887 |
| | Restricted Stock Units | 442,406 |
| | Total | 2,373,842 |
| Piروز Parvarandeh | Base Salary | 720,000 |
| | Performance Bonus | 506,198 |
| | Health Insurance Benefits | 81,504 |
| | Equity: | |
| | Stock Options | 1,353,692 |
| | Restricted Stock Units | 856,311 |
| | Total | 3,517,705 |
| Vijay Ullal | Base Salary | 800,000 |
| | Performance Bonus | 660,509 |
| | Health Insurance Benefits | 81,504 |
| | Equity: | |
| | Stock Options | 1,428,569 |
| | Restricted Stock Units | 999,909 |
| | Total | 3,970,491 |

- (1) All amounts are estimated based on an assumed triggering date of last business day (June 25, 2010) of the fiscal year ended June 26, 2010 and the closing price (\$17.41 per share) of Maxim's common stock on that date.
- (2) The net value of the options is based on the difference between the exercise price of unvested in-the-money options on June 25, 2010 and the closing price (\$17.41 per share) of Maxim's common stock on that date multiplied by the number of such options.
- (3) Performance bonus is based on the average of non-equity incentive compensation plan performance bonus earned for each of the last three fiscal years. Mr. Kiddoo received a performance bonus of \$260,598 for the fiscal year ended June 28, 2008. Mr. Jain received performance bonuses of \$138,187 and \$268,997 for the fiscal years ended June 27,

2009 and June 28, 2008, respectively. These performance bonuses do not appear in the Fiscal Year 2010 Summary Compensation Table for the above-referenced fiscal years during which Mr. Kiddoo and Mr. Jain were not named executive officers.

- (4) The cost of health insurance benefits is estimated based on the monthly premium the Company would pay for a similarly situated employee over 24 months.

Other Potential Post-Employment Payments

Each of Messrs. Doluca, Parvarandeh, and Ullal and is party to an agreement that may entitle each such officer to certain post-employment payments from us under specified circumstances. For a detailed discussion of such potential post-employment obligations of Maxim, please see “Compensation Discussion and Analysis” contained in this proxy statement.

INDEPENDENT PUBLIC ACCOUNTANTS

Audit and Non-Audit Fees

The following table presents fees for professional services rendered by Deloitte & Touche LLP and affiliates for the audit of Maxim's annual financial statements for the fiscal years ended June 26, 2010 and June 27, 2009, respectively, and fees billed for other services rendered by Deloitte & Touche LLP during such fiscal years. All fees set forth below are exclusive of any value-added tax (VAT) or goods and services tax (GST).

| | <u>Fiscal 2010</u> | <u>Fiscal 2009</u> |
|---------------------------------|--------------------|--------------------|
| Audit Fees(1) | \$1,808,323 | \$6,950,422 |
| Audit-Related Fees(2) | — | — |
| Tax Fees(3) | 41,900 | 40,771 |
| All Other Fees(4) | 199,404 | 80,196 |
| | <u>\$2,049,627</u> | <u>\$7,071,389</u> |

-
- (1) Audit Fees consist of fees billed for professional services rendered in connection with the audit of Maxim's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and audit services that are normally provided by Deloitte & Touche LLP and affiliates in connection with statutory and regulatory filings. Fees for fiscal year 2009 also included \$5.2 million for services rendered during that fiscal year in connection with the restatement of Maxim's previously filed financial statements to correct past accounting for stock options.
- (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Maxim's consolidated financial statements and not reported under "Audit Fees."
- (3) Tax Fees consist of fees billed for professional services rendered for federal, state and international tax compliance, tax advice and federal, state and international tax planning.
- (4) All Other Fees consist of fees for products and services other than the services reported above.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent auditors. Under the policy, pre-approval is generally provided for up to one (1) year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also provide pre-approval for particular services on a case-by-case basis. For each proposed service, the independent auditor is required to provide detailed back-up documentation at the time of approval. For fiscal year 2010, there were no audit-related fees, tax fees, or any other fees that were approved by the Audit Committee pursuant to the "de minimus" exception under Regulation S-X Rule 2-01(c)(7)(i)(C).

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee (the “Committee”) of the board of directors is comprised entirely of independent directors who meet the independence requirements of the Marketplace Rules of The NASDAQ Stock Market and the Securities and Exchange Commission. The Committee operates pursuant to a charter that is available on the Investor Relations section of our website at <http://www.maxim-ic.com/company/investor/governance>.

The Committee oversees Maxim’s financial reporting process on behalf of the board of directors. Management is responsible for the preparation, presentation and integrity of the financial statements, including establishing accounting and financial reporting principles and designing systems of internal controls over financial reporting. Maxim’s independent auditors are responsible for expressing an opinion as to the conformity of Maxim’s consolidated financial statements with generally accepted accounting principles.

In performing its responsibilities, the Committee has reviewed and discussed, with management and the independent auditors, the audited consolidated financial statements in Maxim’s Annual Report on Form 10-K for the year ended June 26, 2010. The Audit Committee has also discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61, “Communications with Audit Committees”.

Pursuant to Independence Standards Board Standard No. 1, “Independence Discussions with Audit Committees,” the Committee received written disclosures and the letter from the independent auditors, and discussed with the auditors their independence.

Based on the reviews and discussions referred to above, the Committee recommended to the board of directors that the audited consolidated financial statements be included in Maxim’s Annual Report on Form 10-K for the year ended June 26, 2010.

Audit Committee

Joseph R. Bronson, Chairman
James R. Bergman
William D. Watkins

MAXIM INTEGRATED PRODUCTS, INC.
2008 EMPLOYEE STOCK PURCHASE PLAN

(As amended)¹

The Company wishes to attract employees to the Company, its Subsidiaries and Affiliates and to induce employees to remain with the Company, its Subsidiaries and Affiliates, and to encourage them to increase their efforts to make the Company's business more successful, whether directly or through its Subsidiaries and Affiliates. In furtherance thereof, the Plan is designed to provide equity-based incentives to the Eligible Employees of the Company, its Subsidiaries and Affiliates. The Plan is intended to comply with the provisions of Section 423 of the Code and shall be administered, interpreted and construed accordingly, although the Company makes no undertaking or representation to maintain such qualification. In addition, the Plan authorizes the purchase of Shares under a Non-423(b) Component, pursuant to rules, procedures or sub-plans adopted by the Board of Directors or the Committee and designed to achieve tax, securities law or other objectives.

1. Definitions.

When used herein, the following terms shall have the respective meanings set forth below:

"Affiliate" means any entity, other than a Subsidiary, in which the Company has an equity or other ownership interest.

"Board of Directors" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Code Section 423(b) Component" shall mean an employee stock purchase plan which is designed to meet the requirements set forth in Section 423(b) of the Code, as amended. The provisions of the Code Section 423(b) Plan should be construed, administered and enforced in accordance with Section 423(b) of the Code.

"Committee" means the committee appointed by the Board of Directors of the Company under Section 3 hereof.

"Common Stock" means the Common Stock, par value \$0.001 per share, of the Company.

"Company" means Maxim Integrated Products, Inc., a Delaware corporation.

"Designated Companies" shall mean the Company and any Subsidiary or Affiliate which has been designated by the Board of Directors or the Committee from time to time in its sole discretion as eligible to participate in the Plan. For purposes of the Code Section 423(b) Component, only the Company and its Subsidiaries may be Designated Companies, provided, however that at any given time, a Subsidiary that is a Designated Company under the Code Section 423(b) Component shall not be a Designated Company under the Non-423(b) Component.

"Effective Date" means the later of December 15, 2008 or the date of the approval of this Plan by the Company's stockholders.

"Eligible Compensation" for any pay period means, unless otherwise determined by the Committee, the amount of base salary for such period. Eligible Compensation does not include, without limitation, any payments for reimbursement of expenses, bonuses, incentive compensation, overtime, deferred compensation, and other non-cash or non-basic payments, unless otherwise determined by the Committee.

¹ As approved by the Board of Directors on October 27, 2008, September 24, 2009, and September 14, 2010, respectively and ratified by Stockholders on December 15, 2008 and December 10, 2009.

“Eligible Employee” means employees eligible to participate in the Plan pursuant to the provisions of Section 4.

“Enrollment Period” means such period preceding an Offer Period as is specified by the Committee with respect to such Offer Period.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fair Market Value” per Share as of a particular date means (i) if Shares are then listed on a national stock exchange, the closing price per Share on the exchange for the last preceding date on which there was a sale of Shares on such exchange, as determined by the Committee, (ii) if Shares are not then listed on a national stock exchange but are then traded on an over-the-counter market, the average of the closing bid and asked prices for such Shares in such over-the-counter market for the last preceding date on which there was a sale of such Shares in such market, as determined by the Committee, or (iii) if Shares are not then listed on a national exchange or traded on an over-the-counter market, such value as the Committee in its discretion may in good faith determine; provided that, where such shares are so listed or traded, the Committee may make discretionary determinations where the shares have not been traded for 10 trading days.

“Non-423(b) Component” means the grant of an option under the Plan which is not intended to meet the requirements set forth in Section 423(b) of the Code, as amended.

“Offer Date” means the first day of an Offer Period.

“Offer Period” means, as applicable, in each case subsequent to the approval of this Plan by the Company’s stockholders, (i) the initial Offer Period beginning on such date to be determined by the Committee and ending on November 28, 2010 (or, if such date is not a trading day, the trading day immediately preceding such date, unless otherwise provided by the Committee), (ii) the Offer Period beginning on the business day immediately following the last Saturday of May of each year (or, if such date is not a trading day, the trading day immediately following such date, unless otherwise provided by the Committee) and ending on the business day immediately preceding the last Saturday of May of the next year (or, if such date is not a trading day, the trading day immediately preceding such date, unless otherwise provided by the Committee), and (iii) the Offer Period beginning on the business day immediately following the last Saturday of November of each year (or, if such date is not a trading day, the trading day immediately following such date, unless otherwise provided by the Committee) and ending on the business day immediately preceding the last Saturday of November of the next year (or, if such date is not a trading day, the trading day immediately preceding such date, unless otherwise provided by the Committee). Each Offer Period of approximately 12 months in length (except for the initial Offer Period) may overlap each other as set forth above, and each will consist of 2 Purchase Periods of approximately 6 months in length.

“Participating Employee” means an employee (i) for whom payroll deductions are currently being made or who otherwise contributes to the Plan, or (ii) for whom payroll deductions are not currently being made or who does not otherwise contribute to the Plan because he or she has reached the limitation set forth in the first sentence of Section 6.

“Payroll Account” means an account maintained by the Company with respect to each Participating Employee as contemplated by Section 5.

“Plan” means this Maxim Integrated Products, Inc. 2008 Employee Stock Purchase Plan, as it may from time to time be amended, which includes a Code Section 423(b) Plan and a Non-423(b) Component.

“Plan Year” means the fiscal year of the Company.

“Purchase Date” means, as applicable, the business day immediately preceding the last Saturday of May and November (or, if such date is not a trading day, the trading day immediately preceding such date, unless otherwise provided by the Committee).

“Purchase Period” means a specified period of time within an Offer Period beginning on the Offer Date and ending on a Purchase Date. An Offer Period shall consist of 2 Purchase Periods, each of which shall approximately be 6 months in length.

“Shares” means shares of Common Stock.

“Stock Account” means a brokerage account as contemplated by Section 8.

“Subsidiary” means any corporation that is a “subsidiary corporation” with respect to the Company under Section 424(f) of the Code.

2. Shares Reserved for the Plan.

There shall be reserved for issuance and purchase by employees under the Plan an aggregate of 8,000,000 Shares, subject to adjustment as provided in Section 12, any or all of which Shares may be granted under the Code Section 423(b) Component. Shares subject to the Plan may be Shares now or hereafter authorized but unissued, or Shares that were once issued and subsequently reacquired by the Company. If and to the extent that any right to purchase reserved Shares shall not be exercised by any employee for any reason or if such right to purchase shall terminate as provided herein, Shares that have not been so purchased hereunder shall again become available for the purposes of the Plan unless the Plan shall have been terminated, but such unpurchased Shares shall not be deemed to increase the aggregate number of Shares specified above to be reserved for purposes of the Plan (subject to adjustment as provided in Section 12).

3. Administration of the Plan.

The Plan shall be administered by the Committee appointed by the Board of Directors. The Board of Directors shall consider the rules of Rule 16b-3 promulgated under the Exchange Act in connection with any such appointment, if and to the extent that such appointments may have an effect thereunder. Each member of the Committee shall serve at the pleasure of the Board of Directors. The acts of a majority of the members present at any meeting of the Committee at which a quorum is present, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan. If and to the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member. Notwithstanding the foregoing, the Board of Directors may designate the Compensation Committee of the Board of Directors to act as the Committee hereunder.

The Committee may make such rules and regulations and establish such procedures and sub-plans for the operation and administration of the Plan as it deems appropriate, including relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures for jurisdictions outside of the United States. The Committee shall have authority to interpret the Plan, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law and shall take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof.

4. Eligible Employees.

Except as described below, all employees of the Company and its Designated Companies shall be eligible to participate in the Plan, provided that each of such employees does not own, for purposes of Section 423 of the Code, immediately after the right is granted, stock possessing 5% or more of the total combined voting power or value of all classes of capital stock of the Company or of a Subsidiary.

To the extent permitted under local law, the Committee may also exclude from participation in the Plan any or all of (i) a group of highly compensated employees designated by the Committee as being ineligible to participate in the Plan as permitted by Section 423(b)(4)(D) of the Code, (ii) employees who have been employed by the Company or any Subsidiary for less than 2 years, (iii) employees whose customary employment is for not more than 5 months in any calendar year, and (iv) employees who customarily work 20 hours per week or less. The employment of an employee of a Subsidiary or an Affiliate which ceases to be a “Subsidiary” or an “Affiliate” as defined herein shall, automatically and without any further action, be deemed to have terminated (and such employee shall cease to be an Eligible Employee hereunder).

5. Election to Participate and Payroll Deductions/Contributions.

Each Eligible Employee may elect to participate in the Plan during the Enrollment Period immediately prior to the beginning of each Offer Period during a Plan Year. Each Eligible Employee may elect a payroll deduction of from 1% to 25% of Eligible Compensation from each paycheck, in increments of 1% (i.e., 1%, 2%, 3%, etc.), unless otherwise so provided by the Committee. Elections under this Section 5 are subject to the limits set forth in Section 6. All payroll deductions shall be credited, as promptly as practicable, to a Payroll Account in the name of the Participating Employee. The Committee, in its discretion, may decide that an Eligible Employee may contribute to the Plan by means other than payroll deductions. All funds held by the Company under the Plan shall not be segregated from other corporate funds (except that the Company may in its discretion establish separate bank or investment accounts in its own name) and may be used by the Company for any corporate purpose, unless otherwise required by local law.

Each Participating Employee may cancel his or her election to participate in the Plan by signing and delivering written notice to the Committee, on a form specified for such purpose by the Committee, at such times as may be established by the Committee. In such case, the entire balance in the Payroll Account of such former Participating Employee shall be repaid to such former Participating Employee as promptly as practicable in accordance with Section 9, without interest (unless required by local law). Upon such voluntary withdrawal during an Offer Period by a Participating Employee, such withdrawing Participating Employee may not be entitled to participate in the Plan again for such time as may be established by the Committee. Thereafter, such Eligible Employee is eligible to participate in subsequent Offer Periods under the Plan upon timely delivery of a new enrollment form.

Unless prohibited by any applicable laws, regulations or stock exchange rules, the Committee, in its discretion, may prescribe that, if the Fair Market Value of the Shares on a Purchase Date within an Offer Period then in progress is lower than the Fair Market Value of the Shares on the first business day of such Offer Period, then each Participating Employee in such Offer Period shall automatically be deemed (i) to have withdrawn from such Offer Period at the close of the Purchase Period ending on such Purchase Date, and (ii) to have enrolled in a new Offering Period commencing on the business day immediately following the last Saturday of May or November of each year, as applicable (or, if such date is not a trading day, the trading day immediately following such date, unless otherwise provided by the Committee).

Subject to the preceding paragraphs of this Section 5, if so provided by the Committee, an Eligible Employee who is a Participating Employee immediately prior to the beginning of an Offer Period will be deemed (i) to have elected to participate for such Offer Period and (ii) to have authorized the same percentage payroll deduction for such Offer Period in effect for such Eligible Employee as that in effect (without regard to Section 6) on the day before such Offer Period. The Committee may adopt the procedures set forth in the foregoing sentence for some but not all Offer Periods.

6. Limitation of Number of Shares That an Employee May Purchase.

No right to purchase Shares under the Plan shall provide an employee the right to purchase Common Stock under all employee stock purchase plans of the Company and its Subsidiaries which accrues at a rate which in the

aggregate exceeds \$25,000 of the fair market value of such stock (determined under Section 423 of the Code at the time the right is granted) for each calendar year in which the right is outstanding at any time. Notwithstanding the foregoing, the maximum number of shares of Common Stock that an Eligible Employee may purchase during an Offer Period shall not exceed 1,600 shares.

7. Purchase Price.

The purchase price for each Share shall be the lesser of (i) 85% of the Fair Market Value of such Shares on the Offer Date and (ii) 85% of the Fair Market Value of such Shares on the Purchase Date.

8. Method of Purchase.

As of the Purchase Date, each Participating Employee shall be deemed, without any further action, to have purchased the number of whole Shares which the balance of his or her Payroll Account at that time will purchase, determined by dividing the balance in his or her Payroll Account not theretofore invested by the purchase price as determined in Section 7.

All Shares purchased as provided in the foregoing paragraph shall be initially maintained in separate Stock Accounts for the Participating Employees at a brokerage firm selected by, and pursuant to an arrangement with, the Company. The Company shall deliver the shares to the Stock Account as soon as reasonably practicable after the close of the applicable Purchase Date. A Participating Employee shall be free to undertake a disposition (as that term is defined in Section 424 of the Code) of the Shares in his or her Stock Account at any time, whether by sale, exchange, gift or other transfer of legal title, but, for Participating Employees in the Code Section 423(b) Component, in the absence of such a disposition of such Shares, unless otherwise provided by the Committee, the Shares must remain in the Participating Employee's Stock Account at the brokerage firm so selected until the holding period set forth in Section 423(a) of the Code has been satisfied. With respect to those Shares for which the Section 423(a) holding period has been satisfied or which are held by Participating Employees in the Non-Section 423(b) Component, the Participating Employee may, without limitation, move those Shares to another brokerage account of the Participating Employee's choosing or request that a stock certificate be issued and delivered to him or her.

If and to the extent provided by the Committee, for so long as such Shares are maintained in Stock Accounts, all dividends paid with respect to such Shares shall be credited to each Participating Employee's Stock Account, and will be automatically reinvested in whole Shares. The Committee may provide that transaction fees incurred with respect to dividend reinvestment may be paid by the Company.

Unless otherwise provided by the Committee, in no event shall fractional Shares be purchased hereunder, and any remaining cash in a Participating Employee's Payroll Account resulting from such failure to invest in fractional Shares shall remain in the Payroll Account for use in the next Offer Period; provided, however, that, if the Participating Employee is not an active Participating Employee for such next Offer Period, such remaining cash shall be returned to the Participating Employee as soon as practicable. Notwithstanding any other provision of the Plan, the Committee may permit the purchase of fractional Shares hereunder and establish rules and procedures relating thereto.

9. Termination of Participation or Employment.

The right to participate in the Plan shall terminate immediately when a Participating Employee ceases to be employed by the Company or a Designated Company for any reason (including death or disability) or a Participating Employee otherwise becomes ineligible. Participation also terminates immediately when the Participating Employee voluntarily cancels his or her election to participate in the Plan as provided in Section 5.

Notwithstanding any other provision of the Plan to the contrary, the Company shall distribute to such former Participating Employee (or, in the event of death, to his or her estate), the balance in his or her Payroll Account

not theretofore invested, without interest (unless required by local law), any such distribution or payment to be made as soon as practicable. If applicable, fractional Shares will be sold on the open market and the Participating Employee will receive the net proceeds, if any, after all fees have been paid.

10. Rights as a Stockholder.

At the time funds from a Participating Employee's Payroll Account are used to purchase the Common Stock, he or she shall have all of the rights and privileges of a stockholder of the Company with respect to the Shares purchased under the Plan whether or not certificates representing such Shares have been issued.

11. Rights Not Transferable.

Rights granted under the Plan are not transferable by a Participating Employee other than by will or the laws of descent and distribution and are exercisable during his or her lifetime only by him or her.

12. Adjustment in Case of Changes Affecting Common Stock.

If (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or its Subsidiaries or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company, or any distribution to holders of Common Stock other than cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the number or kind of shares, or both, which thereafter may be sold under the Plan, then the Committee may forthwith take any such action as in its judgment shall be necessary to preserve to the Participating Employees' rights substantially proportionate to the rights existing prior to such event, and to maintain the continuing availability of Shares under Section 2 and the last sentence of Section 6 (if Shares are otherwise then available) in a manner consistent with the intent hereof, including, without limitation, adjustments in (1) the number and kind of shares subject to the Plan, (2) the purchase price of such shares under the Plan, and (3) the number and kind of shares available under Section 2 and the last sentence of Section 6. To the extent that such action shall include an increase or decrease in the number of Shares (or units of other property then available) subject to the Plan, the number of Shares (or units) available under Section 2 and the last sentence of Section 6 above shall be increased or decreased, as the case may be, proportionately, as may be provided by Committee in its discretion.

Notwithstanding any other provision of the Plan, if the Common Stock ceases to be listed or traded, as applicable, on a national stock exchange or over-the-counter market (a "Triggering Event"), then, in the discretion of the Committee, (i) the balance in the Participating Employee's Payroll Account not theretofore invested may be refunded to the Participating Employee, and such Participating Employee shall have no further rights or benefits under the Plan, (ii) an amount equal to the product of the Fair Market Value of a Share on the date of the Triggering Event multiplied by the number of Shares such Participating Employee would have been able to purchase with the balance of his or her Payroll Account on such Triggering Event if such Triggering Event were the Purchase Date may be paid to the Participating Employee, and such Participating Employee shall have no further rights or benefits under the Plan, or (iii) the Plan may be continued without regard to the application of this sentence.

13. Amendment of the Plan.

The Board of Directors may at any time, or from time to time, amend the Plan in any respect; provided, however, that the Plan may not be amended in any way that would cause, if such amendment were not approved Company's shareholders, the Code Section 423(b) Component to fail to comply with

- (i) the requirements for employee stock purchase plans under Section 423 of the Code; or
- (ii) any other requirement of applicable law or regulation;

unless and until stockholder approval is obtained.

14. Termination of the Plan.

The Plan and all rights of employees hereunder shall terminate:

- (i) on the date that Participating Employees become entitled to purchase a number of Shares greater than the number of reserved Shares remaining available for purchase; or
- (ii) at any time, at the discretion of the Board of Directors.

In the event that the Plan terminates under circumstances described in (i) above, reserved Shares remaining as of the termination date shall be subject to Participating Employees on a pro rata basis. No termination of the Plan shall alter or impair any rights outstanding at the time of the such termination to purchase Shares pursuant to any offering of the right to purchase Shares hereunder.

15. Governmental and Other Regulations; Further Assurances.

The Plan, and the grant and exercise of the rights to purchase Shares hereunder, and the Company's obligation to sell and deliver Shares upon the exercise of rights to purchase Shares, shall be subject to all applicable federal, state and foreign laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company shall not be required to issue or deliver any certificates for Shares prior to the completion of any registration or qualification of such Shares under, and the obtaining of any approval under or compliance with, any state or federal law, or any ruling or regulation of any government body which the Company shall, in its sole discretion, determine to be necessary or advisable. Certificates for Shares issued hereunder may be legended as the Committee may deem appropriate.

The Participating Employee shall take whatever additional actions and execute whatever additional documents the Committee may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participating Employee pursuant to the Plan.

16. Non-U.S. Subsidiaries.

Without amending the Plan, the Committee may allow for participation under the terms hereunder by Eligible Employees of non-U.S. Subsidiaries and Affiliates with such modifications of the terms and conditions otherwise specified hereunder as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes hereof, and, in furtherance of such purposes, the Committee may make such amendments, procedures and the like and establish such sub-plans as may be necessary or advisable to comply with provisions of laws (including tax laws) in other countries in which such Subsidiaries and Affiliates operate or have employees.

17. Indemnification of Committee.

The Company shall indemnify and hold harmless the members of the Board of Directors of the Company and the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan if such person acts in good faith and in a manner that he or she reasonably believes to be in, or not opposed to, the best interests of the Company, to the maximum extent permitted by law.

18. Withholding; Disqualifying Dispositions.

Notwithstanding any other provision of the Plan, the Company or any Designated Company, as appropriate, shall have the authority and the right to deduct or withhold, or require a Participating Employee to remit to the Company or the Designated Company, an amount sufficient to satisfy U.S. federal, state, and local taxes and

taxes imposed by jurisdictions outside of the United States (including income tax, social insurance contributions, payment on account and any other taxes that may be due) required by law to be withheld with respect to any taxable event concerning a Participating Employee arising as a result of his or her participation in the Plan or to take such other action as may be necessary in the opinion of the Company or a Designated Company, as appropriate, to satisfy withholding obligations for the payment of taxes. No shares shall be delivered hereunder to any Participating Employee until the Participating Employee has made arrangements acceptable to the Company for the satisfaction of these tax obligations with respect to any taxable event concerning the Participating Employee's participation in the Plan.

If Shares acquired under the Plan are disposed of in a disposition that does not satisfy the holding period requirements of Section 423(a) of the Code, such Participating Employee in the Code Section 423(b) Plan who is employed by a Designated Company which is part of the Company's U.S. federal income tax return shall notify the Company in writing as soon as practicable thereafter of the date and terms of such disposition.

19. Notices.

All notices or other communications by a Participating Employee to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

20. Severability.

If any particular provision of this Plan is found to be invalid or unenforceable, such provision shall not affect the other provisions of the Plan, but the Plan shall be construed in all respects as if such invalid provision had been omitted.

21. No Right to Continued Employment.

The Plan and any right to purchase Common Stock granted hereunder shall not confer upon any employee any right with respect to continued employment by the Company or any Subsidiary or Affiliate, nor shall they restrict or interfere in any way with the right of the Company or any Subsidiary or Affiliate by which an employee is employed to terminate his or her employment at any time.

22. Captions.

The use of captions in the Plan is for convenience. The captions are not intended to and do not provide substantive rights.

23. Effective Date of the Plan.

The Plan shall be effective as of the Effective Date, provided that the Plan is approved by stockholders prior thereto.

24. Code Section 409A.

The Code Section 423(b) Plan is exempt from the application of Section 409A of the Code. The Non-423(b) Component is intended to be exempt from Section 409A of the Code under the short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. In the case of a Participating Employee who would otherwise be subject to Section 409A of the Code, to the extent an option to purchase Shares or the payment, settlement or deferral thereof is subject to Section 409A of the Code, the option to purchase Shares shall be granted, paid, exercised, settled or deferred in a manner that will comply with Section 409A of the Code, including the final regulations and other guidance issued with respect thereto, except

as otherwise determined by the Board of Directors or the Committee. Notwithstanding the foregoing, the Company shall have no liability to a Participating Employee or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Board of Director or the Committee with respect thereto.

25. Governing Law.

The provisions of the Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflict of law rules.

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MAXIM INTEGRATED PRODUCTS, INC.
1996 STOCK INCENTIVE PLAN

*(As Amended and Restated)*²

1. *Purposes of the Plan.* The purposes of this 1996 Stock Incentive Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business.

2. *Definitions.* As used herein, the following definitions shall apply:

(a) "*Administrator*" means the Board or any of the Committees appointed to administer the Plan.

(b) "*Affiliate*" and "*Associate*" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(c) "*Applicable Laws*" means the legal requirements relating to the administration of stock incentive plans, if any, under applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any foreign jurisdiction applicable to Awards granted to residents therein.

(d) "*Award*" means, individually or collectively, a grant under the Plan of Options, Restricted Stock and Restricted Stock Units.

(e) "*Award Agreement*" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan, including an Option Agreement. The Award Agreement is subject to the terms and conditions of the Plan.

(f) "*Board*" means the Board of Directors of the Company.

(g) "*Change in Control*" means a change in ownership or control of the Company effected through either of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such stockholders accept, or

(ii) a change in the composition of the Board over a period of thirty-six (36) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors.

(h) "*Code*" means the Internal Revenue Code of 1986, as amended.

(i) "*Committee*" means any committee appointed by the Board to administer the Plan.

(j) "*Common Stock*" means the Common Stock of the Company.

(k) "*Company*" means Maxim Integrated Products, Inc., a Delaware corporation.

² As approved by the Board of Directors on September 24, 2009, November 24, 2009 and September 14, 2010 and ratified by Stockholders on December 10, 2009.

(l) “*Consultant*” means any person who is a consultant, advisor, independent contractor, vendor, customer or other person having a past, current or prospective business relationship with the Company or any Parent or Subsidiary.

(m) “*Continuing Directors*” means members of the Board who either (i) have been Board members continuously for a period of at least thirty-six (36) months or (ii) have been Board members for less than thirty-six (36) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(n) “*Continuous Status as an Employee, Director or Consultant*” means that the employment, director or consulting relationship with the Company, any Parent, or Subsidiary, is not interrupted or terminated. Continuous Status as an Employee, Director or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor.

(o) “*Corporate Transaction*” means any of the following stockholder-approved transactions to which the Company is a party:

(i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated,

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company (including the capital stock of the Company’s subsidiary corporations) in connection with complete liquidation or dissolution of the Company, or

(iii) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger.

(p) “*Covered Employee*” means any person who is a “covered employee” under Section 162(m)(3) of the Code.

(q) “*Determination Date*” means the latest possible date that will not jeopardize the qualification of an Award granted under the Plan as Performance-Based Compensation.

(r) “*Director*” means a member of the Board.

(s) “*Employee*” means any person, including an Officer or Director, who is an employee of the Company or any Parent or Subsidiary of the Company for purposes of Section 422 of the Code. The payment of a director’s fee by the Company shall not be sufficient to constitute “employment” by the Company.

(t) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(u) “*Fair Market Value*” means, as of any date, the value of Common Stock determined as follows:

(i) Where there exists a public market for the Common Stock, the Fair Market Value of a share of Common Stock shall be (A) the closing sale price of the Common Stock on the date of the determination (or, if no sales were reported on such date, on the last trading date on which sales were reported) on the stock exchange determined by the Administrator to be the primary market for the Common Stock or the Nasdaq National Market, whichever is applicable or (B) if the Common Stock is not traded on any such exchange or national market system, the closing price of a Share on the Nasdaq Small Cap Market or over-the-counter (Pink Over-The-Counter Markets Inc. Electronic Quotation Service), as applicable, on the date of the determination (or, if no such price was reported on that date, on the last date on which such price was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

- (ii) In the absence of an established market of the type described in (i), above, for the Common Stock, the Fair Market Value thereof shall be determined by the Administrator in good faith.
- (v) “*Fiscal Year*” means the fiscal year of the Company.
- (w) “*Grantee*” means an Employee, Director or Consultant who receives an Award under the Plan.
- (x) “*Incentive Stock Option*” means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- (y) “*Non-Qualified Stock Option*” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.
- (z) “*Officer*” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (aa) “*Option*” means a stock option granted pursuant to the Plan.
- (bb) “*Option Agreement*” means the written agreement evidencing the grant of an Option executed by the Company and the Grantee, including any amendments thereto.
- (cc) “*Parent*” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (dd) “*Performance-Based Compensation*” means compensation qualifying as “performance-based compensation” under Section 162(m) of the Code.
- (ee) “*Performance Goals*” has the meaning given to it in Section 11.
- (ff) “*Performance Period*” means any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.
- (gg) “*Period of Restriction*” means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of Performance Goals, or the occurrence of other events as determined by the Administrator.
- (hh) “*Plan*” means this 1996 Stock Incentive Plan.
- (ii) “*Restricted Stock*” means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.
- (jj) “*Restricted Stock Unit*” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.
- (kk) “*Rule 16b-3*” means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.
- (ll) “*Section 16(b)*” means Section 16(b) of the Exchange Act.
- (mm) “*Share*” means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.
- (nn) “*Subsidiary*” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.
- (oo) “*Subsidiary Disposition*” means the disposition by the Company of its equity holdings in any Subsidiary effected by a merger or consolidation involving that Subsidiary, the sale of all or substantially all of the assets of that Subsidiary or the Company’s sale or distribution of substantially all of the outstanding capital stock of such Subsidiary.

3. Stock Subject to the Plan.

(a) *Stock Subject to the Plan.* Subject to the provisions of Section 13 below, the maximum aggregate number of Shares which may be issued pursuant to this Plan is 113,100,000 Shares plus the number of Shares or options returned to the Company's Incentive Stock Option Plan, 1987 Employee Stock Participation Plan, and 1987 Supplemental Stock Option Plan as a result of termination of options or repurchase of Shares issued under such plans, and (ii) such number of Shares which have been reserved but not issued under the Dallas Semiconductor Corporation 1987 Stock Option Plan (the "*Dallas 1987 Plan*") as of the date of stockholder approval of this Plan, and any Shares returned to the Dallas 1987 Plan as a result of termination of options or repurchase of Shares issued under such plan, (iii) such number of Shares which have been reserved but not issued under the Dallas Semiconductor Corporation 1993 Officer and Director Stock Option Plan (the "*Dallas 1993 Plan*") as of the date of stockholder approval of this Plan, and any Shares returned to the Dallas 1993 Plan as a result of termination of options or repurchase of Shares issued under such plan.

(b) *Full Value Awards.* Any Shares subject to Options will be counted against the numerical limits of this Section 3 as one Share for every Share subject thereto. Any Shares subject to Awards of Restricted Stock or Restricted Stock Units with a per share or unit purchase price lower than one hundred percent (100%) of Fair Market Value on the date of grant will be counted against the numerical limits of this Section 3 as two Shares for every one Share subject thereto. To the extent that a Share that was subject to an Award that counted as two Shares against the Plan reserve pursuant to the preceding sentence is recycled back into the Plan under the next paragraph of this Section 3, the Plan will be credited with two Shares.

(c) *Lapsed Awards.* If an Award expires or becomes unexercisable without having been exercised in full, or, with respect to Restricted Stock and Restricted Stock Units, is forfeited to or repurchased by the Company, the unexercised Shares (or for Awards other than Options, the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Notwithstanding anything contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 3(a) and will not be available for future grants of Awards under this Plan or any other plans listed in Section 3(a): (i) Shares tendered by a Grantee or withheld by the Company in payment of the exercise price of an Option (or any other option granted under any other plans listed in Section 3(a)), and (ii) Shares tendered by a Grantee or withheld by the Company to satisfy any tax withholding obligation with respect to an Award (or any other equity award granted under any other plans listed in Section 3(a)). Notwithstanding the foregoing and, subject to adjustment provided in Section 13, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan under this Section 3(b).

4. Administration of the Plan.

(a) Plan Administrator.

(i) *Administration with Respect to Directors and Officers.* With respect to grants of Awards to Directors or Employees who are also Officers or Directors, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) *Administration With Respect to Consultants and Other Employees.* With respect to grants of Awards to Employees or Consultants who are neither Directors nor Officers, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. Subject to Applicable

Laws, the Board may authorize one or more Officers to grant such Awards and may limit such authority by requiring that such Awards must be reported to and ratified by the Board or a Committee within six (6) months of the grant date, and if so ratified, shall be effective as of the grant date.

(iii) *Administration With Respect to Covered Employees.* Notwithstanding the foregoing, grants of Awards to any Covered Employee intended to qualify as Performance-Based Compensation shall be made only by a Committee (or subcommittee of a Committee) which is comprised solely of two or more Directors eligible to serve on a committee making Awards qualifying as Performance-Based Compensation. In the case of such Awards granted to Covered Employees, references to the “Administrator” or to a “Committee” shall be deemed to be references to such Committee or subcommittee.

(iv) *Administration Errors.* In the event an Award is granted in a manner inconsistent with the provisions of this subsection (a), such Award shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

(b) *Powers of the Administrator.* Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

(i) to select the Employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;

(ii) to determine whether and to what extent Awards are granted hereunder;

(iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;

(iv) to determine the Fair Market Value;

(v) to approve forms of Award Agreement for use under the Plan;

(vi) to determine the terms and conditions of any Award granted hereunder;

(vii) to modify or amend the terms of any outstanding Award granted under the Plan in any lawful way, provided that any amendment that would adversely affect the Grantee’s rights under an outstanding Award shall not be made without the Grantee’s written consent; provided, however, that any provision of the Plan to the contrary notwithstanding, the Administrator shall not have the authority to reprice any outstanding Option, it being understood that “reprice” shall mean to amend any outstanding Option to reduce the exercise price;

(viii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(ix) notwithstanding any provision of the Plan to the contrary, in order to facilitate compliance with the tax, securities, foreign exchange, probate or other applicable provisions of the laws in other countries in which the Company or its Affiliates operate or have key employees or non-employee directors, the Administrator, in its discretion, shall have the power and authority to (A) determine which (if any) Employees, Directors, and/or Consultants rendering services or employed outside the U.S. are eligible to participate in the Plan or to receive any type of Award hereunder; (B) determine which non-U.S.-based Affiliates or operations (*e.g.*, branches, representative offices) participate in the Plan or any type of Award hereunder; (C) modify the terms and conditions of any Awards made to such Employees, Directors, and/or Consultants, or with respect to such non-U.S.-based Affiliates or operations; and (D) establish sub-plans, modify methods of exercise, modify payment restrictions on sale or transfer of Shares and other terms and procedures to the extent deemed necessary or desirable by the Administrator to comply with Applicable Laws of the non-U.S. jurisdiction. The Committee shall not, however, have the power or authority to amend the Plan with respect to the maximum aggregate number of Shares that may be issued under the Plan as set forth in Section 3(a), increase the Award limits as set forth in Sections 6, 7 and 8; or lengthen the term of an Option set forth in Section 6(d); and

(x) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

(c) *Effect of Administrator's Decision.* All decisions, determinations and interpretations of the Administrator shall be conclusive and binding on all persons.

5. *Eligibility.* Non-Qualified Stock Options, Restricted Stock and Restricted Stock Units may be granted to Employees, Directors and Consultants. Incentive Stock Options may be granted only to Employees. An Employee, Director or Consultant who has been granted an Award may, if otherwise eligible, be granted additional Awards. Awards may be granted to such Employees, Directors and Consultants who are residing in foreign jurisdictions as the Administrator may determine from time to time.

6. *Terms and Conditions of Options.*

(a) *Designation of Option.* Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Non-Qualified Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares subject to Options designated as Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000, such excess Options, to the extent of the Shares covered thereby in excess of the foregoing limitation, will be treated as Non-Qualified Stock Options. For the purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted, and the Fair Market Value of the Shares will be determined as of the date the Option with respect to such Shares is granted.

(b) *Conditions of Option.* Subject to the terms of the Plan, the Administrator will determine the provisions, terms and conditions of each Option including, but not limited to, the Option vesting schedule, form of payment upon exercise of the Option and satisfaction of any performance criteria.

(c) *Individual Option Limit.* The maximum number of Shares with respect to which Options may be granted to any individual in any Fiscal Year shall be 4,000,000. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 13. To the extent required by Section 162(m) of the Code or the regulations thereunder, in applying the foregoing limitation with respect to an individual, if any Option is canceled, the canceled Option shall continue to count against the maximum number of Shares with respect to which Options may be granted to the individual. For this purpose, the repricing of an Option shall be treated as the cancellation of the existing Option and the grant of a new Option.

(d) *Term of Option.* The Administrator will determine the term of each Option in its sole discretion, provided the term of an Option will not be more than ten (10) years from the date of grant. Moreover, in the case of an Incentive Stock Option granted to a Grantee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement.

(e) *Option Exercise Price, Consideration and Taxes.*

(i) *Exercise Price.* The exercise price for an Option shall be as follows:

(A) In the case of an Incentive Stock Option:

(1) granted to an Employee who, at the time of the grant of such Incentive Stock Option owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(2) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price will be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(B) In the case of a Non-Qualified Stock Option, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(C) Notwithstanding the foregoing, the Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) *Consideration.* Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise of an Option including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following:

(A) cash;

(B) check;

(C) surrender of Shares (including withholding of Shares otherwise deliverable upon exercise of the Option) which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised (but only to the extent that such exercise of the Option would not result in an accounting compensation charge with respect to the Shares used to pay the exercise price unless otherwise determined by the Administrator);

(D) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale proceeds required to pay the exercise price; or

(E) any combination of the foregoing methods of payment.

(f) *Exercise of Option.*

(i) *Procedure for Exercise; Rights as a Stockholder.*

(A) Any Option granted hereunder will be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement.

(B) An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company or its designated agent (e.g., the exclusive, captive broker) in accordance with the terms of the Option, from the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company or its designated agent, or the appropriate exercise/sale transaction has been executed under subsection 6(e)(ii)(D) above. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to Shares subject to an Option, notwithstanding the exercise of an Option. The Company shall issue (or cause to be issued) such stock certificate in uncertificated form promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate in uncertificated form is issued, except as provided in the Award Agreement or Section 13, below.

To the extent that reporting of United States taxable income with respect to an Option exercise under subsections 6(e)(ii)(A)-(C) above is based on the fair market value of the underlying Shares on the date of exercise, the Company shall use the Fair Market Value on the day the Option is deemed exercised in accordance

with this Section 6(f)(B), that is the closing sales price (see Section 2(u)) on the day the written notice of exercise and full payment for the Shares (i.e., cashier's check, money order, Shares (pursuant to subsection 6(e)(ii)(C) above) or readily available funds) are received by the Company or its designated agent. In the case of an exercise under subsection 6(e)(ii)(D) above, the United States taxable income will be calculated using the actual sales price of the underlying Shares subject to the Option.

(ii) Exercise of Option Following Termination of Employment, Director or Consulting Relationship.

(A) An Option may not be exercised after the termination date of such Option set forth in the Award Agreement and may be exercised following the termination of a Grantee's Continuous Status as an Employee, Director or Consultant only to the extent that the Grantee was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such option as set forth in the Award Agreement). Options shall be exercisable for a period of ninety (90) days following termination generally, and for a period of five hundred forty-seven (547) days following termination due to death of the Grantee or three hundred sixty-five (365) days following termination due to the disability of the Grantee (or, in each case, such other period of time as is determined by the Administrator, which such determination in the case of an Incentive Stock Option shall be made at the time of grant of the Option). Unless otherwise provided by the Administrator, if on the date of termination the Grantee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Grantee does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(B) All Options shall terminate to the extent not exercised on the last day of the period specified in paragraph (A) above or the last day of the original term of the Option, whichever occurs first.

(C) Any Option designated as an Incentive Stock Option to the extent not exercised within the time permitted by law for the exercise of Incentive Stock Options following the termination of a Grantee's Continuous Status as an Employee, Director or Consultant shall convert automatically to a Non-Qualified Stock Option and thereafter shall be exercisable as such to the extent exercisable by its terms for the period specified in the Award Agreement.

(iii) Exercise of Option Following Termination of Employment, Director or Consulting Relationship. In the event of termination of a Grantee's Continuous Status as an Employee, Director or Consultant with the Company for any reason other than disability or death (but not in the event of an Grantee's change of status from Employee to Consultant or from Consultant to Employee), such Grantee may, but only within ninety (90) days after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise his or her Option to the extent that the Grantee was entitled to exercise it at the date of such termination or to such other extent as may be determined by the Administrator. If the Grantee should die within ninety (90) days after the date of such termination, the Grantee's estate or the person who acquired the right to exercise the Option by bequest or inheritance may exercise the Option to the extent that the Grantee was entitled to exercise it at the date of such termination within five hundred forty-seven (547) days of the Grantee's date of death (but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement). In the event of a Grantee's change of status from Employee to Consultant, an Employee's Incentive Stock Option shall convert automatically to a Non-Qualified Stock Option on the ninety-first (91st) day following such change of status. Unless otherwise provided by the Administrator, if on the date of termination the Grantee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. To the extent that Grantee is not entitled to exercise the Option at the date of termination, or if Grantee does not exercise such Option to the extent so entitled within the time specified herein, the Option will terminate.

(iv) *Disability of Grantee.* In the event of termination of a Grantee's Continuous Status as an Employee, Director or Consultant as a result of his or her disability, Grantee may, but only within three hundred sixty-five (365) days from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination; provided, however, that if such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically convert to a Non-Qualified Stock Option on the day three (3) months and one day following such termination. Unless otherwise provided by the Administrator, if on the date of termination the Grantee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. To the extent that Grantee is not entitled to exercise the Option at the date of termination, or if Grantee does not exercise such Option to the extent so entitled within the time specified herein, the Option will terminate.

(v) *Death of Grantee.* In the event of the death of a Grantee, the Option may be exercised at any time within five hundred forty-seven (547) days following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement except as otherwise provided for in subsection (vi) below)), by the Grantee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Grantee was entitled to the Option at the date of death. If, at the time of death, the Grantee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan unless otherwise determined by the Administrator. If, after death, the Grantee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate.

7. Restricted Stock.

(a) *Grant of Restricted Stock.* Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Employees, Directors or Consultants in such amounts as the Administrator, in its sole discretion, will determine.

(b) *Restricted Stock Agreement.* Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Notwithstanding the foregoing, during any Fiscal Year no Grantee will receive more than an aggregate of 2,000,000 Shares of Restricted Stock. Unless the Administrator determines otherwise, Shares of Restricted Stock will be held by the Company as escrow agent until the restrictions on such Shares have lapsed.

(c) *Transferability.* Except as provided in this Section 7, Shares of Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated, or hypothecated until the end of the applicable Period of Restriction.

(d) *Other Restrictions.* The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) *Removal of Restrictions.* Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The restrictions will lapse at a rate determined by the Administrator; provided, however, that Shares of Restricted Stock will not vest more rapidly than one-third (1/3rd) of the total number Shares of Restricted Stock subject to an Award each year from the date of grant (or, if applicable, the date a Grantee begins providing services to the Company or any of its Affiliates), unless the Administrator determines that the Award is to vest upon the achievement of performance criteria, provided the period for measuring such performance will cover at least twelve (12) months. After the grant of Restricted Stock, the Administrator, in its sole discretion, may reduce or waive any restrictions for such Restricted Stock.

(f) *Voting Rights.* During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) *Dividends and Other Distributions.* During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless otherwise provided by the Administrator. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) *Return of Restricted Stock to Company.* On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

8. *Restricted Stock Units.*

(a) *Grant.* Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. Each Restricted Stock Unit grant will be evidenced by an Award Agreement that will specify such other terms and conditions as the Administrator, in its sole discretion, will determine, including all terms, conditions, and restrictions related to the grant, the number of Restricted Stock Units and the form of payout, which, subject to Section 8(d), may be left to the discretion of the Administrator. Notwithstanding the anything to the contrary in this subsection (a), during any Fiscal Year, no Grantee will receive more than an aggregate of 2,000,000 Restricted Stock Units.

(b) *Vesting Criteria and Other Terms.* The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Grantee. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Administrator in its discretion.

(c) *Earning Restricted Stock Units.* Upon meeting the applicable vesting criteria, the Grantee will be entitled to receive a payout as specified in the Award Agreement. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) *Form and Timing of Payment.* Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination thereof. Shares represented by Restricted Stock Units that are fully paid in cash again will be available for grant under the Plan.

(e) *Cancellation.* On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

9. *Leaves of Absence.* Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Service Provider will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the ninety-first (91st) day of such leave any Incentive Stock Option held by the Grantee will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Non-Qualified Stock Option.

10. *Transferability of Awards.* Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws

of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

11. *Performance Goals.* Awards of Restricted Stock and Restricted Stock Units may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Section 162(m) of the Code and may provide for a targeted level or levels of achievement (“*Performance Goals*”) including cash flow; cash position; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings per Share; economic profit; economic value added; equity or stockholder’s equity; free cash flow, free cash flow per Share, market share; net income; net profit; net sales; operating earnings; operating income; profit before tax; ratio of debt to debt plus equity; ratio of operating earnings to capital spending; return on net assets; sales growth; Share price; or total return to stockholders. The Performance Goals for a Grantee will be determined by the Administrator based on the Company’s tactical and strategic business objectives, which may differ from Grantee to Grantee and from Award to Award. Prior to the Determination Date, the Administrator will determine whether to make any adjustments to the calculation of any Performance Goal with respect to any Grantee for any significant or extraordinary events affecting the Company and both before and after taking into account equity based compensation charges. In all other respects, Performance Goals will be calculated in accordance with the Company’s financial statements, generally accepted accounting principles, or under a methodology established by the Administrator prior to the issuance of an Award.

12. *Conditions Upon Issuance of Shares.*

(a) *Legal Compliance.* Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) *Investment Representations.* As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

13. *Adjustments.* Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, as well as the price per share of Common Stock covered by each such outstanding Award, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other similar event resulting in an increase or decrease in the number of issued shares of Common Stock. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

14. *Corporate Transactions/Changes in Control/Subsidiary Dispositions.*

(a) The Administrator shall have the authority, exercisable either in advance of any actual or anticipated Corporate Transaction, Change in Control or Subsidiary Disposition or at the time of an actual Corporate Transaction, Change in Control or Subsidiary Disposition and exercisable at the time of the grant of an Award under the Plan or any time while an Award remains outstanding, to provide for the full automatic vesting and exercisability of one or more outstanding unvested Awards under the Plan and the release from restrictions on transfer and repurchase or forfeiture rights of such Awards in connection with a Corporate Transaction, Change in Control or Subsidiary Disposition, on such terms and conditions as the Administrator may specify. The Administrator also shall have the authority to condition any such Award vesting and exercisability or release from such limitations upon the subsequent termination of the Continuous Status as an Employee or Consultant of the Grantee within a specified period following the

effective date of the Change in Control or Subsidiary Disposition. The Administrator may provide that any Awards so vested or released from such limitations in connection with a Change in Control or Subsidiary Disposition, shall remain fully exercisable until the expiration or sooner termination of the Award. Effective upon the consummation of a Corporate Transaction, all outstanding Awards under the Plan shall terminate unless assumed by the successor company or its Parent.

(b) The portion of any Incentive Stock Option accelerated under this Section 14 in connection with a Corporate Transaction, Change in Control or Subsidiary Disposition shall remain exercisable as an Incentive Stock Option under the Code only to the extent the \$100,000 dollar limitation of Section 422(d) of the Code is not exceeded. To the extent such dollar limitation is exceeded, the accelerated excess portion of such Option shall be exercisable as a Non-Qualified Stock Option.

15. *Tax Withholding.*

(a) *Withholding Requirements.* Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Grantee to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Grantee's FICA obligation) required to be withheld with respect to such Award (or exercise thereof). The Company will have no obligation to permit exercise of an Award or to issue any Shares or cash pursuant to an Award, unless and until either the exercise of the Award or the issuance of Shares or cash pursuant thereto is accompanied by sufficient payment, as determined by the Company in its absolute discretion, to meet those withholding obligations on such exercise, issuance, lapse or disposition or other arrangements are made that are satisfactory to the Company in its absolute discretion to provide otherwise for such payment. The Company will have no liability to any Grantee or transferee for exercising the foregoing right not to permit exercise or issue or deliver Shares or cash.

(b) *Withholding Arrangements.* The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Grantee to satisfy such tax withholding obligation, in whole or in part (without limitation) by (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the amount required to be withheld, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld, or (iv) selling a sufficient number of Shares otherwise deliverable to the Grantee through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Grantee with respect to the Award on the date that the amount of tax to be withheld is to be determined. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

16. *Date of an Award.* The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination to grant such Award, or such other date as is determined by the Administrator. Notice of the grant determination will be given to each Service Provider to whom an Award is so granted within a reasonable time after the date of such grant.

17. *Term of Plan.* Subject to Section 20 of the Plan, the amendment and restatement of the Plan shall become effective upon its adoption by the Board on November 24, 2009. It shall thereafter continue in effect until August 11, 2015, unless terminated earlier under Section 18 of the Plan.

18. *Amendment, Suspension or Termination of the Plan.*

(a) The Administrator may at any time amend, suspend or terminate the Plan. To the extent required to comply with Applicable Laws, the Company shall obtain stockholder approval of any Plan amendment in such manner and to such a degree as required. Notwithstanding the foregoing, the Company shall, at all times, obtain stockholder approval prior to implementing any (i) exchange offer in which any outstanding

Awards (or any other outstanding equity awards granted under any other plans listed in Section 3(a)) would be cancelled in exchange for new Awards of any kind or (ii) offer to purchase any outstanding Awards (or any other outstanding equity awards granted under any other plans listed in Section 3(a)) for any amount of cash, in each case, based on a new valuation of the Awards (or any other outstanding equity awards granted under any other plans listed in Section 3(a)) subject to such offer after their original grant dates.

(b) No Award may be granted during any suspension of the Plan or after termination of the Plan.

(c) Any amendment, suspension or termination of the Plan shall not affect Awards already granted, and such Awards shall remain in full force and effect as if the Plan had not been amended, suspended or terminated, unless mutually agreed otherwise between the Grantee and the Administrator, which agreement must be in writing and signed by the Grantee and the Company.

19. Reservation of Shares.

(a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

(b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

20. Stockholder Approval. The Plan, as amended and restated on November 24, 2009, will be subject to approval by the stockholders of the Company within twelve (12) months after such date; provided that, in the event such approval is not obtained within twelve (12) months after such date, the Plan as in effect prior to November 24, 2009 shall continue in effect until August 11, 2015, unless terminated earlier under Section 18 of the Plan. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

21. No Effect on Terms of Employment. The Plan shall not confer upon any Grantee any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended June 26, 2010

OR

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

Commission File Number 001-34192



MAXIM INTEGRATED PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

94-2896096
(I.R.S. Employer
Identification No.)

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

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

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

| | |
|--|--|
| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
| Common stock, \$0.001 par value | The NASDAQ Global Select Market |

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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 ☒ No ☐

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

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

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller reporting company ☐
(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). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the Registrant based upon the closing price of the common stock on December 26, 2009 as reported by The NASDAQ Global Select Market was approximately \$3,218,332,814. Shares of voting stock held by executive officers, directors and holders of more than 5% of the outstanding voting stock have been excluded from this calculation because such persons may be deemed to be affiliates. Exclusion of such shares should not be construed to indicate that any of such persons possesses the power, direct or indirect, to control the Registrant, or that any such person is controlled by or under common control with the Registrant.

Number of shares outstanding of the Registrant's Common Stock, \$.001 par value, as of July 31, 2010: 298,329,721.

Documents Incorporated By Reference:

(1) Items 10, 11, 12 13 and 14 of Part III incorporate information by reference from the Proxy Statement for the 2010 Annual Meeting of Stockholders, to be filed subsequently.

MAXIM INTEGRATED PRODUCTS

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FORWARD-LOOKING STATEMENTS

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

PART I

ITEM 1. BUSINESS

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

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

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

The Mixed Signal Analog Integrated Circuit Market

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

Three general classes of semiconductor products arise from this distinction between linear and digital signals:

- digital devices, such as memories and microprocessors that operate primarily in the digital domain;
- linear devices such as amplifiers, references, analog multiplexers and switches that operate primarily in the analog domain; and
- mixed-signal devices such as data converter devices that combine linear and digital functions on the same integrated circuit and interface between the analog and digital domains.

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

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

| MAJOR END-MARKET | MARKET SEGMENT |
|-------------------------|---|
| INDUSTRIAL | Automatic Test Equipment Automotive Control & Automation Electronic Instrumentation Medical Military & Aerospace Security Utility & Other Meters Other Industrial |
| COMMUNICATIONS | Basestations Network & Datacom Telecom Other Communications |
| CONSUMER | Cell Phones Digital Cameras Home Entertainment & Appliances Other Consumer |
| COMPUTING | Data Storage Financial Terminals Notebook Computers Server & Desktop Computers Peripherals & Other Computer |

Product Quality

We employ a system addressing quality and reliability of our products from initial design through wafer fabrication, assembly, testing and final shipment. We have received ISO 9001/2, TS 16949 and ISO 14001 certifications for all wafer fabrication, assembly, final test and shipping facilities. Reliability stress testing is performed on products manufactured and sold by Maxim, based on industry standard requirements, in an effort to detect and accelerate the presence of defects that may arise over the life of a product in order to ensure the reliability of our products.

Manufacturing

We primarily manufacture our own wafers and, to a lesser extent, utilize third-party silicon foundries to produce wafers. The majority of processed wafers are subjected to parametric and functional testing at our facilities. The broad range of products demanded by the mixed signal analog integrated circuit market requires multiple manufacturing process technologies. As a result, many different process technologies are currently used for wafer fabrication of our products. Historically, wafer fabrication of analog integrated circuits has not required the state-of-the-art processing equipment necessary for the fabrication of advanced digital integrated circuits, although newer processes do utilize and require such state-of-the-art facilities and equipment. In addition, hybrid and module products are manufactured using a complex multi-chip technology featuring thin-film, laser-trimmed resistors and other active or passive components. We primarily rely on our own fabrication technologies and facilities to implement such manufacturing requirements. We also utilize unaffiliated manufacturing subcontractors.

During fiscal years 2010, 2009 and 2008, most of our own wafer production occurred at one of our four owned wafer fabrication facilities consisting of the following:

| <u>Facility Location</u> | <u>Fiscal Year Acquired</u> |
|----------------------------|-----------------------------|
| Beaverton, Oregon | 1994 |
| San Jose, California | 1998 |
| Dallas, Texas | 2001 |
| San Antonio, Texas | 2004 |

At the end of fiscal year 2009, we ceased wafer fabrication efforts in our Dallas, Texas facility. In fiscal year 2007, we entered into a five-year supply agreement with Seiko Epson Corporation (“Epson”) under which Epson has manufactured some of our mixed-signal semiconductor products. These products are manufactured by Epson under rights and licenses using our proprietary technology at Epson’s fabrication facility located in Sakata, Japan. In fiscal years 2010, 2009, and 2008 the products manufactured by Epson represented 19%, 9% and 6% of our total wafer production. We are adding 300mm and 200mm wafer capacity at foundries in Taiwan, which will increase our output capacity in fiscal year 2011 and beyond.

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

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

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

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

We currently perform substantially all of our module assembly operations in our facility in Batangas, Philippines. The Batangas, Philippines facility also performs wafer singulation and tape-and-reel of bumped (CSP or WLP) wafers.

Sales and Marketing

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

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

Sales to certain international distributors are made under agreements which permit limited stock return privileges but not sales price rebates. The agreements generally permit distributors to exchange a portion of their purchases on a periodic basis. See “Critical Accounting Policies” in Part II, Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 2 to the Consolidated Financial Statements accompanying this Annual Report on Form 10-K, which contains information regarding our revenue recognition policy.

We operate in one reportable segment — the design, development, marketing and manufacturing of a broad range of linear and mixed signal integrated circuits. Our primary distributor, Avnet Electronics, accounted for approximately 12% of net revenues in fiscal year 2010 and fiscal 2009. Distributors are not end customers, but rather serve as a channel of sale to many end users of the Company’s products. Samsung accounted for approximately 12% of net revenues in fiscal year 2010, and no other single customer accounted for more than 10% of revenue in fiscal year 2010. No single customer accounted for more than 10% of net revenues in fiscal year 2008. No single product accounted for more than 10% of net revenues in fiscal years 2010, 2009 and 2008. Based on customers’ ship-to locations, international sales accounted for approximately 85%, 82% and 81% of net revenues in fiscal years 2010, 2009 and 2008, respectively. See Note 16, “Segment Information” in the Notes to Consolidated Financial Statements accompanying this Annual Report on Form 10-K.

Backlog

At June 26, 2010 and June 27, 2009, our current quarter backlog was approximately \$614 million and \$278 million, respectively. We include in our backlog orders with customer request dates within the next 3 months. As is customary in the semiconductor industry, these orders may be canceled in most cases without penalty to the customers. In addition, our backlog includes orders from domestic distributors for which revenues are not recognized until the products are sold by the distributors. Accordingly, we believe that our backlog at any time should not be used as a measure of future revenues. All backlog numbers have been adjusted for estimated future U.S. distribution ship and debit pricing adjustments. Please refer to the Risk Factor titled “Incorrect forecasts, reductions, cancellations or delays in orders for our products could adversely affect our results or operations” for the risks associated with backlog.

Research and Development

We believe that research and development is critical to our future success. Objectives for the research and development function include:

- product definition and development of proprietary products;
- design of parts for high yield and reliability;
- development of, and access to, manufacturing processes and advanced packaging; and
- development of hardware and software to support the acceptance and design-in of our products in the end customer’s system.

Our research and development plans require engineering talent and tools for process technologies, test development, packaging development, product definition, electronic design automation (“EDA”), circuit design, software development and applications support. Research and development expenses were approximately \$474.7 million, \$520.2 million and \$579.3 million in fiscal years 2010, 2009 and 2008, respectively. See “Research and Development” under Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, for more information.

Competition

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

We believe the principal elements of competition include:

- technical innovation, service and support;
- time to market;
- product performance and features;
- quality and reliability;
- product pricing and delivery capabilities;
- customized design and applications;
- business relationship with customers; and
- manufacturing competence and inventory management.

Our principal competitors include, but are not limited to, Texas Instruments Inc., Analog Devices, Inc., Intersil Corporation, Linear Technology Corporation, and National Semiconductor Corporation. In addition, we expect increased competition in the future from other emerging and established companies. For further description of competitive factors that may affect our future business, please refer to the section entitled “Our Operating Results May Be Adversely Affected by Increasing Competition” contained in Part I, Item 1A of this Annual Report on Form 10-K.

Patents, Licenses, and Other Intellectual Property Rights

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

We hold and pursue intellectual property, including patents, trademarks and trade secrets as appropriate for our markets and technologies. It is our policy to seek patent protection for significant inventions that may be patented, though we may elect, in appropriate cases, not to seek patent protection even for significant inventions if other protection, such as maintaining the invention as a trade secret, is considered more advantageous. In addition, we have registered certain of our mask sets under the Semiconductor Chip Protection Act of 1984, as amended. We hold a number of patents worldwide with expiration dates ranging from 2010 to 2030. We have also registered several of our trademarks with the U.S. Patent and Trademark Office and in foreign jurisdictions. Likewise, we have registered for and received certain copyrights.

There can be no assurance that any patent will be issued on pending applications or that any patent issued will provide substantive protection for the technology or product covered by it.

Employees

As of June 26, 2010, we employed approximately 9,200 people of whom approximately 4,500 were employed in the United States and approximately 4,700 were employed outside the United States. We consider our employee relations worldwide to be favorable.

Environmental Regulations

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

Executive Officers

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

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. Please also see the introductory section of this Annual Report on Form 10-K entitled “Forward-Looking Statements” for additional discussion regarding forward-looking statements. If any of the events or circumstances described in the following risk factors actually occurs, our business, operating results, and financial condition could be materially adversely affected.

Cyclical in the semiconductor industry may adversely affect our results of operations

The semiconductor industry historically has been cyclical and subject to significant and often rapid increases and decreases in demand for products and services. These changes could have adverse effects on our results of operations and on the market price of our common stock. The results of our operations may be adversely affected in the future if demand for our products and services decreases or if we are unable to meet an increase in demand without significantly increasing the lead-time for the delivery of our products and services.

Incorrect forecasts, reductions, cancellations or delays in orders for our products could adversely affect our results or operations

As is customary in the semiconductor industry, customer orders may be canceled in most cases without penalty to the customers. Some customers place orders that require us to manufacture products and have available for shipment, even though the customer may be unwilling to make a binding commitment to purchase all, or even any, of the products. In other cases, we manufacture product based on forecasts of customer demands. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales and are subject to the risk of cancellations of orders, potentially leading to an initial inflation of backlog followed by a sharp reduction. In addition, our backlog includes orders from domestic distributors for which revenues are not recognized until the ordered products are sold by the distributors. When combined with the risks of order cancellation, our backlog cannot be used as a measure of future revenue. Furthermore, orders or forecasts may be for products that meet the customer’s unique requirements so that those cancelled or unrealized orders would, in addition, result in an inventory of unsaleable products, causing potential inventory write-offs. As a result of lengthy manufacturing cycles for certain of the products, the amount of unsaleable products could be substantial. As a result, incorrect forecasts, or reductions, cancellations or delays in orders for our products could adversely affect our operating results.

Our operating results may be adversely affected by unfavorable economic and market conditions

The current economic environment could subject us to increased credit risk should customers be unable to pay us, or delay paying us, for previously purchased products. Accordingly, reserves for doubtful accounts and write-offs of accounts receivable may increase. In addition, weakness in the market for end users of our products could harm the cash flow of our distributors and resellers who could then delay paying their obligations to us or experience other financial difficulties. This would further increase our credit risk exposure and, potentially, cause delays in our recognition of revenue on sales to these customers.

If global economic and market conditions, or economic conditions in the United States or other key markets, deteriorate, we may experience material adverse effects on our business, operating results, and financial condition

We may encounter difficulties in operating a newly implemented enterprise resource planning system, which may adversely affect our operations and financial reporting

We implemented a new enterprise resource planning (“ERP”) system in the second quarter of fiscal year 2010 as part of our ongoing efforts to improve and strengthen our operational and financial processes and our reporting systems. Any difficulties in the operation of our current ERP system could cause us to fail to meet customer demand for our product or could delay our ability to meet our financial reporting obligations which, in turn, could materially adversely affect our results of operations.

Political conditions could materially affect our revenues and results of operations

We are subject to the political and legal risks inherent in international operations. Exposure to political instabilities, different business policies and legal standards could impact economic activity, which in turn, could lead to a contraction of customer demand or a disruption in our operations. We have been affected by these problems in the past, but none have materially affected our results of operations to date. Problems in the future or not-yet-materialized consequences of past problems, could affect deliveries of our product to our customers, possibly resulting in substantially delayed or lost sales and/or increased expenses that could materially adversely affect our financial condition and results of operations.

Our quarterly operating results may fluctuate, which could adversely impact our common stock price

We believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicators of future performance. Our operating results have in the past, and will continue to be, subject to quarterly fluctuations as a result of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include, but are not limited to, the following:

- Fluctuations in demand for our products and services, in part due to changes in general economic conditions and specific economic conditions in the semiconductor industry;
- Reduced visibility into our customers’ spending plans and associated revenue;
- The level of price and product competition in our product markets;
- The impact of the current uncertain economic and credit environment on our customers, channel partners, and suppliers, including their ability to obtain financing or to fund capital expenditures;
- The overall movement toward industry consolidations among our customers and competitors;
- Market acceptance of new products and product enhancements;
- Announcements and introductions of new products by us or our competitors;

- Deferrals of customer orders in anticipation of new products or product enhancements (introduced by us or our competitors);
- Our ability to meet increases in customer orders in a timely manner;
- Our ability to develop, introduce, and market new products and enhancements in a timely manner; and
- Our levels of operating expenses.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly

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

Our manufacturing operations may be interrupted or suffer yield problems

Given the nature of our products, it would be very time consuming, difficult, and costly to arrange for new manufacturing facilities to supply such products. Any prolonged inability to utilize one of our manufacturing facilities or a third party foundry, due to damages resulting from fire, natural disaster, or unavailability of electric power, would have a material adverse effect on our results of operations and financial condition.

The manufacture and design of integrated circuits is highly complex. We may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, equipment malfunctioning, construction delays, upgrading or expanding existing facilities or changing our process technologies, any of which could result in a loss of future revenues or increases in fixed costs. To the extent we do not achieve acceptable manufacturing yields or there are delays in wafer fabrication, our results of operations could be adversely affected. In addition, operating expenses related to increases in production capacity may adversely affect our operating results if revenues do not increase proportionately.

Any difficulties encountered in connection with our restructured international sales operation may adversely affect our results of operations and financial results

During our fiscal year 2010, we restructured and concentrated our international sales operations into Ireland. Any difficulties encountered in the transition to or conduct of such restructured international sales operation may adversely affect our international sales efforts. Any such difficulties could materially adversely affect our results of operations and financial results.

Our independent distributors and sales representatives may terminate their relationship with us or fail to make payments on outstanding accounts receivable to us, which would affect our financial results

A portion of our sales is realized through independent electronics distributors that are not under our control. These independent sales organizations generally represent product lines offered by several companies and thus could reduce their sales efforts applied to our products or terminate their representation of us. We generally require foreign distributors to provide a letter of credit to us in an amount equal to the credit limit set for accounts receivable from such foreign distributors. The letter of credit provides for collection on accounts receivable from the foreign distributor should the foreign distributor default on their accounts receivable to us. Where credit limits have been established above the amount of the letter of credit, we are exposed for the difference. We do

not require letters of credit from any of our domestic distributors and are not protected against accounts receivable default or bankruptcy by these distributors. The inability to collect open accounts receivable could adversely affect our results of operations and financial condition. Termination of a significant distributor, whether at our or the distributor's initiative, could be disruptive to our current business.

Our operating results may be adversely affected by increasing competition

We experience intense competition from a number of companies, some of which have significantly greater financial, manufacturing, and marketing resources than us while others have greater technical resources and proprietary intellectual property rights than us. The principal elements of competition include product performance, functional value, quality and reliability, technical service and support, price, diversity of product line and delivery capabilities. We believe we compete favorably with respect to these factors, although we may be at a disadvantage in comparison to larger companies with broader product lines and greater technical service and support capabilities. We cannot assure you that we will be able to compete successfully in the future against existing or new competitors or that our operating results will not be adversely affected by increased competition.

Our dependence on assembly and test subcontractors may cause delays beyond our control in delivering products to our customers

We rely on assembly and CSP packaging subcontractors located in various parts of the world to separate wafers into individual integrated circuits and to package them. None of the assembly subcontractors we currently use are affiliated with us. Reliability problems experienced by our assemblers or the inability to replace an assembly subcontractor could cause serious problems in delivery and quality resulting in potential product liability to us. Such problems could impair our ability to meet our revenue plan in the fiscal period impacted by the disruption. Failure to meet the revenue plan may materially adversely impact our results of operations. (For more information on subcontractor locations, please see Item 1. Business — Manufacturing)

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

Shortage of raw materials or supply disruption of such raw materials could harm our business

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

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

Environmental liabilities could force us to expend significant capital and incur substantial costs

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

We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively

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

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

We may experience losses related to intellectual property indemnity claims

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

We are a party to a purported class action securities litigation arising out of our past stock option granting practices the outcome of which could have a material adverse effect on our financial condition, results of operations and cash flows

A purported class action securities lawsuit is pending against the Company, its former chief executive officer (now deceased), its former chief financial officer, and its former treasurer, in connection with the Company's past stock option grant practices. Although the U.S. District Court for the Northern District of California has preliminarily approved a proposed settlement of this lawsuit pursuant to which the Company paid \$173 million into an escrow account, the settlement is still subject to a final hearing. In the event the Court does not approve the proposed settlement, the eventual outcome of the lawsuit could have a material adverse effect on our business, financial condition, results of operations or cash flows for a particular period as well as the trading price for our securities.

Litigation is also time-consuming, expensive and disruptive to our normal business operations, and outcomes are difficult to predict. The defense of this lawsuit has resulted and will continue to result in significant legal expenditures and diversion of our management's time and attention from business operations.

For further discussion on legal matters see "Legal Proceedings" in Part I, Item 3 of this Annual Report on Form 10-K.

Business interruptions from natural disasters could harm our business

We operate our business in worldwide locations. Some of our facilities and those of our subcontractors are located in geologically unstable areas of the world and are susceptible to damage from natural disasters. In the event of a natural disaster, we may suffer a disruption in our operations which could adversely affect our results of operations.

Our financial condition, operations and liquidity may be materially adversely affected in the event of a catastrophic loss for which we are self-insured

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

Limitations in manufacturing capacity or delays in lead-time for delivery of products could adversely affect our future growth opportunities and results of operations

Our ability to successfully realize revenue growth relative to any future increase in customer demands for our products could be limited by our manufacturing capacity and other supply constraints. Our results of operations may be adversely affected if we fail to meet such increase in demand for our products without significantly increasing the lead-time required for our delivery of such products. During the past two quarters we have not had the manufacturing capacity to meet customer demand and we anticipate that we will continue to

lack such capacity for the foreseeable future. In addition, any significant increase in the lead-time for delivery of products may negatively affect our customer relationships, reputation as a dependable supplier of products and ability to obtain future design wins, while potentially increasing order cancellations, aged, unsaleable or otherwise unrealized backlog that no longer could serve as an indicator of future revenue, and the likelihood of our breach of supply agreement terms. Any one of the foregoing factors could negatively affect our future revenue growth and results of operations.

We are subject to warranty claims and product liability

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

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

We may be liable for additional production costs and lost revenues to certain customers with whom we have entered into customer supply agreements, if we are unable to provide a specific part at a certain quantity and product quality

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

We may pursue acquisitions and investments that could harm our operating results and may disrupt our business

We have made and will continue to consider making strategic business investments, alliances and acquisitions we consider necessary to gain access to key technologies that we believe will augment our existing technical capability and support our business model objectives. Acquisitions, alliances and investments involve risks and uncertainties that may unfavorably impact our future financial performance. If integration of our acquired businesses is not successful, we may not realize the potential benefits of an acquisition or suffer other adverse effects that we currently do not foresee. We must implement our technology systems in the acquired operations and effectively integrate the different cultures of acquired business organizations into our own. We may also need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions.

Any of the foregoing, and other factors, could harm our ability to achieve anticipated levels of profitability from acquired businesses or to realize other anticipated benefits of acquisitions. In addition, because acquisitions of high technology companies are inherently risky, no assurance can be given that our previous or future acquisitions will be successful and will not adversely affect our business, operating results, or financial condition.

If we fail to enter into future vendor managed inventory arrangements or fail to supply the specific product or quantity under such arrangements, the results of our operations and financial condition may be materially adversely impacted

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

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

Our stock price may be volatile

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

- our anticipated or actual result of operations;
- announcements or introductions of new products by us or our competitors;
- anticipated or actual operating results of our customers, peers or competitors;
- technological innovations or setbacks by us or our competitors;
- conditions in our four major markets;
- the commencement or outcome of litigation or governmental investigations;
- change in ratings and estimates of our performance by securities analysts;
- announcements of merger or acquisition transactions;
- dividend changes;
- changes in our capital structure, including any decision we make in regard to the repurchase of our common stock;
- management changes;

- supply constraints;
- semiconductor industry cyclicalities;
- our inclusion in certain stock indices,
- our ability to maintain compliance with the SEC reporting requirements; and
- other events or factors beyond our control.

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

Our ability to service our debt obligations, including \$300 million of senior unsecured notes, requires sufficient cash flow from our future operations

In June 2010, the Company issued \$300 million in *senior*, unsecured debt due in 2013 with an effective interest rate of 3.49%. Interest is payable semi-annually on December 14 and June 14. The debt indenture includes covenants that limit the Company's ability to grant liens on its facilities and to enter into sale and leaseback transactions, which could limit the Company's ability to secure debt funding in the future, if needed. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the Company's notes, the Company would be required to make an offer to repurchase these notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest. The Company's ability to repurchase the notes in such events may be limited by the Company's then-available financial resources or by the terms of other agreements to which the Company is a party. Although the Company currently has the funds necessary to retire this debt, funds might not be available to repay the notes when they come due in the future.

If the Company fails to pay interest when due, or to repay the notes when due or materially breaches other loan covenants, it would constitute an event of default under the indenture governing the notes which, in turn, may also constitute an event of default under other obligations of the Company. Any event of default under the indenture or other obligations of the Company and any additional obligations and restrictions imposed as a result thereof could negatively impact our financial results.

Our financial results may be adversely affected by increased tax rates and exposure to additional tax liabilities

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

- the jurisdictions in which profits are determined to be earned and taxed;
- recent changes in our global structure that involve an increased investment in technology outside of the United States to better align asset ownership and business functions with revenues and profits;
- the resolution of issues arising from tax audits with various tax authorities;
- changes in the valuation of our deferred tax assets and liabilities;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including impairments of goodwill in connection with acquisitions;
- changes in available tax credits;
- changes in share-based compensation;
- changes in tax laws or the interpretation of such tax laws, and changes in generally accepted accounting principles; and
- the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes.

We are subject to taxation in various countries and jurisdictions. Significant judgment is required to determine tax liabilities on a worldwide basis. Our future tax rates could be affected by various changes in the composition of earnings in countries with different tax rates, changes in our global structure, changes in the valuation of our deferred tax assets and liabilities, or changes in the tax laws. Any significant increase in our future effective tax rates could reduce net income for future periods and may have a material adverse impact on our results of operations.

Potential Income Tax Liabilities under Section 409A of the Internal Revenue Code and Other Payroll Taxes

In the past, a number of our outstanding stock option awards were granted at exercise prices below the fair market value of our stock on the appropriate accounting measurement date. Many of these options are potentially subject to option holder excise tax under Section 409A of the Internal Revenue Code (and, as applicable, similar excise taxes under state law or foreign law). In fiscal year 2008, we took action to cure certain options from exposure under Section 409A. However, there can be no assurance that such action cured all potential circumstances in which Section 409A would apply. Should it be determined that excise taxes under Section 409A were to apply and we decide to reimburse option holders for such taxes, our results of operations may be materially adversely affected. Also we have determined that certain payroll taxes, interest and penalties may apply under various sections of the Internal Revenue Code, various state tax statutes, and tax statutes in various foreign jurisdictions. Maxim has reviewed these potential liabilities and accrued the estimated probable amount of the liability. There can be no assurance that our accruals covered all potential circumstances in which additional payroll taxes, interest and penalties would apply. Should it be found that additional payroll taxes, interest and penalties would apply, our results of operations may be materially adversely affected.

We may be materially adversely affected by currency fluctuations or changes in trade policies

We conduct our manufacturing and other operations in various worldwide locations. A portion of operating costs and expenses at foreign locations are paid in local currencies. Many of the materials used in our products and much of the manufacturing process for our products are supplied by foreign companies or by our foreign operations, such as our test operations in the Philippines and Thailand. Approximately 85%, 82% and 81% of our net revenues in fiscal years 2010, 2009 and 2008, respectively, were shipped to foreign locations. Accordingly, both manufacturing and sales of our products may be adversely affected by political or economic conditions abroad. In addition, various forms of protectionist trade legislation are routinely proposed in the United States and certain foreign countries. A change in current tariff structures or other trade policies could adversely affect our foreign manufacturing or marketing strategies. Currency exchange fluctuations could also decrease revenue and increase our operating costs and the cost of components manufactured abroad, and the cost of our products to foreign customers or decrease the costs of products from our foreign competitors.

We are subject to U.S. Customs and Export Regulations

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

If we fail to attract and retain qualified personnel, our business may be harmed

Our success depends to a significant extent upon the continued service of our chief executive officer, our other executive officers, and key management and technical personnel, particularly our experienced engineers and business unit managers, and on our ability to continue to attract, retain, and motivate qualified personnel. The loss of the services of one or several of our executive officers could have a material adverse effect on us. In addition, there could be a material adverse effect on us should the turnover rates for engineers and other key

personnel increase significantly or should we be unable to continue to attract, motivate and retain qualified personnel. Should we lose an engineer who is key to a project's completion during the course of a particular project, the project's completion may be delayed. This delay could negatively affect customer relationships and goodwill and could have a material adverse effect on our results of operations.

Our certificate of incorporation contains certain anti-takeover provisions that may discourage, delay or prevent a hostile change in control of our Company

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters is located in Sunnyvale, California. Manufacturing and other operations are conducted in several locations worldwide. The following table provides certain information regarding our principal owned general offices and manufacturing facilities at June 26, 2010:

| <u>Owned Property Location</u> | <u>Use(s)</u> | <u>Approximate Floor Space (sq. ft.)</u> |
|--------------------------------|--|--|
| Sunnyvale, California | Corporate headquarters, office space, engineering, administration, and other | 342,000 |
| San Jose, California | Wafer fabrication, office space and administration | 78,000 |
| N. Chelmsford, Massachusetts | Engineering, office space and administration | 30,000 |
| Beaverton, Oregon | Wafer fabrication, engineering, office space and administration | 222,000 |
| Hillsboro, Oregon | Engineering, manufacturing, office space and administration | 325,000 |
| Dallas, Texas | Office space, engineering, manufacturing, administration, warehousing, shipping and other | 617,000 |
| Irving, Texas | Wafer fabrication space, office space and administration | 624,473 |
| San Antonio, Texas | Wafer fabrication, office space and administration | 381,000 |
| Cavite, the Philippines | Manufacturing, engineering, administration, office space, shipping and other | 237,000 |
| Batangas, the Philippines | Manufacturing, engineering, office space and other | 78,000 |
| Chonburi Province, Thailand | Manufacturing, engineering, administration, office space, customer service, shipping and other | 144,000 |
| Chandler, Arizona | Office space and engineering | 18,200 |

The Irving, Texas facility is not currently operational.

In addition to the property listed in the above table, we also lease sales, engineering and manufacturing offices and other premises at various locations throughout the world under operating leases, none of which are material to our future cash flows. These leases expire at various dates through 2016. We anticipate no difficulty in retaining occupancy of any of our manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy or in replacing them with equivalent facilities.

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

ITEM 3. LEGAL PROCEEDINGS

Stock Option Litigation

Beginning on or about May 22, 2006, several derivative actions were filed against certain current and former executive officers and directors of the Company. These derivative lawsuits were filed in: (1) the U.S. District Court for the Northern District of California, as *In re Maxim Integrated Products, Inc. Derivative Litigation*, Lead Case No. 5:06-cv-03344-JW, which consolidates *McKinney v. Beck, et al.* (Case No. 06-3344) and *Horkay v. Beck, et al.* (Case No. 06-3395), *City of Pontiac Policemen's and Firemen's Retirement System v. Hood, et al.* (Case No. 06-03754) and *Corey v. Gifford, et al.* (Case No. 06-03755); (2) the California Superior Court, Santa Clara County, as *Louisiana Sheriffs' Pension & Relief Fund v. Gifford et al.* (Case No. 1-06-CV-065626); and (3) the Delaware Court of Chancery, as *Ryan v. Gifford, et al.* (Case No. Civ 2213-N). The complaints alleged, among other things, that certain of the Company's current and former executive officers and directors breached their fiduciary duties to the Company by engaging in alleged wrongful conduct of back-dating stock options as well as violating Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The Company was named solely 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 on September 16, 2008, conditioned upon final approval by the Delaware Court of Chancery, and subject to enforcement of the final judgment in Delaware approving the settlement to obtain dismissals of all other pending derivative lawsuits in California. On January 2, 2009, the Delaware Court of Chancery issued a Memorandum Opinion approving the settlement in the *Ryan, et al. vs. Gifford, et al.* action and entered a Final Order and Judgment. The time for appeal of the Final Order and Judgment expired on February 2, 2009, with no party appealing any aspect of the Delaware Final Order and Judgment. All derivative actions pending in the California Superior Court have since been dismissed, with prejudice. All preconditions to distribution of the Delaware settlement proceeds in escrow on behalf of Maxim were met and the net settlement proceeds of \$18.9 million were received 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 in Other operating expenses, net.

On February 6, 2008, a putative class action complaint was filed against the Company, its former chief executive officer, now deceased, and its former chief financial officer in the U.S. District Court for the Northern District of California. The complaint, brought on behalf of a putative class of Maxim stockholders who purchased or otherwise acquired their shares between April 29, 2003 and January 17, 2008, asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 in connection with alleged misrepresentations and omissions concerning the Company's stock option accounting practices. On May 15, 2008, the Court appointed the Cobb County Government Employees Pension Plan, the DeKalb County Pension Plan and the Mississippi Public Employees Retirement System as co-lead plaintiffs (collectively, "Lead Plaintiffs") and Bernstein Litowitz Berger & Grossman LLP and Chitwood Harley Harnes LLP as co-lead counsel.

On May 3, 2010, Lead Plaintiffs and the Company entered into a memorandum of understanding reflecting an agreement in principle to settle all claims asserted against all defendants in the action, which provided for the payment of \$173 million in cash by the Company. In connection with this memorandum of understanding, the

Company recorded a charge for the three and nine months ended March 27, 2010, to accrue the \$173 million settlement amount, which has been recorded in Other operating expenses, net in the Condensed Consolidated Statements of Operations and in Accrual for litigation settlement in the Condensed Consolidated Balance Sheets. On June 18, 2010, Lead Plaintiffs and the Company entered into, and Lead Plaintiffs filed with the Court, a formal stipulation of settlement memorializing the agreement to settle all claims against all defendants in the action.

On July 14, 2010, the Court entered an order preliminarily approving the settlement, which remains subject to notice to the putative class and final approval by the Court. Pending further order of the Court, litigation activity in the action has been stayed, and all hearings, deadlines and other proceedings in the action, other than the final approval hearing, which is scheduled for September 27, 2010, have been taken off the calendar. On July 23, 2010, the Company paid the \$173 million settlement amount into an escrow fund in accordance with the terms of 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 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.

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

None.

PART II

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

Our common stock is traded on the NASDAQ National Market ("NASDAQ"), under the symbol, MXIM. At July 31, 2010, there were 997 stockholders of record of our common stock.

The following table sets forth the range of the high and low closing prices by quarter for fiscal years 2010 and 2009:

| | <u>High</u> | <u>Low</u> |
|-------------------------|-------------|------------|
| Fiscal Year 2010 | | |
| First Quarter | \$19.31 | \$15.17 |
| Second Quarter | \$20.87 | \$16.67 |
| Third Quarter | \$20.59 | \$17.41 |
| Fourth Quarter | \$21.27 | \$16.66 |
| | <u>High</u> | <u>Low</u> |
| Fiscal Year 2009 | | |
| First Quarter | \$22.20 | \$17.54 |
| Second Quarter | \$18.10 | \$10.75 |
| Third Quarter | \$14.11 | \$10.98 |
| Fourth Quarter | \$16.74 | \$13.21 |

The following table sets forth the dividends paid per share for fiscal years 2010 and 2009:

| | <u>Fiscal Years</u> | |
|----------------------|---------------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| First Quarter | \$0.200 | \$0.200 |
| Second Quarter | \$0.200 | \$0.200 |
| Third Quarter | \$0.200 | \$0.200 |
| Fourth Quarter | \$0.200 | \$0.200 |

Issuer Purchases of Equity Securities

The following table summarizes the activity related to stock repurchases for the three months ended June 26, 2010

| Issuer Repurchases of Equity Securities | | | | |
|--|--|--|---|--|
| (in thousands, except per share amounts) | | | | |
| | Total Number of Shares Purchased | Weighted 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 |
| Mar. 28, 2010 - Apr. 24, 2010 | 990 | \$19.84 | 990 | \$382,424 |
| Apr. 25, 2010 - May 22, 2010 | 1,020 | \$19.16 | 1,020 | \$362,876 |
| May 23, 2010 - Jun. 26, 2010 | <u>2,160</u> | \$17.64 | <u>2,160</u> | \$324,776 |
| Total | <u><u>4,170</u></u> | \$18.53 | <u><u>4,170</u></u> | \$324,776 |

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 fiscal year 2010, the Company repurchased approximately 10.3 million shares of its common stock for \$190.1 million. As of the end of fiscal year 2010, the Company was authorized to repurchase up to \$324.8 million of the Company's common stock. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and general market and business conditions.

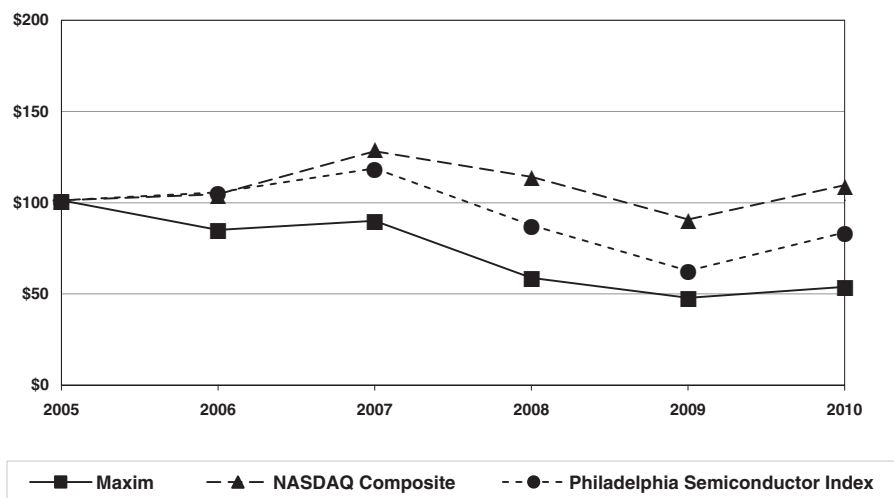
Equity Compensation Plan Information

For important information regarding our equity compensation plans, please see Note 6, "Stock-Based Compensation," in the Notes to the Consolidated Financial Statements accompanying this Annual Report on Form 10-K.

Stock Performance Graph

The following line chart compares the cumulative total return on our common stock with the cumulative total return on the NASDAQ Composite Stock Index and Philadelphia Semiconductor Index. The graph assumes \$100 invested at the indicated starting date in each of the market indices, with the reinvestment of all dividends.

Comparison of Cumulative Five Year Total Return



\$100 invested on 6/25/05 in stock or 6/27/05 in index-including reinvestment of dividends.
Indexes calculated on month-end basis.

Cumulative total returns are as follows:

| | Base Year | Fiscal Year Ended | | | | |
|--|---------------|-------------------|---------------|---------------|---------------|---------------|
| | June 25, 2005 | June 24, 2006 | June 30, 2007 | June 28, 2008 | June 27, 2009 | June 26, 2010 |
| Maxim Integrated Products, Inc. | 100.00 | 83.84 | 88.85 | 57.68 | 46.81 | 52.83 |
| NASDAQ Composite | 100.00 | 103.32 | 126.78 | 112.78 | 89.53 | 108.29 |
| Philadelphia Semiconductor index | 100.00 | 104.31 | 117.37 | 86.44 | 61.60 | 82.46 |

ITEM 6. SELECTED FINANCIAL DATA

Set forth below is a summary of certain consolidated financial information with respect to the Company as of the dates and for the periods indicated. The data set forth below as of June 26, 2010 and June 27, 2009 and for each of the three years in the period ended June 26, 2010 are derived from and should be read in conjunction with, and are qualified by reference to, Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations and Item 8 — Financial Statements and Supplementary Data, and notes thereto included elsewhere in this Annual Report on Form 10-K. The following selected financial data as of June 28, 2008, June 30, 2007, and June 24, 2006 and for each of the two years in the period ended June 24, 2006 is derived from our consolidated financial statements not included herein. The historical results are not necessarily indicative of the results to be expected in any future period.

| | Fiscal Year Ended | | | | |
|--|-------------------|---------------|---------------|---------------|---------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 | June 30, 2007 | June 24, 2006 |
| (Amounts in thousands, except percentages and per share data) | | | | | |
| Consolidated Statements of Income | | | | | |
| Data: | | | | | |
| Net revenues | \$1,997,603 | \$1,646,015 | \$2,052,783 | \$2,009,124 | \$1,856,945 |
| Cost of goods sold | 804,537 | 797,138 | 804,083 | 782,494 | 638,547 |
| Gross margin | \$1,193,066 | \$ 848,877 | \$1,248,700 | \$1,226,630 | \$1,218,398 |
| Gross margin % | 59.7% | 51.6% | 60.8% | 61.1% | 65.6% |
| Operating income | \$ 292,050 | \$ 17,378 | \$ 426,053 | \$ 352,413 | \$ 525,499 |
| % of net revenues | 14.6% | 1.1% | 20.8% | 17.5% | 28.3% |
| Income before cumulative effect of a change in an accounting principle | \$ 125,139 | \$ 10,455 | \$ 317,725 | \$ 286,227 | \$ 386,058 |
| Cumulative effect of a change in accounting principle net of tax | — | — | — | — | 1,643 |
| Net income | \$ 125,139 | \$ 10,455 | \$ 317,725 | \$ 286,227 | \$ 387,701 |
| Earnings per share: | | | | | |
| Basic: | | | | | |
| Before cumulative effect of a change in accounting principle | \$ 0.41 | \$ 0.03 | \$ 0.99 | \$ 0.89 | \$ 1.20 |
| Cumulative effect of a change in accounting principle | — | — | — | — | 0.01 |
| Basic net income per share | \$ 0.41 | \$ 0.03 | \$ 0.99 | \$ 0.89 | \$ 1.21 |
| Diluted: | | | | | |
| Before cumulative effect of a change in accounting principle | \$ 0.40 | \$ 0.03 | \$ 0.98 | \$ 0.87 | \$ 1.14 |
| Cumulative effect of a change in accounting principle | — | — | — | — | — |
| Diluted net income per share | \$ 0.40 | \$ 0.03 | \$ 0.98 | \$ 0.87 | \$ 1.14 |
| Shares used in the calculation of earnings per share: | | | | | |
| Basic | 304,579 | 310,805 | 320,553 | 320,434 | 323,460 |
| Diluted | 310,016 | 311,479 | 325,846 | 329,883 | 338,627 |
| Dividends paid per share | \$ 0.800 | \$ 0.800 | \$ 0.750 | \$ 0.624 | \$ 0.475 |

| | As of | | | | |
|---|------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>June 26, 2010</u> | <u>June 27, 2009</u> | <u>June 28, 2008</u> | <u>June 30, 2007</u> | <u>June 24, 2006</u> |
| | (Amounts in thousands) | | | | |
| Consolidated Balance Sheet Data: | | | | | |
| Cash and cash equivalents | \$ 826,512 | \$ 709,348 | \$1,013,119 | \$ 577,068 | \$ 422,333 |
| Short-term investments | <u>\$ —</u> | <u>\$ 204,055</u> | <u>\$ 205,079</u> | <u>\$ 722,286</u> | <u>\$ 920,317</u> |
| Total cash, cash equivalents and short-term investments | \$ 826,512 | \$ 913,403 | \$1,218,198 | \$1,299,354 | \$1,342,650 |
| Working capital | \$1,174,096 | \$1,316,175 | \$1,627,406 | \$1,615,669 | \$1,557,755 |
| Total assets | \$3,482,325 | \$3,081,775 | \$3,708,390 | \$3,606,784 | \$3,286,537 |
| Long-term debt | \$ 300,000 | \$ — | \$ — | \$ — | \$ — |
| Stockholders' equity | \$2,352,958 | \$2,594,465 | \$3,147,811 | \$3,131,934 | \$2,775,489 |

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

You should read the following discussion and analysis in conjunction with our Consolidated Financial Statements and notes thereto included in Part II, Item 8 of this report and the risk factors included in Part I, Item 1A of this report, as well as forward-looking statements and other risks described herein and elsewhere in this report, before making an investment decision regarding our common stock.

Overview

We are a global company with manufacturing facilities in the United States, Philippines and Thailand, and sales offices and design centers throughout the world. We design, develop, manufacture and market linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of customers in diverse geographical locations and are incorporated in the state of Delaware. We also provide a range of high-frequency process technologies and capabilities for use in custom designs. The analog market is fragmented and characterized by diverse applications, a great number of product variations and, with respect to many circuit types, relatively long product life cycles. The major end-markets in which we sell our products are the industrial, communications, consumer and computing 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, 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; assessment of recoverability of intangible assets and goodwill which impacts write-offs of goodwill and intangible assets; accounting for stock-based compensation, which impacts cost of goods sold, gross margins and operating expenses; accounting for income taxes, which impacts the income tax provision; and assessment of litigation and contingencies, which impacts charges recorded in cost of goods sold, selling, general and administrative expenses and income taxes. These policies and the estimates and judgments involved are discussed further below. We have other significant accounting policies that either do not generally require estimates and judgments that are as difficult or subjective, or it is less likely that such accounting policies would have a material impact on our reported results of operations for a given period. Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements accompanying this Annual Report on Form 10-K.

Revenue Recognition

The Company recognizes revenue for sales to direct customers and sales to distributors upon shipment, provided that persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title and risk of loss has transferred, collectability of the resulting receivable is reasonably assured, there are no customer acceptance requirements and we do not have any significant post-shipment obligations. We estimate returns for sales to direct customers and international distributors based on historical returns rates applied against current period gross revenues. Specific customer returns and allowances are considered within this estimate.

Sales to certain distributors are made pursuant to agreements allowing for the possibility of certain sales price rebates and for non-warranty product return privileges. The non-warranty product return privileges include allowing certain U.S. distributors to return a small portion of our products in their inventory based on their previous 90 days of purchases. Given the uncertainties associated with the levels of non-warranty product returns and sales price rebates that could be issued to U.S. distributors, we defer recognition of such revenue and related cost of goods sold until the product is sold by the U.S. distributors to their end-customers. Accounts receivable from direct customers, domestic distributors and international distributors are recognized and inventory is relieved upon shipment as title to inventories generally transfers upon shipment at which point we have a legally enforceable right to collection under normal terms. Accounts receivable related to consigned inventory is recognized when the customer takes title of such inventory from its consigned location at which point inventory is relieved, title transfers, and we have a legally enforceable right to collection under the terms of our agreement with the related customers.

The Company estimates potential future returns and sales allowances related to current period product revenue. Management analyzes historical returns, changes in customer demand and acceptance of products when evaluating the adequacy of returns and sales allowances. Estimates made by us may differ from actual returns and sales allowances. These differences may materially impact reported revenue and amounts ultimately collected on accounts receivable. Historically, such differences have not been material. At June 26, 2010 and June 27, 2009, the Company had \$15.0 million and \$10.3 million accrued for returns and allowances, respectively. During fiscal years 2010 and 2009, the Company recorded \$67.5 million and \$45.2 million for estimated returns and allowances against revenues, respectively. These amounts were offset by \$62.8 million and \$46.9 million actual returns and allowances given during fiscal years 2010 and 2009, respectively.

Inventories

Inventories are stated at the lower of (i) standard cost, which approximates actual cost on a first-in-first-out basis, or (ii) market value. Our standard cost revision policy is to continuously monitor manufacturing variances and revise standard costs when necessary. Because of the cyclical nature of the market, inventory levels, obsolescence of technology, and product life cycles, we generally write-down inventories to net realizable value based on 12 months forecasted product demand. Actual demand and market conditions may be lower than those projected by us. This difference could have a material adverse effect on our gross margin should inventory write-downs beyond those initially recorded become necessary. Alternatively, should actual demand and market conditions be more favorable than those estimated by us, gross margin could be favorably impacted. Historically, such differences have not been material. During fiscal years 2010, 2009 and 2008, we had inventory write-downs of \$3.7 million, \$38.6 million and \$38.1 million, respectively.

Long-Lived Assets

We evaluate the recoverability of property, plant and equipment in accordance with ASC No. 360, *Accounting for the Property, Plant, and Equipment* ("ASC No. 360"). We perform periodic reviews to determine whether facts and circumstances exist that would indicate that the carrying amounts of property, plant and equipment might not be fully recoverable. If facts and circumstances indicate that the carrying amount of property, plant and equipment might not be fully recoverable, we compare projected undiscounted net cash flows

associated with the related asset or group of assets over their estimated remaining useful lives against their respective carrying amounts. In the event that the projected undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets. Evaluation of impairment of property, plant and equipment requires estimates in the forecast of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our property, plant and equipment could differ from our estimates used in assessing the recoverability of these assets. These differences could result in impairment charges, which could have a material adverse impact on our results of operations. We recorded impairment charges of \$8.3 million, \$51.1 million and zero during fiscal years 2010, 2009 and 2008, respectively.

Intangible Assets and Goodwill

We account for intangible assets in accordance with ASC No. 360, which requires impairment losses to be recorded on intangible assets used in operations when indicators of impairment, such as reductions in demand or significant economic slowdowns in the semiconductor industry, are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate consistent with the guidance provided in FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*. Impairment is based on the excess of the carrying amount over the fair value of those assets.

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. In accordance with ASC No. 350, *Intangibles-Goodwill and Other* ("ASC 350"), we test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the first quarter or more frequently if we believe indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. No impairment charges were recorded associated with our goodwill and intangible assets during fiscal years 2010, 2009, and 2008, respectively.

Stock-Based Compensation

Effective June 26, 2005, we adopted the fair value recognition provision of ASC 718, *Compensation in Stock Compensation*, ("ASC 718"). ASC 718 requires the recognition of the fair value of stock-based compensation for all stock-based payment awards, including grants of stock options and other awards made to our employees and directors in exchange for services, in the income statement. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. Accordingly, stock-based compensation cost is measured at the grant date, based on the fair value of the awards ultimately expected to vest and is recognized as an expense, on a straight-line basis, over the requisite service period. We use the Black-Scholes valuation model to measure the fair value of our stock-based awards utilizing various assumptions with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield. ASC 718 also requires forfeitures to be estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures or vesting differ from those estimates. Such revisions could have a material effect on our operating

results. The assumptions we use in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation for future awards may differ materially compared to the awards granted previously.

Accounting for Income Taxes

We must make certain estimates and judgments in the calculation of income tax expense and in the determination of whether deferred tax assets are more likely than not to be realized. The calculation of our income tax expense and income tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations.

ASC 740-10 prescribes a recognition threshold and measurement framework for financial statement reporting and disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, a tax position is recognized in the financial statements when it is more-likely-than not, based on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals or litigation processes. A tax position that meets the recognition threshold is then measured to determine the largest amount of the benefit that has a greater than 50% likelihood of being realized upon settlement. Although we believe that the Company's computation of tax benefits to be recognized and realized are reasonable, no assurance can be given that the final outcome will not be different from what was reflected in our income tax provisions and accruals. Such differences could have a material impact on our net income and operating results in the period in which such determination is made. See Note 15 to the Consolidated Financial Statements accompanying this Annual Report on Form 10-K for further information related to ASC 740-10.

We evaluate our deferred tax asset balance and record a valuation allowance to reduce the net deferred tax assets to the amount that is more likely than not to be realized. In the event it is determined that the deferred tax assets to be realized in the future would be in excess of the net recorded amount, an adjustment to the deferred tax asset valuation allowance would be recorded. This adjustment would increase income, or additional paid in capital, as appropriate, in the period such determination was made. Likewise, should it be determined that all or part of the net deferred tax asset would not be realized in the future, an adjustment to increase the deferred tax asset valuation allowance would be charged to income in the period such determination is made. In assessing the need for a valuation allowance, historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and practicable tax planning strategies are considered. Realization of our deferred tax asset is dependent primarily upon future U.S. taxable income. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. These changes, if any, may require possible material adjustments to the net deferred tax asset and an accompanying reduction or increase in net income in the period in which such determinations are made.

Litigation and Contingencies

From time to time, we receive notices that our products or manufacturing processes may be infringing the patent or intellectual property rights of others, notices of stockholder litigation or other lawsuits or claims against us. We periodically assess each matter in order to determine if a contingent liability in accordance with ASC No. 450, *Accounting for Contingencies* ("ASC 450"), should be recorded. In making this determination, management may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. We expense legal fees associated with consultations and defense of lawsuits as incurred. Based on the information obtained combined with management's judgment regarding all the facts and circumstances of each matter, we determine whether a contingent loss is probable and whether the amount of such loss can be estimated. Should a loss be probable and estimable, we record a contingent loss in accordance with ASC 450. In determining the amount of a contingent loss, we take into consideration advice received from experts in the specific matter, current status of legal proceedings, settlement negotiations which may be ongoing, prior case history and other factors. Should the judgments and estimates made by management be incorrect, we may need to record additional contingent losses that could materially adversely impact our results of operations. Alternatively, if the judgments and estimates made by management are incorrect and a particular contingent loss does not occur, the contingent loss recorded would be reversed thereby favorably impacting our results of operations.

Pursuant to the Company's charter documents and indemnification agreements, we have certain indemnification obligations to our officers, directors, and certain former officers and directors and director of internal audit. More specifically, we have separate written indemnification agreements with our current and former Executive Officers and directors as well as with our director of internal audit. Pursuant to such obligations, we have incurred substantial expenses related to legal fees for certain former officers of the Company who are or were subject to pending civil charges by the SEC and other governmental agencies in connection with Maxim's historical stock option granting practices. We have also incurred substantial expenses related to legal fees and expenses to certain current and former officers and directors who are defendants in the civil actions described above. We expense legal fees as incurred. During fiscal year 2010, the Company incurred a \$173.0 million charge in connection with an agreement to settle the class action complaint discussed in Item 3 and on July 23, 2010, this amount was paid into an escrow fund in accordance with the terms of the settlement. Please refer to Item 3, Legal Proceedings and Footnote 13, Commitments and Contingencies for more information on the litigation and associated settlement.

Results of Operations

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

| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
|--|------------------|------------------|------------------|
| Net revenues | 100% | 100% | 100% |
| Cost of goods sold | 40.3% | 48.4% | 39.2% |
| Gross margin | 59.7% | 51.6% | 60.8% |
| Operating expenses: | | | |
| Research and development | 23.8% | 31.6% | 28.2% |
| Selling, general and administrative | 12.1% | 12.1% | 8.0% |
| Intangible asset amortization | 0.5% | 0.4% | 0.1% |
| In process research & development | — % | 0.2% | — % |
| Impairment of long-lived assets | 0.4% | 3.1% | — % |
| Severance and restructuring expenses | — % | 1.7% | 0.7% |
| Other operating expenses, net | 8.3% | 1.4% | 3.1% |
| Total operating expenses | 45.1% | 50.6% | 40.1% |
| Operating income | 14.6% | 1.1% | 20.7% |
| Interest income and other, net | 0.4% | 1.0% | 2.8% |
| Income before provision for income taxes | 15% | 2.1% | 23.5% |
| Provision for income taxes | 8.8% | 1.5% | 8.0% |
| Net income | 6.2% | 0.6% | 15.5% |

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

| | For the Year Ended | | |
|---|--------------------|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| Cost of goods sold | 0.8% | 3.5% | 2.2% |
| Research and development | 2.7% | 6.1% | 5.4% |
| Selling, general and administrative | 1.2% | 2.3% | 1.6% |
| | 4.7% | 11.9% | 9.2% |

Net Revenues

We reported net revenues of \$1,997.6 million, \$1,646.0 million and \$2,052.8 million in fiscal years 2010, 2009 and 2008, respectively. Our net revenues in fiscal years 2010 increased by 21% compared to our net revenues in fiscal year 2009. This increase occurred in all four of our end markets due to an increase in units shipped, attributable to the overall recovery in the global economic environment. Revenue from communications products were up 15%, computing products were up 9%, consumer products were up 35% and industrial products were up 22%.

Our net revenues in fiscal years 2009 decreased by 20% compared to our net revenues in fiscal year 2008. This decrease occurred in all four of our end markets due to the overall decline in the global economic environment as revenue from communications products was down 15%, computing products was down 30%, consumer products was down 10% and industrial products declined 22%. The decline in computing products revenue was steeper than other end markets due to our decision to reduce our participation in the notebook power management business during the year.

Approximately 85%, 82% and 81% of the Company's net revenues in fiscal years 2010, 2009 and 2008, respectively, were derived from customers located outside the United States, primarily in the Pacific Rim, Europe, and Japan. While the majority of these sales are denominated in U.S. dollars, the Company enters into foreign currency forward contracts to mitigate its risks on firm commitments and net monetary assets denominated in foreign currencies. The impact of changes in foreign exchange rates on net revenues and the Company's results of operations for fiscal years 2010, 2009 and 2008 were immaterial.

Gross Margin

Our gross margin as a percentage of net revenue was 59.7% in fiscal year 2010 compared to 51.6% in fiscal year 2009. The gross margin percentage increased in fiscal year 2010 from fiscal year 2009 primarily due to improved overall factory utilization, a decrease of \$52.9 million or 3.2% of revenues in accelerated depreciation expense attributable to the closure of our Dallas wafer fabrication facility at the end of fiscal year 2009, decreased inventory write-downs of \$34.9 million or 2.2% of revenues primarily due to improved inventory turnover and better management of our inventory levels, and decreased stock-based compensation expenses of \$41.9 million or 2.7% of revenues, as described below under Stock-based Compensation. These gross margin improvements were partially offset by an increase in sales of lower margin products.

Our gross margin as a percentage of net revenue was 51.6% in fiscal year 2009 compared to 60.8% in fiscal year 2008. The gross margin percentage decreased in fiscal year 2009 from fiscal year 2008 primarily due to lower overall factory utilization resulting in increased unit costs for our products, an increase in accelerated depreciation expense related to the closure of our Dallas, Texas wafer fabrication facility of \$35.7 million or 2.2% of revenues, and underutilization charges below normal capacity of \$18.0 million or 1.0%. Increased stock based compensation expenses of \$11.1 million primarily due to our tender offer to purchase outstanding options also contributed to the decline in gross margin percentage.

Research and Development

Research and development expenses were \$474.7 million and \$520.2 million for fiscal years 2010 and 2009, respectively, which represented 23.8% and 31.6% of net revenues, respectively. The decrease in research and development expenses was primarily attributable to a reduction in stock-based compensation expenses of \$46.8 million, as described below under Stock-based Compensation. Other contributing factors include a \$19.3 million decrease in salaries, bonuses and benefits attributable to the transition of our field applications engineers and our business managers from research and development to selling, general and administrative functions, which was offset by an increase of \$17.2 million in salaries, bonuses and benefits, primarily due to higher bonus levels in connection with increased profitability for fiscal year 2010.

Research and development expenses were \$520.2 million and \$579.3 million for fiscal years 2009 and 2008, respectively, which represented 31.6% and 28.2% of net revenues, respectively. The decrease in research and development expenses was primarily due to decreased salaries, bonuses and benefits of approximately \$49.7 million partially attributable to the transition of our field applications engineers and our business managers from research and development to selling, general and administrative functions. The total impact of the transition was approximately \$20.9 million during fiscal year 2009. In addition our reduced profitability and reduced headcount also contributed to lower research and development expenses during fiscal year 2009. Stock-based compensation also decreased by \$9.1 million in fiscal year 2009 as compared to fiscal year 2008 primarily due to a reduction in our stock price during the year and reduced granting activity from our decision not to issue annual grants to our employees during our stock option investigation. In addition expenses associated with travel and entertainment declined by approximately \$3.5 million due to increased cost control in response to the economic downturn during fiscal year 2009. These decreases were partially offset by an increase in depreciation expense of \$7.6 million in fiscal year 2009 as compared to fiscal year 2008 as a result of increased capital investment to continue developing new technology associated with our end-of-line test operations.

The level of research and development expenditures as a percentage of net revenues will vary from period to period, depending, in part, on the level of net revenues and, on our success in recruiting the technical personnel needed for our new product introductions and process development. We view research and development expenditures as critical to maintaining a high level of new product introductions, which in turn are critical to our plans for future growth.

Selling, General and Administrative

Selling, general and administrative expenses were \$242.1 million and \$199.2 million in fiscal years 2010 and 2009, respectively, which represented 12.1% and 12.1% of net revenues, respectively. The increase in selling, general, and administrative expenses for fiscal year 2010 as compared to fiscal year 2009 was largely attributable to an increase in salaries, bonuses, and benefits of \$33.7 million, of which \$14.4 million related to higher bonus levels in connection with increased profitability for fiscal year 2010, and an increase of \$19.3 million was attributable to the transition of our field applications engineers and our business managers from research and development to selling, general and administrative functions. These increases were partially offset by decreased stock-based compensation expenses of \$13.9 million, as described below under Stock-based Compensation.

Selling, general and administrative expenses were \$199.2 million and \$164.1 million in fiscal years 2009 and 2008, respectively, which represented 12.1% and 8.0% of net revenues, respectively. The increase in selling, general, and administrative expenses for fiscal year 2009 as compared to fiscal year 2008 was primarily due to an increase of \$20.9 million in salaries and benefits resulting primarily from the transition of our field applications engineers and our business managers from research and development to selling, general and administrative functions. These increases were offset by a one-time reduction in reserves for European value added taxes no longer required of \$6.3 million.

The level of selling, general and administrative expenditures as a percentage of net revenues will vary from period to period, depending on the level of net revenues, our success in recruiting sales and administrative personnel needed to support our operations.

Impairment of Long-lived Assets

Impairment of long lived assets was \$8.3 million in fiscal year 2010 and \$51.1 million in the fiscal year 2009. The decrease in impairments during fiscal year 2010 was mainly due to write downs of the San Jose fabrication facility equipment and charges associated with excess testers and handlers in 2009. In fiscal year 2010, there was a charge of \$5.0 million associated with end of line sorting and testing equipment due to changes in manufacturing technology. Additionally, \$3.3 million was recorded in 2010 in relation to our Oregon wafer fabrication facility as a result of reduced wafer output requirements.

Impairment of long lived assets was \$51.1 million in fiscal year 2009 while there were no impairments in fiscal year 2008. The increase in impairments during fiscal year 2009 was due to the \$7.3 million charge associated with equipment at our San Jose fabrication facility and the \$43.8 million charge associated with excess testers and handlers identified during the second quarter of fiscal year 2009.

Severance and Restructuring Expenses

Severance and restructuring expenses were \$(0.7) million and \$28.1 million in fiscal years 2010 and 2009, respectively. The decrease in severance and restructuring expenses is largely due to the completion of the fiscal year 2009 restructuring program announced in the third quarter of fiscal year 2009 as a result of the global economic downturn and the resulting reduction in severance and medical benefit costs.

Severance and restructuring expenses were \$28.1 million and \$13.7 million in fiscal years 2009 and 2008, respectively. The increase in severance and restructuring expenses is partially due to the restructuring program announced in the third quarter of fiscal year 2009 as a result of the global economic downturn totaling \$11.3 million consisting principally of severance and medical benefit costs.

Intangible Asset Amortization Expenses

Intangible asset amortization expenses were \$10.5 million and \$6.0 million in fiscal years 2010 and 2009, respectively. The increase in intangible asset amortization expenses is primarily attributable to the acquisition of Teridian in the fourth quarter of fiscal year 2010 and a full year of amortization of intangible assets associated with the fiscal year 2009 Zilog and Innova Card acquisitions.

Intangible asset amortization expenses were \$6.0 million and \$2.9 million in fiscal years 2009 and 2008, respectively. The increase in intangible asset amortization expenses is primarily attributable to the acquisitions of Innova Card and Mobilygen during the second and third quarters of fiscal year 2009 and a full year of amortization of intangible assets associated with the fiscal year 2008 acquisition of Vitesse.

Other Operating Expenses, Net

Other operating expenses, net include legal and accounting fees directly attributable to the restatement of our previously filed financial statements completed in fiscal year 2009, cost reductions due to the reversal of accruals established in prior years for payroll taxes, and interest and penalties related to the misdating of option grants and exercises.

Other operating expenses, net were \$166.2 million and \$23.0 million in fiscal years 2010 and 2009, respectively, which represented 8.3% and 1.4% of net revenues, respectively. The increase in other operating expenses, net is attributable to a \$173.0 million charge in connection with an agreement to settle the class action complaint. This was partially offset by \$16.4 million in income attributable to gains directly related to proceeds received as a result of the settlement of the derivative litigation during fiscal year 2010. See Note 13: Commitments and Contingencies.

Other operating expenses, net were \$23.0 million and \$62.7 million in fiscal years 2009 and 2008, respectively which represented 1.4% and 3.1% of net revenues, respectively. The reduction in other operating expenses, net is attributable to a \$33.3 million reduction in legal expenses related to the stock option investigation and an \$11.7 million reduction in accounting fees related to the restatement of our operating results from the investigation. These declines are attributable to the conclusion of the restatement occurring at the end of the first quarter of 2009.

Interest Income and Other, Net

Interest income and other, net decreased to \$8.0 million in fiscal year 2010 from \$17.2 million in fiscal year 2009, which represented 0.4% and 1.0% of net revenues, respectively. The decrease is partially attributable to a reduction in interest income of \$13.3 million resulting from lower average interest rates and reduced average cash and short term investment balances which was offset by increased foreign exchange gains.

Interest income and other, net decreased to \$17.2 million in fiscal year 2009 from \$56.7 million in fiscal year 2008, which represented 1.0% and 2.8% of net revenues, respectively. The decrease is partially attributable to a reduction in interest income of \$29.7 million resulting from lower average interest rates and reduced average cash and short term investment balances. In addition we had a \$9.6 million gain on the sale of land in San Antonio, Texas in fiscal year 2008 which did not recur in fiscal year 2009.

Provision for Income Taxes

Our annual income tax expense was \$174.9 million, \$24.2 million, and \$165.1 million, in fiscal years 2010, 2009, and 2008, respectively. The effective tax rate was 58.3%, 69.8% and 34.2% for fiscal years 2010, 2009, and 2008, respectively. The Company's normal statutory tax rate is 35%. The fiscal year 2010 and 2009 effective tax rates were higher than the statutory tax rate primarily due to losses of a foreign subsidiary for which no tax benefit is available. These foreign losses represent costs of ongoing research and development efforts as well as licensing rights to preexisting intangibles. The tax rate increase generated by the fiscal year 2009 foreign losses were partially offset by tax benefits from the retroactive extension of the Federal research tax credit by legislation enacted in the fiscal year 2009; certain executive compensation benefits in the fiscal year 2009; and prior year state tax provision to return adjustments recorded in the fiscal year 2009.

The fiscal year 2008 effective tax rate was lower than the statutory tax rate primarily due to research tax credits and the domestic production deduction.

We expect that our effective tax rate in the fiscal year 2011 and subsequent years will begin to decline as our 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.

Stock-based Compensation

The following tables show stock-based compensation expense by type of award, resulting tax effect, and related impact on earnings per share included in the Consolidated Statements of Income for fiscal years 2010, 2009, and 2008:

| | For the Year Ended | | |
|---|--------------------|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| | (in thousands) | | |
| Cost of goods sold | | | |
| Stock options | \$ 3,330 | \$ 33,380 | \$ 28,550 |
| Restricted stock units | 10,825 | 23,350 | 17,440 |
| Employee stock purchase plan | 1,065 | 370 | — |
| Total | 15,220 | 57,100 | 45,990 |
| Research and development expense | | | |
| Stock options | 15,085 | 38,237 | 69,159 |
| Restricted stock units | 33,834 | 61,151 | 40,752 |
| Employee stock purchase plan | 5,146 | 1,442 | — |
| Total | 54,065 | 100,830 | 109,911 |
| Selling, general and administrative expense | | | |
| Stock options | 8,130 | 21,390 | 22,141 |
| Restricted stock units | 15,056 | 16,665 | 11,678 |
| Employee stock purchase plan | 1,054 | 123 | — |
| Total | 24,240 | 38,178 | 33,819 |
| Total stock-based compensation expense | | | |
| Stock options | 26,545 | 93,007 | 119,850 |
| Restricted stock units | 59,715 | 101,166 | 69,870 |
| Employee stock purchase plan | 7,265 | 1,935 | — |
| Pre-tax stock-based compensation expense | 93,525 | 196,108 | 189,720 |
| Less: Income tax effect | 25,041 | 67,430 | 66,272 |
| Net stock-based compensation expense | \$68,484 | \$128,678 | \$123,448 |

Pre-tax stock based compensation decreased to \$93.5 million in fiscal year 2010 from \$196.1 million in fiscal year 2009, which represented 4.7% and 11.9% of net revenues, respectively. The decrease in pre-tax stock based compensation was partially due to the recognition of \$75.9 million in stock-based compensation expenses associated with the Company's tender offer and the recognition of \$18.6 million associated with the Company's offer to cash settle stock options expiring in October 2008 offset by a reversal of \$52.2 million in expenses related to the true-up for previously forfeited options during the second quarter 2009 which did not recur in 2010. In addition expenses associated with restricted stock units and stock options declined due to the completion of vesting associated with higher priced grants offset by expense related to newer grants.

Pre-tax stock based compensation increased to \$196.1 million in fiscal year 2009 from \$189.7 million in fiscal year 2008, which represented 11.9% and 9.2% of net revenues, respectively. The increase in pre-tax stock based compensation was partially due to the recognition of \$75.9 million in stock-based compensation expenses consisting of \$8.7 million in additional expense from settlements above fair value and \$67.2 million associated with the unamortized compensation expenses on the previously unvested tendered options offset by a reversal of \$52.2 million in expenses related to the true-up for previously forfeited options during the second quarter 2009. Expense from options continues to decline due to reduced grants of options to employees subsequent to June 2005. Expense from restricted stock units has increased primarily due to our annual grant made during the second

quarter of fiscal year 2009 combined with reduced expense recognized during fiscal year 2008 as a result of the liability accounting for restricted stock units vesting during the Blackout Period and a decline in our stock price.

Recently Issued Accounting Pronouncements

In April, 2010, the FASB issued FASB Accounting Standards Update (ASU) No. 2010-17, *“Revenue Recognition (Topic 605) — Milestone Method of Revenue Recognition — a consensus of the FASB Emerging Issues Task Force.”* This ASU provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. This ASU will be effective on a prospective basis for milestones achieved beginning in our second quarter of fiscal 2011. We do not expect the adoption of this ASU to have a significant effect to our consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *“Fair Value Measurements and Disclosures (Topic 820) — Improving Disclosures about Fair Value Measurements”* (“ASU 2010-06”). ASU 2010-06 requires new disclosures regarding significant transfers in and out of Levels 1 and 2, as well as information about activity in Level 3 fair value measurements, including presenting information about purchases, sales, issuances and settlements on a gross versus a net basis in the Level 3 activity roll forward. In addition, ASU 2010-06 clarifies existing disclosures regarding input and valuation techniques, as well as the level of disaggregation for each class of assets and liabilities. ASU No. 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures pertaining to purchases, sales, issuances and settlements in the roll forward of Level 3 activity; those disclosures are effective for interim and annual periods beginning after December 15, 2010. The adoption of ASU 2010-06 had no current impact and is expected to have no subsequent impact on our consolidated financial position, results of operations or cash flows.

During the first quarter of fiscal year 2010, the Company adopted three related sets of accounting guidance as issued by the FASB. The accounting guidance sets forth (i) rules related to the determination of the fair value of financial assets and financial liabilities when the activity levels have significantly decreased in relation to the normal market, (ii) guidance that would include the intent and ability of the holder as an indicator in the determination of whether an other-than-temporary impairment exists and (iii) interim disclosure requirements for the fair value of financial instruments. The adoption of the three sets of accounting guidance did not have a material impact on the Company’s consolidated financial statements.

During the first quarter of fiscal year 2010, the Company adopted new accounting guidance for the determination of the useful life of intangible assets as issued by the FASB. The new guidance amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The new guidance also requires expanded disclosure regarding the determination of intangible asset useful lives. The adoption of this accounting guidance did not have a material impact on the Company’s consolidated financial statements.

During the first quarter of fiscal year 2010, the Company adopted the new Accounting Standards Codification (ASC) as issued by the FASB. The ASC has become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. The ASC is not intended to change or alter existing GAAP. The adoption of the ASC did not have a material impact on the Company’s consolidated financial statements.

Backlog

At June 26, 2010 and June 27, 2009, our current quarter backlog was approximately \$614 million and \$278 million, respectively. We include in our backlog orders with customer request dates within the next 3 months. As is customary in the semiconductor industry, these orders may be canceled in most cases without penalty to the customers. In addition, our backlog includes orders from domestic distributors for which revenues are not

recognized until the products are sold by the distributors. Accordingly, we believe that our backlog at any time should not be used as a measure of future revenues. All backlog amounts have been adjusted for estimated future U.S. distribution ship and debit pricing adjustments. Please refer to the Risk Factor titled “Incorrect forecasts, reductions, cancellations or delays in orders for our products could adversely affect our results or operations” for the risks associated with backlog.

Financial Condition, Liquidity and Capital Resources

Our primary sources of funds for fiscal years 2010, 2009, and 2008 have been net cash generated from operating activities of approximately \$491.0 million, \$445.8 million and \$519.4 million, respectively. The 2010 increase from 2009 in cash generated from operating activities of \$45.2 million was primarily attributable to an increase in net income and decreased non-cash charges of \$167.5 million, offset by an increase in working capital of \$97.9 million. This increase in working capital is primarily due to the accounts receivable increase of \$131.5 million or 63% at the end of fiscal year 2010 compared to fiscal year 2009, which was primarily due to the 21% increase in revenues during the fiscal year 2010 compared to fiscal year 2009. Additionally, inventories at the end of fiscal year 2010 declined by \$11.8 million or 5% compared to fiscal year 2009 due to improved inventory turnover and better management of our inventory levels. Current liabilities at the end of fiscal year 2010 increased by \$263.7 million primarily due to the litigation settlement and an increase in income taxes payable, and to a lesser extent an increase in anticipated bonuses.

The 2009 decrease from 2008 in cash generated from operating activities of \$73.6 million was primarily attributable to a reduction in net income offset by non-cash charges of \$185.8 million, which was, in turn, offset by a decrease in working capital by \$112.2 million. Accounts receivable at the end of fiscal year 2009 declined by \$64.2 million or 24% compared to the amount at the end of fiscal year 2008 primarily due to the 21% decline in revenues during the fourth fiscal quarter of 2009 compared to the fourth fiscal quarter of 2008. Additionally, inventories at the end of fiscal year 2009 declined by \$54.6 million or 20% compared to fiscal year 2008 due to the decline in revenues. Current liabilities at the end of fiscal year 2009 declined by \$150.4 million primarily due to payments associated with options expiring during the Blackout Period, the RSU Loan program and to a lesser extent a reduction in anticipated bonuses.

Cash used in investing activities was \$241.6 million in fiscal year 2010 while cash used by investing activities was \$191.7 million in fiscal year 2009. The increase in cash used in investing activities is primarily attributable to acquisition of Teridian for \$312.8 million, net of cash, in the fourth quarter of fiscal year 2010, which was partially offset by proceeds from the maturities of available-for-sale securities of \$200.2 million.

Cash used in investing activities was \$191.7 million in fiscal year 2009 while cash provided by investing activities was \$265.1 million in fiscal year 2008. The decrease in cash from investing activities is primarily attributable to the reduction in net proceeds from the sale of available for sale securities of \$516.7 million primarily offset by a reduction in purchases of property, plant and equipment of \$80.4 million.

Cash used in financing activities was \$132.1 million in fiscal year 2010 and \$557.8 million in fiscal year 2009. The decrease in cash used from financing activities was primarily due to the issuance of debt of \$300.0 million in the fourth quarter of fiscal year 2010, issuance of ESPP of \$24.8 million, a decrease in repurchases of common stock of \$44.2 and a decrease in cash used pursuant to the RSU loan program of \$35.6 million.

As of June 26, 2010, our available funds consisted of \$826.5 million in cash and cash equivalents. We anticipate that the available funds and cash generated from operations will be sufficient to meet cash and working capital requirements, including the anticipated level of capital expenditures, the litigation settlement, common stock repurchases, and dividend payments for the next twelve months.

Contractual Obligations

The following table summarizes the Company's significant contractual obligations at June 26, 2010, and the effect such obligations are expected to have on the Company's liquidity and cash flows in future periods. This table excludes amounts already recorded on our Consolidated Balance Sheet as current liabilities at June 26, 2010:

| | <u>Total</u> | <u>Less than 1 year</u> | <u>2-3 years</u> | <u>4-5 years</u> | <u>More than 5 years</u> |
|---|-------------------------------|-----------------------------|------------------|------------------|------------------------------|
| | <u>(Amounts in thousands)</u> | | | | |
| Operating lease obligations (1) | \$ 36,054 | \$ 9,142 | \$ 15,135 | \$ 6,904 | \$ 4,873 |
| Royalty obligations (2) | 30,000 | 10,000 | 20,000 | — | — |
| Long-term debt obligations (3) | 300,000 | — | 300,000 | — | — |
| Interest payments associated with long-term debt obligations (4) | 31,050 | 10,350 | 20,700 | — | — |
| Capital equipment and inventory related purchase obligations (5) | 33,452 | 16,284 | 4,112 | 3,752 | 9,304 |
| Total | <u>\$430,556</u> | <u>\$45,776</u> | <u>\$359,947</u> | <u>\$10,656</u> | <u>\$14,177</u> |

- (1) The Company leases some facilities under non-cancelable operating lease agreements that expire at various dates through 2016.
- (2) Royalty obligations represent payments for licensed patents.
- (3) Long-term debt represents amount due for the Company's 3.45% senior unsecured notes due 2013.
- (4) Interest payments associated with the Company's 3.45% senior unsecured notes due 2013.
- (5) Capital equipment purchase obligations represent commitments for purchase of property, plant and equipment. The Company orders some materials and supplies in advance or with minimum purchase quantities. The Company is obligated to pay for the materials and supplies when received.

Purchase orders for the purchase of the majority of our raw materials and other goods and services are not included in the table. Our purchase orders generally allow for cancellation without significant penalties. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected short-term requirements.

As of June 26, 2010, our gross unrecognized income tax benefits were \$151.5 million, which excludes \$20.4 million of accrued interest and penalties. At this time, we are unable to make a reasonably reliable estimate of the timing of payments of these amounts, if any, in individual years due to uncertainties in the timing or outcomes of either actual or anticipated tax audits. As a result, these amounts are not included in the table above.

Off-Balance-Sheet Arrangements

As of June 26, 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash and cash equivalents and the 3.45% fixed rate senior unsecured notes issued in June 2010 (See Note 19: Long-Term Debt). The Company does not use derivative financial instruments to hedge the risk of interest rate volatility. At June 26, 2010, the Company maintained a significant portfolio of money market fund investments, which are included in cash and cash equivalents. These money market funds are all available on a daily basis.

Debt Risk

In June 2010, the Company issued \$300 million in senior, unsecured debt due in 2013 with an effective interest rate of 3.49% (See Note 19: Long-Term Debt). The debt indenture includes covenants that limit the Company's ability to grant liens on its facilities and to enter into sale and leaseback transactions, which could limit the Company's ability to secure debt funding in the future, if needed. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the Company's notes, the Company would be required to make an offer to repurchase these notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest. The Company's ability to repurchase the notes in such events may be limited by the Company's then-available financial resources or by the terms of other agreements to which the Company is a party. Although the Company currently has the funds necessary to retire this debt, funds might not be available to repay the notes when they come due in the future.

If the Company fails to pay interest when due, or to repay the notes when due or materially breaches other loan covenants, it would constitute an event of default under the indenture governing the notes which, in turn, may also constitute an event of default under other obligations of the Company. Any event of default under the indenture or other obligations of the Company and any additional obligations and restrictions imposed as a result thereof could negatively impact our financial results.

Foreign Currency Risk

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

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

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

Foreign exchange contracts

The net unrealized gain or loss, if any, is potentially subject to market and credit risk as it represents appreciation (decline) of the hedge position against the spot exchange rates. The net realized and unrealized gains or losses from hedging foreign currency denominated assets and liabilities were immaterial during the year ended June 26, 2010 and June 27, 2009.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item are set forth at the pages indicated in Item 15(a) of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 June 26, 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 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. Based on the evaluation, our management, including our CEO and our CFO, concluded that our disclosure controls and procedures were effective as of June 26, 2010.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the Company’s CEO and CFO and effected by the Company’s Board of Directors, management, and others to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our management, with the participation of our CEO and our CFO, assessed the effectiveness of our internal control over financial reporting as of June 26, 2010. Management’s assessment of internal control over financial reporting was conducted using the criteria in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Our management has concluded that, as of June 26, 2010, our internal control over financial reporting was effective, in all material respects, based on these criteria. Our Independent Registered Public Accounting Firm, Deloitte & Touche LLP, independently assessed the effectiveness of the Company’s internal control over financial reporting, as stated within their report which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 26, 2010 that have 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Maxim Integrated Products, Inc.:

We have audited the internal control over financial reporting of Maxim Integrated Products, Inc. and subsidiaries (the “Company”) as of June 26, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 26, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended June 26, 2010 of the Company and our report dated August 18, 2010 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
San Jose, California
August 18, 2010

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than as follows, the information required by this item is incorporated by reference from the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders under the headings "Proposal 1 — Election of Directors" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934."

Executive Officers of the Registrant

The following is information regarding our executive officers, including their positions and their ages as of June 26, 2010.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|-------------------------------|------------|---|
| Tunc Doluca | 52 | President and Chief Executive Officer |
| Bruce E. Kiddoo | 49 | Senior Vice President, Chief Financial Officer and Principal Accounting Officer |
| Vivek Jain | 50 | Senior Vice President, Manufacturing |
| Edwin Medlin | 53 | Vice President, Senior Counsel |
| Matthew J. Murphy | 37 | Vice President, Worldwide Sales |
| Christopher J. Neil | 44 | Division Vice President, Conversion, Computer and Secure Products Division |
| Pirooz Parvarandeh | 50 | Group President, High Performance Analog Division |
| Charles G. Rigg | 66 | Senior Vice President |
| Vijay Ullal | 51 | Group President, Handheld Consumer Division |
| Steven Yamasaki | 55 | Vice President, Human Resources |

Mr. Doluca has served as a director of Maxim as well as the President and Chief Executive Officer since January 2007. He joined Maxim in October 1984 and served as Vice President from 1994 to 2004. He was promoted to Senior Vice President in 2004 and Group President in May 2005. Prior to 1994, he served in a number of integrated circuit development positions.

Mr. Kiddoo joined Maxim in September 2007 as Vice President of Finance. On October 1, 2008, immediately following the completion of Maxim's restatement of previously filed financial statements, Mr. Kiddoo was appointed Chief Financial Officer and Principal Accounting Officer of Maxim and was appointed Senior Vice President in September 2009. Prior to joining Maxim, Mr. Kiddoo held various positions at Broadcom Corporation, a global semiconductor company, beginning in December 1999. Mr. Kiddoo served as Broadcom's Corporate Controller and Principal Accounting Officer from July 2002 and served as Vice President from January 2003. He also served as Broadcom's Acting Chief Financial Officer from September 2006 to March 2007.

Mr. Jain joined Maxim in April 2007 as Vice President responsible for our wafer fabrication operations. In June 2009 Mr. Jain was promoted to Senior Vice President with expanded responsibility for managing test and assembly operations in addition to wafer fabrication operations. Prior to joining Maxim, Mr. Jain was Plant Manager for several years at Intel Corporation's Technology Development and Manufacturing facility in Santa Clara, California responsible for 65nm flash manufacturing/transfer and development of 45nm flash technology. Mr. Jain has published over 30 papers and holds over 10 patents in the field of semiconductor technology.

Mr. Medlin joined Maxim in November 1999 as Director and Associate General Counsel. He was promoted to Vice President and Senior Counsel in April 2006. Prior to joining Maxim, he was with the law firm of Ropers, Majeski, Kohn and Bentley from 1987 to 1994 where he held various positions, including director. From 1994 to 1997 he was with Fox Factory, Inc., a privately held manufacturing company where he held the positions of

General Counsel, and later, General Manager. From 1997 to 1999 he was with RockShox, Inc., a publicly traded corporation, where he held the positions of General Counsel and then Vice President of Global Sales and Marketing.

Mr. Murphy joined Maxim in July 1994 and was promoted to Vice President in November 2006. Prior to 2006, he served in a number of business unit and executive management positions.

Mr. Neil joined Maxim in September 1990 and was promoted to Vice President in April 2006. Prior to 2006, he held several engineering and executive management positions.

Mr. Parvarandeh joined Maxim in July 1987 and served as Vice President from 1997 to 2005. He was promoted to Senior Vice President in 2004 and Group President in May 2005. Prior to 1997, he served in a number of integrated circuit development positions.

Mr. Rigg joined Maxim in August 1996 as Managing Director and General Counsel. He was promoted to Vice President in April 1999 and Senior Vice President in January 2007. Prior to joining Maxim, he was with Ropers, Majeski, Kohn and Bentley from 1970 to 1996 where he held various positions, including director.

Mr. Ullal joined Maxim in December 1989 and served as Vice President from 1996 to 2004. He was promoted to Senior Vice President in 2004 and Group President in January 2007. Prior to 2004, he served in a number of wafer fabrication operation and management positions.

Mr. Yamasaki joined Maxim in April 2010 as Vice President of Human Resources. Prior to joining Maxim, he was Corporate Vice President of Human Resources of Applied Materials from 2008 to 2010, and was Executive Vice President of Human Resources of YRC Worldwide from 2004 to 2008. Before joining YRC Worldwide, Mr. Yamasaki was Vice President of Human Resources at ConAgra Foods Inc. and Honeywell International.

Effective August 3, 2010, Mr. David Caron, age 50, was appointed Vice President and Principal Accounting Officer. Mr. Caron has served as Maxim's Corporate Controller since July 2003 and, prior to that, served as Maxim's Director of Accounting from December 1998 to July 2003. Mr. Caron is a Certified Public Accountant in the state of California and holds a Bachelor of Science in Accounting from San Jose State University.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics (the "Code of Ethics"), which applies to all directors and employees, including but not limited to our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is designed to promote: (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest arising from personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in reports and documents that we are required to file with the SEC and in other public communications, (iii) compliance with applicable governmental laws, rules and regulations, (iv) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or group, and (v) accountability for adherence to the Code of Ethics. A copy of Code of Ethics is available on our website at <http://www.maxim-ic.com/company/policy>. A hard copy of the Code of Ethics will be sent free of charge upon request.

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders under the headings "Executive Compensation" and "Performance Graph."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders under the headings "Director Compensation," "Compensation Discussion and Analysis," "Report of Compensation Committee" and "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders under the heading "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders under the heading "Corporate Governance" and "Certain Relationships and Related Transactions."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders under the headings "Report of the Audit Committee" and "Principal Accountant Fees and Services."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following are filed as part of this Report:

| | <u>Page</u> |
|---|-------------|
| (1) <i>Financial Statements.</i> | 41 |
| Consolidated Balance Sheets at June 26, 2010 and June 27, 2009 | 41 |
| Consolidated Statements of Income for each of the three years in the period ended June 26, 2010 . . . | 42 |
| Consolidated Statements of Stockholders' Equity for each of the three years in the period ended June 26, 2010 | 43 |
| Consolidated Statements of Cash Flows for each of the three years in the period ended June 26, 2010 | 45 |
| Notes to Consolidated Financial Statements | 46 |
| Report of Independent Registered Public Accounting Firm | 87 |

(2) *Financial Statement Schedule.*

The following financial statement schedule is filed as part of this Annual Report on Form 10-K and should be read in conjunction with the financial statements.

| | |
|---|----|
| Schedule II — Valuation and Qualifying Accounts | 88 |
|---|----|

All other schedules are omitted because they are not applicable, or because the required information is included in the consolidated financial statements or notes thereto.

(3) The Exhibits filed as a part of this Report are listed in the attached Index to Exhibits.

(b) *Exhibits.*

See attached Index to Exhibits.

MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

| | June 26, 2010 | June 27, 2009 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 826,512 | \$ 709,348 |
| Short-term investments | — | 204,055 |
| Total cash, cash equivalents and short-term investments | 826,512 | 913,403 |
| Accounts receivable, net of allowances of \$17,438 in 2010 and \$13,163 in 2009 | 339,322 | 207,807 |
| Inventories | 206,040 | 217,847 |
| Deferred tax assets | 217,017 | 211,879 |
| Income tax refund receivable | 83,813 | 13,072 |
| Other current assets | 33,909 | 20,943 |
| Total current assets | 1,706,613 | 1,584,951 |
| Property, plant and equipment, net | 1,324,436 | 1,366,052 |
| Intangible assets, net | 194,728 | 76,295 |
| Goodwill | 226,223 | 26,710 |
| Other assets | 30,325 | 27,767 |
| TOTAL ASSETS | \$3,482,325 | \$3,081,775 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 107,797 | \$ 70,087 |
| Income taxes payable | 13,053 | 2,140 |
| Accrued salary and related expenses | 175,858 | 141,334 |
| Accrued expenses | 37,030 | 38,455 |
| Deferred income on shipments to distributors | 25,779 | 16,760 |
| Accrual for litigation settlement | 173,000 | — |
| Total current liabilities | 532,517 | 268,776 |
| Other liabilities | 27,926 | 26,398 |
| Income taxes payable | 132,400 | 124,863 |
| Deferred tax liabilities | 136,524 | 67,273 |
| Long term debt | 300,000 | — |
| Total liabilities | 1,129,367 | 487,310 |
| Commitments and contingencies (Note 13) | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value | | |
| Authorized: 2,000 shares, issued and outstanding: none | — | — |
| Common stock, \$0.001 par value | | |
| Authorized: 960,000 shares | | |
| Issued and outstanding: 300,848 in 2010 and 306,019 in 2009 | 301 | 306 |
| Additional paid-in capital | — | 21,205 |
| Retained earnings | 2,364,598 | 2,580,610 |
| Accumulated other comprehensive loss | (11,941) | (7,656) |
| Total stockholders' equity | 2,352,958 | 2,594,465 |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | \$3,482,325 | \$3,081,775 |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

| | For the Years Ended | | |
|---|---------------------|-------------------|-------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| Net revenues | \$1,997,603 | \$1,646,015 | \$2,052,783 |
| Cost of goods sold (1) | 804,537 | 797,138 | 804,083 |
| Gross margin | 1,193,066 | 848,877 | 1,248,700 |
| Operating expenses: | | | |
| Research and development (1) | 474,652 | 520,228 | 579,269 |
| Selling, general and administrative (1) | 242,144 | 199,151 | 164,086 |
| Intangible asset amortization | 10,477 | 6,019 | 2,882 |
| In process research & development | — | 3,900 | — |
| Impairment of long-lived assets | 8,291 | 51,112 | — |
| Severance and restructuring expenses | (699) | 28,124 | 13,676 |
| Other operating expenses, net | 166,151 | 22,965 | 62,734 |
| Total operating expenses | 901,016 | 831,499 | 822,647 |
| Operating income | 292,050 | 17,378 | 426,053 |
| Interest income and other, net | 8,013 | 17,241 | 56,727 |
| Income before provision for income taxes | 300,063 | 34,619 | 482,780 |
| Provision for income taxes | 174,924 | 24,164 | 165,055 |
| Net income | <u>\$ 125,139</u> | <u>\$ 10,455</u> | <u>\$ 317,725</u> |
| Earnings per share: | | | |
| Basic net income per share | <u>\$ 0.41</u> | <u>\$ 0.03</u> | <u>\$ 0.99</u> |
| Diluted net income per share | <u>\$ 0.40</u> | <u>\$ 0.03</u> | <u>\$ 0.98</u> |
| Shares used in the calculation of earnings per share: | | | |
| Basic | <u>304,579</u> | <u>310,805</u> | <u>320,553</u> |
| Diluted | <u>310,016</u> | <u>311,479</u> | <u>325,846</u> |
| Dividends paid per share | <u>\$ 0.80</u> | <u>\$ 0.80</u> | <u>\$ 0.75</u> |
| (1) Includes stock-based compensation charges as follows: | | | |
| Cost of goods sold | \$ 15,220 | \$ 57,100 | \$ 45,990 |
| Research and development | 54,065 | 100,830 | 109,911 |
| Selling, general and administrative | 24,240 | 38,178 | 33,819 |
| | <u>\$ 93,525</u> | <u>\$ 196,108</u> | <u>\$ 189,720</u> |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

| (In thousands) | Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated other Comprehensive Income (Loss) | Total Stockholders' Equity |
|--|----------------|--------------|----------------------------|--------------------|---|----------------------------|
| | Shares | Par Value | | | | |
| Balance, July 1, 2007 | 320,553 | \$321 | \$ 292,603 | \$2,847,281 | \$ (8,271) | \$3,131,934 |
| Cumulative effect adjustment on adoption of EITF 06-10 | | | | (14,089) | | (14,089) |
| Cumulative effect adjustment on adoption of FIN 48 | | | (19,150) | (9,363) | | (28,513) |
| Components of comprehensive income: | | | | | | |
| Net income | | | | 317,725 | | 317,725 |
| Unrealized loss on forward-exchange contracts, net of tax | | | | | (77) | (77) |
| Tax effect of the unrealized exchange gain on long-term intercompany receivable | | | | | 1,999 | 1,999 |
| Unrealized gain on available-for-sale investments, net of tax | | | | | 1,222 | 1,222 |
| Total comprehensive income | | | | | | 320,869 |
| Stock based compensation | | | 111,450 | | | 111,450 |
| Tax shortfall on settlement of equity instruments | | | (4,762) | | | (4,762) |
| Modification of equity instruments to liability | | | (128,663) | | | (128,663) |
| Dividends paid | | | | (240,415) | | (240,415) |
| Balance, June 28, 2008 | 320,553 | 321 | 251,478 | 2,901,139 | (5,127) | 3,147,811 |
| Components of comprehensive income: | | | | | | |
| Net income | | | | 10,455 | | 10,455 |
| Unrealized actuarial loss on post-retirement benefits, net of tax | | | | | (3,762) | (3,762) |
| Tax effect of the unrealized exchange gain on long-term intercompany receivable | | | | | 552 | 552 |
| Unrealized gain on available-for-sale investments, net of tax | | | | | 681 | 681 |
| Total comprehensive income | | | | | | 7,926 |
| Repurchase of common stock | (18,132) | (18) | (174,172) | (60,942) | | (235,132) |
| Common stock issued under stock plans, net of shares withheld for employee taxes | 3,598 | 3 | (20,590) | | | (20,587) |
| Stock based compensation | | | 162,010 | | | 162,010 |
| Tax shortfall on settlement of equity instruments | | | (195,294) | (21,541) | | (216,835) |
| Modification of equity instruments to liability | | | (18,658) | | | (18,658) |
| Modification of liability instruments to equity | | | 16,431 | | | 16,431 |
| Dividends paid | | | | (248,501) | | (248,501) |
| Balance, June 27, 2009 | 306,019 | 306 | 21,205 | 2,580,610 | (7,656) | 2,594,465 |
| Components of comprehensive income: | | | | | | |
| Net income | | | | 125,139 | | 125,139 |
| Unrealized actuarial loss on post-retirement benefits, net of tax | | | | | (896) | (896) |
| Tax effect of the unrealized exchange loss on long-term intercompany receivable | | | | | (1,893) | (1,893) |
| Unrealized loss on available-for-sale investments, net of tax | | | | | (1,346) | (1,346) |
| Unrealized loss on forward-exchange contracts, net of tax | | | | | (150) | (150) |
| Total comprehensive income | | | | | | 120,854 |
| Repurchase of common stock | (10,303) | (10) | (93,499) | (97,396) | | (190,905) |
| Common stock issued under stock plans, net of shares withheld for employee taxes | 3,295 | 3 | (29,475) | | | (29,472) |
| Stock based compensation | | | 90,440 | | | 90,440 |
| Tax shortfall on settlement of equity instruments | | | (15,748) | | | (15,748) |
| Derivative settlement, net of tax | | | 3,512 | | | 3,512 |
| Modification of equity instruments to liability | | | (1,205) | | | (1,205) |
| Common stock issued under Employee Stock Purchase Plan | 1,837 | 2 | 24,770 | | | 24,772 |
| Dividends paid | | | | (243,755) | | (243,755) |
| Balance, June 26, 2010 | <u>300,848</u> | <u>\$301</u> | <u>\$ —</u> | <u>\$2,364,598</u> | <u>\$(11,941)</u> | <u>\$2,352,958</u> |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | For the Years Ended | | |
|---|---------------------|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| Cash flows from operating activities: | | | |
| Net income | \$ 125,139 | \$ 10,455 | \$ 317,725 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Stock-based compensation | 93,525 | 196,108 | 189,720 |
| Depreciation and amortization | 167,523 | 205,423 | 161,907 |
| Deferred taxes | 29,090 | 202,352 | (14,648) |
| In process research & development | — | 3,900 | — |
| Loss (gain) from sale of property, plant and equipment | 272 | 2,695 | (9,578) |
| Loss (gain) from sale of equity investments | 148 | (529) | — |
| Benefit related to stock-based compensation | (15,748) | (216,835) | (4,762) |
| Excess tax benefit related to stock-based compensation | (7,005) | (670) | (558) |
| Impairment of long lived assets | 8,291 | 51,112 | — |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (124,258) | 65,288 | (27,031) |
| Inventories | 22,681 | 49,124 | (9,287) |
| Other current assets | (79,319) | 3,226 | (13,660) |
| Accounts payable | 41,191 | (5,988) | (13,383) |
| Income taxes payable | 17,384 | 15,545 | (4,507) |
| Deferred income on shipments to distributors | 9,020 | (4,687) | (2,194) |
| Accrued liabilities - tender offer payments above settlement date fair | — | (8,665) | — |
| Accrued liabilities - goodwill payments above settlement date fair | (1,328) | (32,016) | (38,376) |
| Accrued liabilities - litigation settlement | 173,000 | — | — |
| All other accrued liabilities | 31,347 | (90,043) | (11,944) |
| Net cash provided by operating activities | 490,953 | 445,795 | 519,424 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (123,901) | (135,429) | (215,870) |
| Proceeds from sale of property, plant, and equipment | 2,802 | 947 | 16,369 |
| Acquisitions | (316,784) | (61,010) | (64,123) |
| Other non-current assets | (3,998) | 873 | 9,131 |
| Purchases of available-for-sale securities | — | (5,524) | (316,182) |
| Proceeds from sales/maturities of available-for-sale securities | 200,233 | 8,426 | 835,764 |
| Net cash (used in) provided by investing activities | (241,648) | (191,717) | 265,089 |
| Cash flows from financing activities: | | | |
| Excess tax benefit from stock-based compensation plans | 7,005 | 670 | 558 |
| Mortgage liability assumption | (40) | (40) | (40) |
| Settlement date fair value of goodwill payments | — | (7,733) | (78,940) |
| Repurchase of options | (784) | (5,211) | — |
| Cash settlement of vested restricted stock units | — | (1,910) | (4,339) |
| Payouts under the RSU loan program | — | (35,578) | (25,286) |
| Proceeds from derivative litigation settlement | 2,460 | — | — |
| Repayment of notes payable | — | (3,827) | — |
| Long-term debt, net of issuance costs | 298,578 | — | — |
| Issuance of common stock | (29,472) | (20,587) | — |
| Repurchase of common stock | (190,905) | (235,132) | — |
| Issuance of ESPP | 24,772 | — | — |
| Dividends paid | (243,755) | (248,501) | (240,415) |
| Net cash used in financing activities | (132,141) | (557,849) | (348,462) |
| Net increase (decrease) in cash and cash equivalents | 117,164 | (303,771) | 436,051 |
| Cash and cash equivalents: | | | |
| Beginning of year | 709,348 | 1,013,119 | 577,068 |
| End of year | \$ 826,512 | \$ 709,348 | \$ 1,013,119 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid, net during the year for income taxes | \$ 217,140 | \$ 21,650 | \$ 202,280 |
| Noncash financing and investing activities: | | | |
| Accounts payable related to property, plant and equipment purchases | \$ 6,894 | \$ 15,712 | \$ 20,992 |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

Maxim Integrated Products, Inc. (“Maxim,” the “Company,” “we,” “us” or “our”), incorporated in Delaware, 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 customers in diverse geographical locations. The Company also provides a range of high-frequency process technologies and capabilities for use in custom designs. The analog market is fragmented and characterized by diverse applications, a great number of product variations and, with respect to many circuit types, relatively long product life cycles. Maxim is a global company with manufacturing facilities in the United States, testing facilities in the Philippines and Thailand, and sales and circuit design offices throughout the world. Integrated circuit assembly is performed by foreign assembly subcontractors, located in the Philippines, Malaysia, Thailand, China, Taiwan, Singapore, South Korea and Japan, where wafers are separated into individual integrated circuits and assembled into a variety of packages. The major end-markets the Company’s products are sold in are the communications, computing, consumer and industrial markets.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The Company has a 52-to-53-week fiscal year that ends on the last Saturday of June. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Fiscal years 2010, 2009 and 2008 were 52-week fiscal years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to the useful lives and fair value of fixed assets, valuation allowance for deferred tax assets, reserves relating to uncertain tax positions, allowances for doubtful accounts, customer returns and allowances, inventory valuation, reserves relating to litigation matters, accrued liabilities and reserves and assumptions related to the calculation of stock-based compensation. The Company bases its estimates and judgments on its historical experience, knowledge of current conditions and its beliefs of what could occur in the future, given available information. Actual results may differ from those estimates, and such differences may be material to the financial statements.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The condition for control of entities is the ownership of a majority voting interest and ability to otherwise exercise control over the entity.

Reclassifications

Certain prior-year amounts in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements have been reclassified to conform to the current period’s presentation.

The reclassifications included the following:

- The reclassification of intangible asset amortization expense items from research and development and selling, general and administrative expenses into intangible asset amortization, a separate line within

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

operating expenses. These costs include expenses associated with acquisition related intangible amortization expenses including intellectual property, customer relationships, tradename, and backlog.

The impact of the reclassifications for the years ended June 27, 2009 and June 28, 2008 were as follows:

| | Year Ended | | Year Ended | | | |
|--|--------------------------------|-------------|----------------------------|--------------------------------|-------------|----------------------------|
| | June 27, 2009 (as reported) | Adjustments | June 27, 2009 (revised) | June 28, 2008 (as reported) | Adjustments | June 28, 2008 (revised) |
| | (Amounts in thousands) | | | | | |
| Operating Expenses | | | | | | |
| Research and development | 521,628 | (1,400) | 520,228 | 580,669 | (1,400) | 579,269 |
| Selling, general and administrative | 203,770 | (4,619) | 199,151 | 165,568 | (1,482) | 164,086 |
| Intangible asset amortization | — | 6,019 | 6,019 | — | 2,882 | 2,882 |
| In process research & development | 3,900 | — | 3,900 | — | — | — |
| Impairment of long-lived assets | 51,112 | — | 51,112 | — | — | — |
| Severance and restructuring expenses | 28,124 | — | 28,124 | 13,676 | — | 13,676 |
| Other operating expenses, net | 22,965 | — | 22,965 | 62,734 | — | 62,734 |
| Total operating expenses | <u>\$831,499</u> | <u>\$ —</u> | <u>\$831,499</u> | <u>\$822,647</u> | <u>\$ —</u> | <u>\$822,647</u> |

Cash Equivalents and Short-term Investments

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents consist of demand accounts, government securities, and money market funds. Short-term investments consist primarily of U.S. Treasury and Federal Agency debt securities with original maturities beyond three months at the date of purchase.

The Company's cash equivalents and short-term investments are considered available-for-sale. Such securities are carried at fair market value based on market quotes. Unrealized gains and losses, net of tax, on securities in this category are reported as a separate component of stockholders' equity. Realized gains and losses on sales of investment securities are determined based on the specific identification method and are included in "Interest income and other, net" in the Consolidated Statements of Income.

Derivative Instruments

The Company generates revenues outside the United States based on orders obtained in various non-U.S. currencies, primarily the Japanese Yen, the British Pound and the Euro. The Company incurs expenditures denominated in Philippine Pesos and Thailand Baht associated with its end of line manufacturing activities in the Philippines and Thailand, respectively. The Company is exposed to fluctuations in foreign currency exchange rates primarily on orders and accounts receivable from sales in these foreign currencies and cash flows for expenditures in the foreign currencies. The Company has established risk management strategies designed to

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

reduce the impact of reductions in value and volatility of future cash flows caused by changes in the exchange rates for these currencies. These strategies reduce, but do not entirely eliminate, the impact of currency exchange movements.

Currency forward contracts are used to offset the currency risk of non-U.S. dollar-denominated assets and liabilities. The Company typically enters into currency forward contracts quarterly to hedge exposures associated with its expenditures denominated in Philippine Pesos and Thailand Baht. The Company enters into contracts each quarter for its accounts receivable and backlog denominated in Japanese Yen, British Pound and Euro. Changes in fair value of the underlying assets and liabilities are generally offset by the changes in fair value of the related currency forward contract.

The Company uses currency forward contracts to hedge exposure to variability in anticipated non-U.S. dollar denominated cash flows. These contracts are designated as cash flow hedges and recorded on the Consolidated Balance Sheets at their fair market value. The maturities of these instruments are generally less than 6 months. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments that are not designated as hedging instruments gains and losses are recognized in “interest income and other, net” in the Consolidated Statements of Income.

Fair Value of Financial Instruments

The Company’s financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable and other current and noncurrent liabilities. The fair value of the Company’s financial instruments approximate carrying values due to their short-term nature.

Inventories

Inventories are stated at the lower of (i) standard cost, which approximates actual cost on a first-in-first-out basis, or (ii) market value. Because of the cyclical nature of the market, inventory levels, obsolescence of technology, and product life cycles, the Company generally writes down inventories to net realizable value based on 12 months forecasted product demand.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is primarily computed on the straight-line method over the estimated useful lives of the assets, which range from 2 to 15 years for machinery and equipment and up to 40 years for buildings and building improvements. Leasehold improvements are amortized over the lesser of their useful lives or the remaining term of the related lease. When assets are retired or otherwise disposed of, the cost and accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in operating expense in the Consolidated Statements of Income in the period recognized.

The Company evaluates the recoverability of property, plant and equipment in accordance with Accounting Standards Codification (“ASC”) No. 360, *Accounting for the Property, Plant, and Equipment*. (“ASC No. 360”). The Company performs periodic reviews to determine whether facts and circumstances exist that would indicate that the carrying amounts of property, plant and equipment exceeds their fair values. If facts and circumstances indicate that the carrying amount of property, plant and equipment might not be fully recoverable, projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

useful lives are compared against their respective carrying amounts. In the event that the projected undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values. All long-lived assets to be disposed of are reported at the lower of carrying amount or fair market value, less expected selling costs.

Intangible Assets and Goodwill

The Company accounts for intangible assets, in accordance with ASC No. 360, which requires impairment losses to be recorded on intangible assets used in operations when indicators of impairment, such as reductions in demand or significant economic slowdowns in the semiconductor industry, are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate consistent with the guidance provided in FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*. Impairment is based on the excess of the carrying amount over the fair value of those assets.

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. In accordance with ASC No. 350, *Intangibles-Goodwill and Other*, ("ASC 350"), the Company tests goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the first quarter or more frequently if the Company believes indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of the Company's reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. No impairment charges were recorded associated with our goodwill and intangible assets during fiscal years 2010, 2009, and 2008, respectively.

Product Warranty

The Company warrants its products to its customers generally for one year from the date of shipment, but in certain cases for longer periods. In certain other cases, the Company's product warranty may include significant financial responsibility beyond the cost of replacing the product. If there is a material increase in the rate of customer claims or the Company's estimates of probable losses relating to specifically identified warranty exposures are inaccurate, the Company may record a charge against future cost of sales. Warranty expense has historically been immaterial to the Company's financial statements.

Self-Insurance Accruals

The Company is self-insured with respect to defective product claims, employment practice claims, property and casualty and general liability. The Company's workers' compensation insurance has a \$1.0 million deductible per case. Accruals are primarily based on the estimated, undiscounted cost of claims, which includes incurred-but-not-reported claims. Amounts accrued for defective product claims, employment practice claims, workers' compensation claims, property and casualty and general liability of \$4.4 million and \$5.5 million are included in accrued expenses as of June 26, 2010 and June 27, 2009, respectively.

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In addition to the above, the Company is primarily self-insured with respect to healthcare benefits for most of its domestic employees. Accruals are primarily based on estimated incurred-but-not-reported claims. Amounts accrued for employee healthcare claims of \$5.6 million and \$4.5 million are included in accrued salary and related expenses as of June 26, 2010 and June 27, 2009, respectively.

Retirement Benefits

The Company periodically provides medical benefits to former employees pursuant to retirement agreements and other post-employment arrangements. The Company accounts for medical benefits to individuals pursuant to a documented plan under ASC No. 715, *Compensation — Retirement Benefits*, while one-off employment arrangements are treated as post-employment benefits recognized when the liability is incurred and the amount is estimable under ASC No. 712, *Compensation — Nonretirement Postemployment Benefits, an amendment of ASC No. 715* (“ASC 712”).

Income Taxes

The Company accounts for income taxes using an asset and liability approach as prescribed in ASC 740, *Income Taxes*. The Company records the amount of taxes payable or refundable for the current and prior years and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company’s financial statements or tax returns. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

ASC 740-10 prescribes a recognition threshold and measurement framework for the financial statement reporting and disclosure of an income tax position taken or expected to be taken on a tax return. Under ASC 740-10, a tax position is recognized in the financial statements when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals or litigation processes. A tax position that meets the recognition threshold is then measured to determine the largest amount of the benefit that has a greater than 50% likelihood of being realized upon settlement.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws across multiple tax jurisdictions. Although ASC 740-10 provides clarification on the accounting for uncertainty in income taxes recognized in the financial statements, the threshold and measurement attributes will continue to require significant judgment by management. Resolution of these uncertainties in a manner inconsistent with the Company’s expectations could have a material impact on the Company’s results of operations.

Revenue Recognition

The Company recognizes revenue for sales to direct customers and sales to distributors upon shipment, provided that persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title and risk of loss has transferred, collectability of the resulting receivable is reasonably assured, there are no customer acceptance requirements and we do not have any significant post-shipment obligations. The Company estimates returns for sales to direct customers and international distributors based on historical returns rates applied against current period gross revenues. Specific customer returns and allowances are considered within this estimate.

Sales to certain distributors are made pursuant to agreements allowing for the possibility of certain sales price rebates and for non-warranty product return privileges. The non-warranty product return privileges include allowing certain U.S. distributors to return a small portion of our products in their inventory based on their previous 90 days of purchases. Given the uncertainties associated with the levels of non-warranty product returns

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

and sales price rebates that could be issued to U.S. distributors, the Company defers recognition of such revenue and related cost of goods sold until the product is sold by the U.S. distributors to their end-customers. Accounts receivable from direct customers, domestic distributors and international distributors are recognized and inventory is relieved upon shipment as title to inventories generally transfers upon shipment at which point the Company has a legally enforceable right to collection under normal terms. Accounts receivable related to consigned inventory is recognized when the customer takes title of such inventory from its consigned location at which point inventory is relieved, title transfers, and the Company has a legally enforceable right to collection under the terms of our agreement with the related customers.

The Company estimates potential future returns and sales allowances related to current period product revenue. Management analyzes historical returns, changes in customer demand and acceptance of products when evaluating the adequacy of returns and sales allowances. Estimates made by the Company may differ from actual returns and sales allowances. These differences may materially impact reported revenue and amounts ultimately collected on accounts receivable. Historically, such differences have not been material. At June 26, 2010 and June 27, 2009, the Company had \$15.0 million and \$10.3 million reserved for returns and allowances, respectively. During fiscal years 2010 and 2009, the Company recorded \$67.5 million and \$45.2 million for estimated returns and allowances against revenues, respectively. These amounts were offset by \$62.8 million and \$46.9 million actual returns and allowances given during fiscal years 2010 and 2009, respectively.

Research and Development Costs

Research and development costs are expensed as incurred. Such costs consist of expenditures for labor and benefits, masks, prototype wafers and depreciation.

Advertising

Advertising costs are expensed as incurred and included in selling, general and administrative expenses in the Consolidated Statements of Income. Advertising expenses were immaterial in fiscal years 2010, 2009, and 2008, respectively.

Shipping Costs

Shipping costs billed to customers are included in net revenues and the related shipping costs are included in cost of goods sold.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date, based on the fair value of the awards ultimately expected to vest and is recognized as an expense, on a straight-line basis, over the requisite service period. The Company uses the Black-Scholes valuation model to measure the fair value of its stock-based awards utilizing various assumptions with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield.

ASC 718 also requires forfeitures to be estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures or vesting differ from those estimates. Such revisions could have a material effect on the Company's operating results. The assumptions the Company uses in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation for future awards may differ materially compared to the awards granted previously.

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Restructuring

Post-employment benefits accrued for workforce reductions related to restructuring activities in the United States are accounted for under ASC 712. A liability for post-employment benefits is recorded when payment is probable, the amount is reasonably estimable, and the obligation relates to rights that have vested or accumulated. In accordance with ASC No. 420, *Exit or Disposal Cost Obligations* (“ASC 420”), generally costs associated with restructuring activities initiated outside the United States have been recognized when they are incurred.

The Company continually evaluates the adequacy of the remaining liabilities under its restructuring initiatives. Although the Company believes that these estimates accurately reflect the costs of its restructuring plans, actual results may differ, thereby requiring the Company to record additional provisions or reverse a portion of such provisions.

Foreign Currency Translation and Remeasurement

The U.S. dollar is the functional currency for the Company’s foreign operations. Using the U.S. dollar as the functional currency, monetary assets and liabilities are remeasured at the year-end exchange rates. Certain non-monetary assets and liabilities are remeasured using historical rates. Statements of Income are remeasured at the average exchange rates during the year.

Earnings Per Share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the potentially dilutive incremental shares issuable upon the assumed exercise of stock options, the assumed vesting of outstanding restricted stock units, and the assumed issuance of common stock under the stock purchase plan. The number of incremental shares from the assumed issuance of stock options is calculated applying the treasury stock method. See Note 7 “Earnings Per Share” of these Notes to the Consolidated Financial Statements.

Litigation and Contingencies

From time to time, the Company receives notices that its products or manufacturing processes may be infringing the patent or intellectual property rights of others, notices of stockholder litigation or other lawsuits or claims against the Company. The Company periodically assesses each matter in order to determine if a contingent liability in accordance with ASC 450, should be recorded. In making this determination, management may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. The Company expenses legal fees associated with consultations and defense of lawsuits as incurred. Based on the information obtained combined with management’s judgment regarding all the facts and circumstances of each matter, the Company determines whether a contingent loss is probable and whether the amount of such loss can be estimated. Should a loss be probable and estimable, the Company records a contingent loss in accordance with ASC 450. In determining the amount of a contingent loss, the Company takes into consideration advice received from experts in the specific matter, current status of legal proceedings, settlement negotiations which may be ongoing, prior case history and other factors. Should the judgments and estimates made by management be incorrect, the Company may need to record additional contingent losses that could materially adversely impact its results of operations. Alternatively, if the judgments and estimates made by management are incorrect and a particular contingent loss does not occur, the contingent loss recorded would be reversed thereby favorably impacting the Company’s results of operations.

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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 and director of internal audit. Pursuant to such obligations, the Company has incurred substantial expenses related to legal fees and expenses to certain former officers of the Company who are subject to pending civil charges by the SEC and other governmental agencies in connection with Maxim's historical stock option granting practices. The Company has also incurred substantial expenses related to legal fees and expenses advanced to certain current and former officers and directors who are defendants in the civil actions described above. The Company expenses such amounts as incurred. During fiscal year 2010, the Company incurred a \$173.0 million charge in connection with an agreement to settle the class action complaint and on July 23, 2010, this amount was paid into an escrow fund in accordance with the terms of the settlement.

Concentration of Credit Risk

Due to the Company's credit evaluation and collection process, bad debt expenses have not been significant. Credit risk with respect to trade receivables is limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the credit risk. The Company's primary distributor, Avnet Electronics, accounted for approximately 12% of net revenues in fiscal year 2010, and 10% of accounts receivable as of June 26, 2010; 12% of net revenues in fiscal year 2009, and less than 10% of accounts receivable as of June 27, 2009. Distributors are not end customers, but rather serve as a channel of sale to many end users of the Company's products. Samsung accounted for approximately 12% of net revenues in fiscal year 2010, and 13% of accounts receivable as of June 26, 2010. No other single customer accounted for more than 10% of revenue, and no other single customer accounted for more than 10% of accounts receivable, in fiscal years 2010, 2009 and 2008.

The Company maintains cash, cash equivalents, and short-term investments with various high credit quality financial institutions, limits the amount of credit exposure to any one financial institution or instrument, and is exposed to credit risk in the event of default by these institutions to the extent of amounts recorded at the balance sheet date. To date, the Company has not incurred losses related to these investments.

Concentration of Other Risks

The semiconductor industry is characterized by rapid technological change, competitive pricing pressures, and cyclical market patterns. The Company's results of operations are affected by a wide variety of factors, including general economic conditions, both in the United States and abroad; economic conditions specific to the semiconductor industry and to the analog and mixed signal portion of that industry; demand for the Company's products; the timely introduction of new products; implementation of new manufacturing technologies; manufacturing capacity; the ability to manufacture efficiently; the availability of materials, supplies, machinery and equipment; competition; the ability to safeguard patents and intellectual property in a rapidly evolving market; and reliance on assembly and, to a small extent, wafer fabrication subcontractors and on independent distributors and sales representatives. As a result, the Company may experience substantial period-to-period fluctuations in future operating results due to the factors mentioned above or other factors.

Recently Issued Accounting Pronouncements

In April 2010, the FASB issued FASB Accounting Standards Update (ASU) No. 2010-17, "Revenue Recognition (Topic 605) — Milestone Method of Revenue Recognition — a consensus of the FASB Emerging Issues Task Force." This ASU provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. This

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ASU will be effective on a prospective basis for milestones achieved beginning in our second quarter of fiscal 2011. The Company does not expect the adoption of this ASU to have a significant effect on its consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, “*Fair Value Measurements and Disclosures (Topic 820) — Improving Disclosures about Fair Value Measurements*” (“ASU 2010-06”). ASU 2010-06 requires new disclosures regarding significant transfers in and out of Levels 1 and 2, as well as information about activity in Level 3 fair value measurements, including presenting information about purchases, sales, issuances and settlements on a gross versus a net basis in the Level 3 activity roll forward. In addition, ASU 2010-06 clarifies existing disclosures regarding input and valuation techniques, as well as the level of disaggregation for each class of assets and liabilities. ASU No. 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures pertaining to purchases, sales, issuances and settlements in the roll forward of Level 3 activity; those disclosures are effective for interim and annual periods beginning after December 15, 2010. The adoption of ASU 2010-06 had no current impact and is expected to have no subsequent impact on the Company’s consolidated financial position, results of operations or cash flows.

During the first quarter of fiscal year 2010, the Company adopted three related sets of accounting guidance as issued by the FASB. The accounting guidance sets forth (i) rules related to the determination of the fair value of financial assets and financial liabilities when the activity levels have significantly decreased in relation to the normal market, (ii) guidance that would include the intent and ability of the holder as an indicator in the determination of whether an other-than-temporary impairment exists and (iii) interim disclosure requirements for the fair value of financial instruments. The adoption of the three sets of accounting guidance did not have a material impact on the Company’s consolidated financial statements.

During the first quarter of fiscal year 2010, the Company adopted new accounting guidance for the determination of the useful life of intangible assets as issued by the FASB. The new guidance amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The new guidance also requires expanded disclosure regarding the determination of intangible asset useful lives. The adoption of this accounting guidance did not have a material impact on the Company’s consolidated financial statements.

During the first quarter of fiscal year 2010, the Company adopted the new Accounting Standards Codification (ASC) as issued by the FASB. The ASC has become the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. The ASC is not intended to change or alter existing GAAP. The adoption of the ASC did not have a material impact on the Company’s consolidated financial statements.

NOTE 3: BALANCE SHEET COMPONENTS

The components of inventories consist of:

| | June 26, 2010 | June 27, 2009 |
|-----------------------|------------------|------------------|
| | (In thousands) | |
| Inventory: | | |
| Raw materials | \$ 16,747 | \$ 14,235 |
| Work-in-process | 140,497 | 166,970 |
| Finished goods | 48,796 | 36,642 |
| | <u>\$206,040</u> | <u>\$217,847</u> |

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

Property, plant and equipment, net consist of:

| | June 26, 2010 | June 27, 2009 |
|---|--------------------|--------------------|
| | (In thousands) | |
| Property and equipment: | | |
| Land | \$ 87,237 | \$ 87,237 |
| Buildings and building improvements | 341,734 | 381,828 |
| Machinery and equipment | 1,872,349 | 1,843,781 |
| | 2,301,320 | 2,312,846 |
| Less accumulated depreciation | (976,884) | (946,794) |
| | <u>\$1,324,436</u> | <u>\$1,366,052</u> |

The Company recorded \$146.1 million, \$191.1 million and \$155.2 million of depreciation expense in fiscal years 2010, 2009 and 2008, respectively.

NOTE 4: FAIR VALUE MEASUREMENTS

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

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

The Company's Level 1 assets and liabilities consist of money market funds and U.S. Treasury securities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. The company uses observable market prices for comparable instruments to value its derivative instruments.

The Company's Level 2 assets and liabilities consist of bank certificates of deposit and foreign currency forward contracts and long-term debt.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company has no liabilities utilizing Level 3 inputs.

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Assets and liabilities measured at fair value on a recurring basis as of June 26, 2010 were as follows:

| | <u>Balance as of June 26, 2010</u> | <u>Fair Value Measurements Using</u> | | |
|--|--|--|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Instruments (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| | | (in thousands) | | |
| Assets: | | | | |
| Money market funds (1) | \$637,355 | \$634,358 | \$ 2,997 | \$— |
| Foreign currency derivative contracts, net | (833) | — | (833) | — |
| Total assets measured at fair value | <u>\$636,522</u> | <u>\$634,358</u> | <u>\$ 2,164</u> | <u>\$—</u> |
| Liabilities: | | | | |
| Long-term debt | \$300,000 | \$ — | \$300,000 | \$— |
| Total liabilities measured at fair value | <u>\$300,000</u> | <u>\$ —</u> | <u>\$300,000</u> | <u>\$—</u> |

Assets and liabilities measured at fair value on a recurring basis as of June 27, 2009 were as follows:

| | <u>Balance as of June 27, 2009</u> | <u>Fair Value Measurements Using</u> | | |
|--|--|--|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Instruments (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| | | (in thousands) | | |
| Assets: | | | | |
| Money market funds (1) | \$683,115 | \$680,997 | \$2,118 | \$— |
| Certificate of Deposits (1) | 204,614 | 204,614 | — | — |
| Foreign currency derivative contracts, net | (480) | — | (480) | — |
| Total assets measured at fair value | <u>\$887,249</u> | <u>\$885,611</u> | <u>\$1,638</u> | <u>\$—</u> |

(1) Included in cash and cash equivalents in the accompanying Consolidated Balance Sheets as of June 27, 2009

Assets and liabilities measured at fair value on a non-recurring basis as of June 26, 2010 were as follows:

| | <u>Balance as of June 26, 2010</u> | <u>Fair Value Measurements Using</u> | | |
|---|--|--|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Instruments (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| | | (in thousands) | | |
| Assets: | | | | |
| Assets Held for Sale (1) | \$3,499 | \$— | \$— | \$3,499 |
| Total assets measured at fair value | <u>\$3,499</u> | <u>\$—</u> | <u>\$—</u> | <u>\$3,499</u> |

(1) Included in Other Assets in the accompanying Condensed Consolidated Balance Sheets as of June 26, 2010

MAXIM INTEGRATED PRODUCTS, INC.
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Assets and liabilities measured at fair value on a non-recurring basis as of June 27, 2009 were as follows:

| | <u>Balance as of June 27, 2009</u> | <u>Fair Value Measurements Using</u> | | |
|---|--|--|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Instruments (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| | | <u>(in thousands)</u> | | |
| Assets: | | | | |
| Assets Held for Sale (1) | \$3,613 | \$— | \$— | \$3,613 |
| Total assets measured at fair value | <u>\$3,613</u> | <u>\$—</u> | <u>\$—</u> | <u>\$3,613</u> |

(1) Included in Other Assets in the accompanying Condensed Consolidated Balance Sheets as of June 27, 2009

The impairment losses recorded for the year ending June 26, 2010 and June 27, 2009 were as follows:

| | <u>Total Losses for</u> | |
|---|-------------------------------------|-------------------------------------|
| | <u>Year Ended June 26, 2010</u> | <u>Year Ended June 27, 2009</u> |
| | <u>(in thousands)</u> | |
| Impairment of long-lived assets designated as held for sale during the period | <u>\$(8,291)</u> | <u>\$(51,112)</u> |
| Total losses recorded for non-recurring measurements | <u>\$(8,291)</u> | <u>\$(51,112)</u> |

The Company's non-financial assets were measured and recorded at fair value during fiscal year 2010 and fiscal year 2009 due to previously disclosed events and circumstances, that indicated that the carrying value of the assets or the asset grouping was not recoverable and the Company's decision to hold these assets for sale, resulting in other-than-temporary impairment charges. Most of these asset impairments relate to fab and obsolete test equipment.

NOTE 5: DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash and cash equivalents and the 3.45% fixed rate senior long-term debt issued in June 2010 (See Note 19: Long-Term Debt). The Company does not use derivative financial instruments to hedge the risk of interest rate volatility. At June 26, 2010, the Company maintained a significant portfolio of money market fund investments, which are included in cash and cash equivalents. These money market funds are all available on a daily basis.

Debt Risk

In June 2010, the Company issued \$300 million in senior, unsecured debt due in 2013 with an effective interest rate of 3.49% (See Note 19: Long-Term Debt). The debt indenture includes covenants that limit the Company's ability to grant liens on its facilities and to enter into sale and leaseback transactions, which could limit the Company's ability to raise secure debt funding in the future, if needed. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the Company's notes, the Company would be required to make an offer to repurchase these notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest. The Company's ability to repurchase the notes in such events may be limited by the Company's then-available financial resources or by the terms of other agreements to which

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the Company is a party. Although the Company currently has the funds necessary to retire this debt, funds might not be available to repay the notes when they come due in the future.

If the Company fails to pay interest when due, or to repay the notes when due or materially breaches other loan covenants, it would constitute an event of default under the indenture governing the notes which, in turn, may also constitute an event of default under other obligations of the Company. Any event of default under the indenture or other obligations of the Company and any additional obligations and restrictions imposed as a result thereof could negatively impact its financial results.

Foreign Currency Risk

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

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

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

The outstanding notional amounts of hedge contracts, with maximum maturity of 3 months, were as follows for June 26, 2010 and June 27, 2009:

| | <u>June 26, 2010</u> | <u>June 27, 2009</u> |
|--|--------------------------|--------------------------|
| | (in thousands) | |
| Cash flow hedge contracts | | |
| Purchase | \$ 3,693 | \$ — |
| Sell | (16,392) | — |
| Other foreign currency hedge contracts | | |
| Purchase | 7,287 | 29,609 |
| Sell | (24,994) | (47,726) |
| Net | <u>\$(30,406)</u> | <u>\$(18,117)</u> |

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The location and fair value amounts of the Company's derivative instruments reported in its Consolidated Balance Sheet as of June 26, 2010 and June 27, 2009 were as follows:

| | | Fair Value of Derivatives Instrument | |
|---|--------------------------|---|----------------------|
| | | Fair Value | Fair Value |
| | | June 26, 2010 | June 27, 2009 |
| | | (in thousands) | |
| | | Balance Sheet Location | |
| Derivatives designated as hedging instruments | Accounts receivable, net | \$(235) | \$ — |
| Derivatives not designated as hedging instruments | Accounts receivable, net | (598) | (480) |
| Total derivatives | Accounts receivable, net | <u>\$(833)</u> | <u>\$(480)</u> |

Derivatives designated as hedging instruments

The designated derivative instruments' had no recognized gains and losses in the Consolidated Statement of Income for the fiscal year ended June 26, 2010 and June 27, 2009.

The following table provides the balances and changes in the accumulated other comprehensive income (loss) related to derivative instruments for the fiscal year ended June 26, 2010.

| | Year ended | Year ended |
|---|-----------------------|----------------------|
| | June 26, 2010 | June 27, 2009 |
| | (in thousands) | |
| Beginning balance | \$ — | \$— |
| Amount reclassified to income | — | — |
| Net change-current year other comprehensive income (loss) | (235) | — |
| Ending balance | <u>\$(235)</u> | <u>\$—</u> |

The locations and amounts of non-designated derivative instruments' gains and losses in the Consolidated Statements of Income for the fiscal year ended June 26, 2010 are as follows:

| Derivatives Not Designated as Hedging Instruments Under ASC 815 | Location of Gain (Loss) Recognized in Income on Derivative | Amount of Gain or (Loss) Recognized in Income on Derivative | | |
|--|---|--|----------------------|----------------------|
| | | Year Ended | Year Ended | Year Ended |
| | | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| | | (in thousands) | | |
| Foreign exchange contracts | Interest income and Other, net | \$1,444 | \$(2,120) | \$1,548 |
| Total | | <u>\$1,444</u> | <u>\$(2,120)</u> | <u>\$1,548</u> |

MAXIM INTEGRATED PRODUCTS, INC.

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Volume of Derivative Activity

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

| <u>In United States Dollars</u> | <u>June 26, 2010</u> | <u>June 27, 2009</u> |
|---------------------------------|--------------------------|--------------------------|
| | (in thousands) | |
| Euro | \$(17,874) | \$ (9,303) |
| Japanese Yen | (17,923) | (16,660) |
| British Pound | (3,512) | 1,143 |
| Other | 8,903 | 6,703 |
| Total | <u>\$(30,406)</u> | <u>\$(18,117)</u> |

NOTE 6: STOCK-BASED COMPENSATION

At June 26, 2010, the Company had five stock option plans and one employee stock purchase plan, including the Company's 1996 Stock Incentive Plan (the "1996 Plan"), 1993 Officer and Director Stock Option Plan, 1987 Stock Option Plan, 1987 Supplemental Stock Option Plan, 2008 Employee Stock Purchase Plan ("2008 ESPP") and Supplemental Non-employee Stock Option Plan.

The following tables present stock-based compensation expense by type of award and resulting tax effect included in the Consolidated Statements of Income for fiscal year 2010, 2009, and 2008:

| | <u>For the Year Ended</u> | | |
|---|---------------------------|--------------------------|--------------------------|
| | <u>June 26, 2010</u> | <u>June 27, 2009</u> | <u>June 28, 2008</u> |
| | (in thousands) | | |
| Cost of goods sold | | | |
| Stock options | \$ 3,330 | \$ 33,380 | \$ 28,550 |
| Restricted stock units | 10,825 | 23,350 | 17,440 |
| Employee stock purchase plan | 1,065 | 370 | — |
| | <u>15,220</u> | <u>57,100</u> | <u>45,990</u> |
| Research and development expense | | | |
| Stock options | 15,085 | 38,237 | 69,159 |
| Restricted stock units | 33,834 | 61,151 | 40,752 |
| Employee stock purchase plan | 5,146 | 1,442 | — |
| | <u>54,065</u> | <u>100,830</u> | <u>109,911</u> |
| Selling, general and administrative expense | | | |
| Stock options | 8,130 | 21,390 | 22,141 |
| Restricted stock units | 15,056 | 16,665 | 11,678 |
| Employee stock purchase plan | 1,054 | 123 | — |
| | <u>24,240</u> | <u>38,178</u> | <u>33,819</u> |
| Total stock-based compensation expense | | | |
| Stock options | 26,545 | 93,007 | 119,850 |
| Restricted stock units | 59,715 | 101,166 | 69,870 |
| Employee stock purchase plan | 7,265 | 1,935 | — |
| Pre-tax stock-based compensation expense | 93,525 | 196,108 | 189,720 |
| Less: Income tax effect | 25,041 | 67,430 | 66,272 |
| Net stock-based compensation expense | <u>\$68,484</u> | <u>\$128,678</u> | <u>\$123,448</u> |

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Modifications and Settlements

Tender Offer

In November 2008, the Company offered to purchase from employees up to 52.8 million shares underlying certain outstanding stock options for cash payments for the total potential cash consideration of \$22.4 million. The amount of the cash payment was determined based on the Black-Scholes value of the eligible options utilizing the average stock price over the 20 trading days period preceding the date of the offer.

In December 2008, upon the closing of the offer, a total of 31.9 million shares underlying the eligible options had been tendered requiring the Company to remit an aggregate payment totaling \$13.6 million. The Company accounted for the offer as a settlement under ASC 718, which resulted in the recognition of \$75.9 million in stock-based compensation expenses consisting of \$8.7 million in additional expense from settlements above fair value and \$67.2 million associated with the unamortized compensation expense on the previously unvested tendered options. Settlement of the tendered options reduced deferred tax assets by \$129.4 million, generated a tax benefit of \$4.7 million, and resulted in a \$124.7 million charge to additional paid in capital for the difference between the deferred tax assets and tax benefits associated with the tendered options.

The \$75.9 million expense recognized in connection with the tender offer in the second quarter of fiscal year 2009 included the final true-up for 31.9 million tendered options, therefore, the Company also recorded in the same period a reversal of stock based compensation of \$52.2 million related to the true-up for previously forfeited options.

Officer Option Repurchase

In December 2008, the Company repurchased 6.2 million outstanding stock options from officers for \$1.8 million payable in installments over the greater of two years or the remaining vesting period associated with the options prior to their repurchase. The Company accounted for the repurchase as a modification under ASC 718 resulting in incremental compensation of \$1.1 million which will be recognized over the payment period.

2009 Goodwill Program

In January 2009, the Company approved a program ("Goodwill Program") wherein non-officer employees holding options that were outstanding as of November 1, 2008 and which reached or will reach 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"). Payments exceeding \$5,000 would be settled in restricted stock units that vest over three quarters and are contingent upon continued employment, while amounts below \$5,000 would be settled in cash in a lump sum payment. The program was extended to officers in May 2009 except that payments exceeding \$5,000 to officers were settled in restricted stock units 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 restricted stock units under the Goodwill Program, which contain market and service conditions, are accounted for under the provisions of ASC 718. The Company recognized \$5.4 million, and \$8.5 million in stock based compensation expense related to this program during fiscal year 2010 and fiscal year 2009, respectively.

Share-Based Compensation and Other Adjustments resulting from the Blackout Period

On September 8, 2006, the SEC was notified that the Company would delay filing its Annual Report on Form 10K for the fiscal year ended June 24, 2006 as a result of the ongoing investigation into the Company's historical stock option granting practices. As a result of such delay, the Company suspended the issuance of

MAXIM INTEGRATED PRODUCTS, INC.

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shares upon exercise of stock options, vesting of RSUs and purchases of stock under the 1987 Employee Stock Participation Plan, as amended (“1987 ESPP”) until the Company became current with all of its required SEC filings and its registration statements on Form S-8 became effective (“Blackout Period”). The Company instituted multiple programs in an attempt to compensate employees during the Blackout Period, as described below. The Company became current in its SEC filings, and its registration statements on Form S-8 became effective on September 30, 2008.

RSU Loan Program

In October 2006, the Company offered certain domestic employees an opportunity to receive cash in the form of a non-recourse loan (“RSU Loan”) for common stock that they would have otherwise been able to receive in settlement for RSUs that vested during the Blackout Period. The program was not offered to executive officers or members of the Company’s Board of Directors. Employees accepting the offer were also entitled to additional shares of common stock if the Company’s stock price appreciated between the vesting date and the settlement date at the end of the Blackout Period. Employees foregoing the loan received shares of common stock at the conclusion of the Blackout Period. The Company also offered to cash-settle RSUs vesting during the Blackout Period held by foreign employees. The aforementioned loan offers were considered modifications of the RSUs triggering a change in the classification from equity to liability for all eligible awards vesting during the Blackout Period. The Company recorded a reclassification from additional paid-in-capital to accrued salary and related expenses of \$19.4 million on the modification date and incremental compensation expense of \$2.2 million from the modifications. Vesting of eligible awards and changes in stock price resulted in additional reclassifications from additional paid-in-capital to accrued salary and related expenses and additional compensation expenses in periods in which they occurred. The Company recorded \$6.8 million and \$50.2 million in stock based compensation expense in fiscal year 2009, and 2008, respectively. During fiscal years 2009 and 2008, the Company made cash payments of \$35.6 million and \$25.3 million pursuant to the RSU Loan program and \$1.9 million and \$4.3 million to cash-settle restricted stock units held by employees located outside the United States.

Extension of Options that Would Have Expired after Reaching 10-Year Contractual Term and Cash-Settlements of Expired Options

In September 2006, the Company approved the extension of the terms of vested stock options that would have expired during the Blackout Period as a result of the expiration of the 10-year contractual term. The extension was considered a modification under ASC 718. The incremental compensation expense of the modification was equal to the fair value of the option at the modification date after the extension compared to the fair value of the option prior to modification. The Company recognized additional compensation expense totaling \$118.9 million for 8.3 million options in the three months ended September 23, 2006. The stock-based compensation expense adjustment was based on modified vested options held by employees that expired during the period from September 22, 2006 through the end of the Blackout Period.

In September 2007, as a result of changes in NASDAQ regulations, the Company decided to cash-settle all options expiring during the Blackout Period (“goodwill payment”) based on the price at which 10% of the daily close prices of the Company’s common stock fall above this price for trading days from August 7, 2006 (the date on which the Company initiated a trading suspension on officers and other individuals) through the expiration date of the option. The cash payment is subject to the option holder executing a release of all claims relating to the option. The goodwill payment modification changed the classification of the associated awards from equity to liability instruments. The modification resulted in a reclassification from additional paid-in capital to accrued salary and related expenses of \$126.8 million and incremental compensation expenses of \$27.5 million. At the end of each period, the Company recognized changes in fair value of the options in its Consolidated Statements of Operations in the period of change until the options were settled.

MAXIM INTEGRATED PRODUCTS, INC.

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On September 26, 2008, the Company offered certain employees, including certain officers of the Company, holding vested stock options that expired due to reaching their maximum 10-year terms in October 2008, certain cash goodwill payments contingent upon employee acceptance and signing of a release of claims related to the option. The Company cash-settled options to purchase 1.1 million option shares that expired in October 2008, with employees that accepted the offer. The cash-settlement resulted in a reduction of additional paid-in-capital of \$0.3 million for the fair value of the underlying options on the settlement dates and incremental compensation expense of \$4.3 million during the year ended June 27, 2009.

Fair Value

The fair value of share-based awards granted to employees under the Company's 1996 Plan and 2008 ESPP is estimated on the date of grant using the Black-Scholes option valuation model. Expected volatilities are based on the implied volatilities from traded options of the Company's common stock before the Company's common stock was delisted from NASDAQ on October 2, 2007. Subsequent to the Company's delisting, the Company began analyzing its expected volatilities based on historical volatilities from its traded common stock over a period equal to the expected term. The Company analyzed historical exercise patterns of relatively homogeneous groups of employees to estimate the expected holding period for options granted through December 29, 2008. Subsequent to the end of the second quarter of 2009, the Company began utilizing the simplified method under Staff Accounting Bulletin No. 107, *Share-Based Payment*, to estimate expected holding periods. This change was attributable to the significant impact resulting from the completion of the tender offer and the Company reducing the contractual term associated with new option grants from ten years to seven years. 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. As required by ASC 718, the Company also estimates forfeitures at the time of grant and makes revisions if the estimates change or the actual forfeitures differ from those estimates.

The fair value of each award granted in fiscal years 2010, 2009 and 2008 has been estimated at the date of grant using the Black-Scholes option valuation model and the following weighted-average assumptions:

| | Stock Option Plan For the Year Ended | | |
|--|---|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| Expected holding period (in years) | 5.2 | 6.3 | 6.2 |
| Risk-free interest rate | 2.3% | 3.0% | 4.1% |
| Expected stock price volatility | 38% | 39% | 38% |
| Dividend yield | 4.5% | 4.1% | 2.9% |

| | ESP Plan For the Year Ended | | |
|--|--------------------------------|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| Expected holding period (in years) | 0.7 | 1.0 | n/a |
| Risk-free interest rate | 0.3% | 4.0% | n/a |
| Expected stock price volatility | 35% | 57% | n/a |
| Dividend yield | 4.4% | 6.1% | n/a |

The weighted-average fair value of stock options granted was \$4.23 and \$3.61 per share for fiscal year 2010 and fiscal year 2009, respectively. The weighted-average fair value of RSUs granted was \$16.20 and \$11.91 per share for fiscal year 2010 and fiscal year 2009, respectively.

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Stock Option Plans

1996 Stock Incentive Plan

The Company's 1996 Plan, which was previously approved by the Company's stockholders, permits the grant of up to 127.1 million shares. The 1996 Plan provides for the grant of stock options, restricted stock units and restricted stock. To date, the Company has only issued stock options and restricted stock units. Under the 1996 Plan, the exercise price for all stock options will not be less than the fair market value of the Company's common stock on the date of grant. Options granted under the 1996 Plan, as well as under the Company's other stock plans described above, generally vest over a period of up to five years and expire from five to ten years from the date of the grant or such shorter term as may be provided in the agreement.

At June 26, 2010, the Company had 15.8 million shares of its common stock available for issuance to employees and other option recipients under its 1996 Stock Incentive Plan, 1993 Officer and Director Stock Option Plan, 1987 Stock Option Plan, 1987 Supplemental Stock Option Plan, and Supplemental Non-employee Stock Option Plan. This includes the additional 6 million shares authorized by the Board in the second quarter of fiscal year 2010.

The following table summarizes stock options outstanding, exercisable and vested and expected to vest as of June 26, 2010:

| | Options | | Weighted Average Remaining Contractual Term (In Years) | Aggregate Intrinsic Value (1) |
|---|-------------------|------------------------------------|---|----------------------------------|
| | Number of Shares | Weighted Average Exercise Price | | |
| Balance at June 30, 2007 | 87,072,099 | \$34.01 | | |
| Options Granted | 1,603,047 | 26.41 | | |
| Options Exercised | — | 0.00 | | |
| Options Cancelled | (11,768,264) | 22.63 | | |
| Balance at June 28, 2008 | 76,906,882 | 35.59 | | |
| Options Granted | 8,309,163 | 13.06 | | |
| Options Exercised | (2,377) | 11.39 | | |
| Options Cancelled | (55,613,752) | 35.89 | | |
| Balance at June 27, 2009 | 29,599,916 | 28.83 | | |
| Options Granted | 3,671,459 | 18.08 | | |
| Options Exercised | (47,327) | 12.86 | | |
| Options Cancelled | (4,061,541) | 32.38 | | |
| Balance at June 26, 2010 | <u>29,162,507</u> | <u>\$27.05</u> | <u>4.1</u> | <u>\$33,447,997</u> |
| Exercisable at June 26, 2010 | <u>16,900,419</u> | <u>\$33.88</u> | <u>3.1</u> | <u>\$ 3,592,718</u> |
| Vested and expected to vest, June 26, 2010 | <u>27,504,731</u> | <u>\$27.69</u> | <u>4.0</u> | <u>\$29,984,279</u> |

- (1) Aggregate intrinsic value represents the difference between the exercise price and the closing price per share of the Company's common stock on June 26, 2010, the last business day preceding the fiscal year end, multiplied by the number of options outstanding, exercisable or vested and expected to vest as of June 27, 2010.

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes information about stock options that were outstanding and exercisable at June 26, 2010:

| Range of Exercise Prices | Outstanding Options | | | Options Exercisable | |
|---------------------------------|--|---|--|--|--|
| | Number Outstanding at June 26, 2010 | Weighted Average Remaining Contractual Term (In years) | Weighted Average Exercise Price | Number Exercisable at June 26, 2010 | Weighted Average Exercise Price |
| \$12.00 - \$19.99 | 10,973,976 | 5.76 | \$14.60 | 844,973 | \$13.19 |
| \$20.12 - \$24.99 | 2,956,009 | 2.75 | 21.32 | 2,578,400 | 21.37 |
| \$25.11 - \$29.99 | 789,114 | 5.01 | 27.31 | 576,506 | 27.26 |
| \$30.14 - \$34.99 | 5,645,447 | 2.65 | 32.76 | 5,034,664 | 32.98 |
| \$35.16 - \$39.99 | 4,139,949 | 3.87 | 36.98 | 3,300,092 | 37.14 |
| \$40.83 - \$44.99 | 3,125,648 | 3.54 | 41.98 | 3,041,399 | 41.99 |
| \$45.25 - \$85.00 | 1,532,364 | 2.18 | 48.76 | 1,524,385 | 48.78 |
| | <u>29,162,507</u> | | | <u>16,900,419</u> | |

There were no option exercises in fiscal year 2008 as a result of the Company's inability to issue common stock. The Company issues new shares upon the exercise of options.

During fiscal year 2010, the Company granted approximately 3.7 million stock options from its 1996 Plan with an estimated total grant date fair value of \$15.5 million. The weighted average grant date fair values of stock options granted during fiscal years 2010, 2009 and 2008 were \$4.23, \$3.61 and \$8.59, respectively. The total intrinsic value of options exercised during fiscal years 2010, 2009 and 2008 was insignificant in each year, respectively. As of June 26, 2010, there was \$29.4 million of total unrecognized compensation costs related to 12.2 million unvested stock options expected to be recognized over a weighted average period of approximately 1.4 years.

Restricted Stock Units

Restricted stock units ("RSUs") generally vest on a quarterly basis over a service period of up to five years from the grant date. The restricted stock units represent a promise by the Company to the employees to issue shares of its common stock in the future, provided the vesting criteria are satisfied. RSUs granted reduce the total number of shares available for issuance under the 1996 Plan by a factor of two. To the extent RSUs are returned back to the 1996 Plan, for example, due to cancellations, such RSUs would increase the number of shares available to grant by a factor of two.

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes outstanding and expected to vest RSUs as of June 26, 2010 and their activity during fiscal year 2010, 2009 and 2008:

| | Number of Shares | Weighted Average Remaining Contractual Term (In Years) | Aggregate Intrinsic Value (1) |
|--|------------------|---|----------------------------------|
| Balance at July 1, 2007 | 6,657,429 | | |
| Restricted stock units granted | 4,319,975 | | |
| Restricted stock units released | — | | |
| Restricted stock units cancelled | (711,203) | | |
| Balance at June 28, 2008 | 10,266,201 | | |
| Restricted stock units granted | 10,738,846 | | |
| Restricted stock units released | (8,160,302) | | |
| Restricted stock units cancelled | (977,416) | | |
| Balance at June 27, 2009 | 11,867,329 | | |
| Restricted stock units granted | 4,259,756 | | |
| Restricted stock units released | (4,813,738) | | |
| Restricted stock units cancelled | (737,930) | | |
| Balance at June 26, 2010 | 10,575,417 | 1.6 | 183,576,176 |
| Expected to vest at June 26, 2010 | 9,455,484 | 1.5 | 164,619,977 |

- (1) Aggregate intrinsic value for RSUs represents the closing price per share of the Company's common stock on June 25, 2010, the last business day preceding the fiscal year end, multiplied by the number of RSUs outstanding, or expected to vest as of June 26, 2010.

The Company withheld shares worth \$30.2 million related to employee withholding taxes based on the value of the RSUs on their vesting date as determined by the Company's closing stock price during the year ended June 26, 2010. The total payments for the employees' tax obligations to the taxing authorities are reflected as financing activities within the Consolidated Statements of Cash Flows.

The weighted average grant-date fair value of RSUs granted during fiscal years 2010, 2009 and 2008 was \$16.20, \$11.91 and \$22.35, respectively. As of June 26, 2010, there was \$132.8 million of unrecognized compensation cost related to 10.5 million unvested RSUs, which is expected to be recognized over a weighted average period of approximately 2.5 years.

2008 Employee Stock Purchase Plan

In December 2008, stockholders of the Company approved the creation of the 2008 Employee Stock Purchase Plan ("2008 ESPP"). Under the 2008 ESPP, the Company reserved 4.0 million shares of its common stock for future issuance. The 2008 ESPP permits two purchases over a twelve month offer period. Pursuant to the terms of the 2008 ESPP, eligible employees may elect withholdings of up to 25% of eligible compensation to purchase shares of common stock at the lower of (i) 85% of the fair market value of the shares on the offer date or (ii) 85% of the fair market value of the shares on the purchase date. The 2008 ESPP does not permit employees to buy more than \$25,000 worth of stock annually or 1,600 shares during an offer period.

The Company issued 1.8 million shares of its common stock for total consideration of \$24.8 million related to the ESPP plan during the fiscal year ended June 26, 2010. The Company has 1.7 million shares of its common stock reserved for future issuance under the 2008 ESPP.

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NOTE 7: EARNINGS PER SHARE

Basic earnings per share are computed using the weighted average number of common shares 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 dilutive 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. As discussed in Note 6 herein, the Company cash-settled options that expired (reached the ten year contractual term) during the Blackout Period and cash-settled vested RSUs. These options and RSUs are considered liability instruments under ASC 718 and as such are excluded from the diluted earnings per share calculation.

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

| | For the Year Ended | | |
|---|---------------------------------------|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| | (In thousands, except per share data) | | |
| Numerator for basic earnings per share and diluted earnings per share | | | |
| Net income | \$125,139 | \$ 10,455 | \$317,725 |
| Denominator for basic earnings per share | 304,579 | 310,805 | 320,553 |
| Effect of dilutive securities: | | | |
| Stock options, RSUs, and ESPP | 5,437 | 674 | 5,293 |
| Denominator for diluted earnings per share | 310,016 | 311,479 | 325,846 |
| Earnings per share: | | | |
| Basic | \$ 0.41 | \$ 0.03 | \$ 0.99 |
| Diluted | \$ 0.40 | \$ 0.03 | \$ 0.98 |

Approximately 21.1 million, 29.6 million, and 68.4 million of the Company's stock awards were excluded from the calculation of diluted earnings per share for fiscal years 2010, 2009, and 2008, respectively. These options were excluded, as they were antidilutive. However, such options could be dilutive in the future.

NOTE 8: FINANCIAL INSTRUMENTS

Investments

In accordance with ASC No. 320, *Accounting for Investments in Debt and Equity Securities*, the Company held no available-for-sale investments and therefore no unrealized gain or loss on available-for-sale investments at June 26, 2010. The Company recorded a net unrealized gain of \$2.3 million on available-for-sale investments at June 27, 2009. There were two investments that were in an unrealized gain position and two investments in an unrealized loss position at June 27, 2009. Fair market values are calculated based upon prevailing market quotes at the end of each fiscal year.

Available-for-sale investments at June 26, 2010 ; none held.

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Available-for-sale investments at June 27, 2009 were as follows:

| | <u>Adjusted Cost</u> | <u>Gross Unrealized Gains</u> | <u>Gross Unrealized Losses</u> | <u>Estimated Fair Value</u> |
|--|--------------------------|-----------------------------------|------------------------------------|---------------------------------|
| | (In thousands) | | | |
| U.S. Treasury securities | \$201,800 | \$2,259 | \$(4) | \$204,055 |
| Total available-for-sale investments | <u>\$201,800</u> | <u>\$2,259</u> | <u>\$(4)</u> | <u>\$204,055</u> |

The Company's interest income and other, net of \$8.0 million, \$17.2 million and \$56.7 million in fiscal years 2010, 2009 and 2008, respectively, include interest income and amortization and accretion of discounts and premiums, as well as realized gains and losses.

Gross gains and losses realized upon the sale of marketable securities were immaterial during fiscal years 2010, 2009 and 2008.

The Company's portfolio of marketable securities by contractual maturity is as follows:

| | <u>June 26, 2010</u> | <u>June 27, 2009</u> |
|--|----------------------|----------------------|
| | (In thousands) | |
| Due in one year or less | \$— | \$204,055 |
| Due after one year through three years | <u>—</u> | <u>—</u> |
| Total | <u>\$—</u> | <u>\$204,055</u> |

NOTE 9: 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 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 and has included \$0.6 million in other assets in the Consolidated Balance Sheet as of June 26, 2010.

During the second quarter of fiscal year 2009, the Company identified certain assets as excess as a result of reductions in demand for product tested and sorted on certain equipment. In connection with these circumstances, the Company incurred an asset impairment charge of \$43.8 million which is included in impairment of long-lived assets in the Company's Consolidated Statements of Income. The Company has classified these assets as held for sale based on their intentions to sell the assets and has included \$3.6 million in other assets in the Consolidated Balance Sheet as of June 27, 2009.

Wafer 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 Consolidated Statements of Income. The Company has ceased

MAXIM INTEGRATED PRODUCTS, INC.

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depreciation and classified these assets as held for sale based on its intentions to sell the assets and has included \$0.5 million in other assets in the Consolidated Balance Sheet as of June 26, 2010.

Wafer Fabrication Facility, San Jose

During the first quarter of fiscal year 2009, the Company recorded a \$7.3 million asset impairment charge as a result of transferring certain wafer manufacturing production from its San Jose, California, wafer manufacturing facility to an outsourced Japanese manufacturing facility, Epson's Sakata, Japan, facility, and reductions in demand and reduced future capacity requirements.

The Company reached its conclusions regarding the asset impairment after conducting evaluations of the recoverability of the related manufacturing assets in accordance with ASC No. 360, *Accounting for Property, Plant, and Equipment*. The fair value of the equipment was determined after consideration of equipment specifications, quoted market prices of similar equipment and management's perception of demand for the equipment. The Company applied present value techniques to estimate fair value for certain of the equipment which they believe has limited marketability.

Dallas Wafer Fab Closure

In connection with the anticipated closure of the Dallas facility, the Company evaluated the recoverability of the facilities' manufacturing assets and concluded that there was no impairment. The Company also reevaluated the useful lives and salvage values of the fixed assets used in this manufacturing facility based on the new period of intended use. As a result of this review, the Company changed its depreciable lives and salvage values and recognized additional depreciation expense of \$54.7 million and \$22.6 million for fiscal year 2009 and 2008, respectively related to this change in accounting estimate.

NOTE 10: ACQUISITIONS

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 in process research and development, \$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.

The accompanying Consolidated Financial Statements for fiscal year 2010 include the operations of Teridian, commencing as of the acquisition date. No supplemental pro forma information is presented for the acquisitions due to the immaterial effect of the acquisitions on the Company's results of operations.

Zilog

On February 18, 2009, the Company acquired the remote and secure product lines of Zilog Corporation, a publicly traded, fabless semiconductor company. The total cash consideration associated with the acquisition was \$22.6 million consisting of \$21.7 million in cash and \$0.9 million in direct legal costs associated with the

MAXIM INTEGRATED PRODUCTS, INC.
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acquisition. The acquired assets included inventories of \$2.9 million, \$0.5 million in customer order backlog, \$12.9 million in customer relationships, and \$6.3 million in goodwill. The Company expects that all of the goodwill will be deductible for tax purposes.

Innova Card

On December 29, 2008, the Company acquired Innova Card, a privately held, fabless semiconductor company focusing on advanced secure microcontroller technology for financial terminals. The total consideration associated with the acquisition was \$13.5 million (including \$8.1 million remitted to Innova Card equity shareholders upon close of the acquisition, \$1.1 million to repay Innova Card debt, \$3.8 million in future payments, and \$0.5 million for legal and related acquisition costs). The acquired assets and liabilities included net working capital of \$0.6 million, \$0.2 million in fixed assets and other assets, \$0.2 million in customer order backlog, \$5.3 million in intellectual property, \$3.0 million in customer relationships, and \$4.2 million in goodwill.

During the fourth quarter of 2009, the Company remitted an additional \$1.1 million to shareholders of Innova Card for additional working capital received pursuant to the agreement. The additional payment resulted in a corresponding increase in goodwill associated with the acquisition. The Company expects that none of the goodwill will be deductible for tax purposes.

Mobilygen

On October 27, 2008, the Company acquired Mobilygen Corporation (“Mobilygen”), a privately held, fabless semiconductor company with leading technology in H.264 video compression. The total consideration associated with the acquisition was \$33.5 million consisting of \$33.0 million cash and \$0.5 million in direct legal costs associated with the acquisition. A portion of the cash consideration paid by the Company was used to retire all outstanding indebtedness of Mobilygen. The Company may pay additional consideration over a two year period of up to \$5.25 million in cash or stock based on the duration of services performed by certain acquired key employees.

The Company allocated the acquisition cost to assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The acquired assets included \$1.5 million in tangible assets, \$7.8 million of net deferred tax assets, \$0.2 million in customer order backlog, \$14.7 million in intellectual property, \$4.2 million in customer relationships, \$0.4 million in trademark and \$2.2 million in goodwill. The Company recognized \$3.9 million of research and development expense during the fiscal year 2009 in connection with this acquisition. In addition, the Company assumed \$4.2 million of liabilities including \$2.7 million in debt, which the Company paid off immediately after the acquisition was consummated.

The Company expects that none of the goodwill will be deductible for tax purposes.

The accompanying Consolidated Financial Statements for fiscal year 2009 include the operations of product lines from Zilog Inc., Innova Card, and Mobilygen, commencing as of the acquisition dates. No supplemental pro forma information is presented for the acquisitions due to the immaterial effect of the acquisitions on the Company’s results of operations.

Vitesse

During fiscal year 2008, the Company acquired the Storage Products Division of Vitesse Semiconductor, Inc (“Vitesse”). The total consideration associated with the acquisition was \$64.1 million consisting of \$62.8

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

million in cash, \$0.8 million in direct legal costs associated with the acquisition, and \$0.5 million related to the buyout of an existing arrangement between Vitesse and a vendor. The purchase agreement also provided that an additional amount up to \$12 million in cash may be payable by Maxim upon the achievement of certain commercial milestones through the end of Vitesse's 2008 fiscal year on September 30, 2008. The contingent consideration paid was paid during the first three quarters and such amounts were recorded as goodwill. The Company allocated the acquisition cost to assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The acquired assets included \$4.9 million in tangible assets, \$0.9 million in customer order backlog, \$28.4 million in intellectual property, \$22.2 million in customer relationships and \$9.6 million in goodwill. The Company also assumed \$2.0 million in liabilities at the acquisition date. The Company paid \$4.1 million to Vitesse in additional contingent cash consideration based on product shipments of the acquired business since the acquisition. The Company expects that all of the goodwill totaling \$13.7 million will be deductible for tax purposes.

The accompanying Consolidated Financial Statements for fiscal year 2008 include the operations of Vitesse's Storage products division 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.

NOTE 11: GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company classifies goodwill and acquired intangible assets within other assets in the Consolidated Balance Sheets. The Company's carrying value of goodwill was \$226.2 million and \$26.7 million at June 26, 2010 and June 27, 2009, respectively.

| | <u>Goodwill</u> |
|--------------------------------|------------------|
| Balance at June 27, 2009 | \$ 26,710 |
| Acquisition | 199,537 |
| Adjustments | <u>(24)</u> |
| Balance at June 26, 2010 | <u>\$226,223</u> |

Intangible Assets

The useful lives of the significant definite lived intangible assets are as follows:

| <u>Asset</u> | <u>Life</u> |
|------------------------------|-------------|
| Intellectual Property | 5-10 years |
| Customer Relationships | 5-10 years |
| Tradename | 3 years |
| Backlog | 1 year |

MAXIM INTEGRATED PRODUCTS, INC.
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Intangible assets consisted of the following at June 26, 2010:

| | June 26, 2010 | | |
|--|--------------------------|-------------------------------------|------------------|
| | Original Cost | Accumulated Amortization | Net |
| | | (in thousands) | |
| Intellectual property | \$149,462 | \$33,305 | \$116,157 |
| Customer relationships | 87,030 | 11,745 | 75,285 |
| Tradenname | 1,400 | 264 | 1,136 |
| Backlog | 4,500 | 2,350 | 2,150 |
| Total intangible assets | \$242,392 | \$47,664 | \$194,728 |

| | June 27, 2009 | | |
|--|--------------------------|-------------------------------------|------------------|
| | Original Cost | Accumulated Amortization | Net |
| | | (in thousands) | |
| Intellectual property | \$ 62,426 | \$23,677 | \$ 38,749 |
| Customer relationships | 42,330 | 5,196 | 37,134 |
| Tradenname | 400 | 88 | 312 |
| Backlog | 200 | 100 | 100 |
| Total intangible assets | \$105,356 | \$29,061 | \$ 76,295 |

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

| | For the Year Ended | | |
|---|---------------------------|--------------------------|--------------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| | | (in thousands) | |
| Cost of goods sold | | | |
| Intellectual property | \$10,999 | \$ 8,024 | \$3,791 |
| Total | 10,999 | 8,024 | 3,791 |
| Intangible Asset Amortization | | | |
| Intellectual property | 1,400 | 1,400 | 1,400 |
| Customer relationships | 6,553 | 3,714 | 1,482 |
| Tradenname | 175 | 88 | — |
| Backlog | 2,349 | 817 | — |
| Total | 10,477 | 6,019 | 2,882 |
| Total Intangible Asset Amortization Expenses | \$21,476 | \$14,043 | \$6,673 |

MAXIM INTEGRATED PRODUCTS, INC.
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The following table represents the estimated future amortization expense of intangible assets as of the end of fiscal year 2010:

| <u>Fiscal Year</u> | <u>Amount</u> (in thousands) |
|-------------------------------|---------------------------------|
| 2011 | \$ 38,513 |
| 2012 | 35,539 |
| 2013 | 31,470 |
| 2014 | 25,422 |
| 2015 | 23,162 |
| Thereafter | 36,423 |
| Total intangible assets | <u>\$190,529</u> |

* The total above excludes \$4.2 million of in-process research and development which will be amortized upon completion of development over the estimated useful life of the technology.

NOTE 12: RESTRUCTURING ACTIVITIES

Significant FY'10 Activities

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.

Significant FY'09 Activities

San Jose Fab Rampdown

In fiscal year 2009, the Company continued its transfer of wafer manufacturing production from its San Jose, California wafer manufacturing facility to Epson's Sakata, Japan facility. In connection with the resulting termination of 78 employees, the Company recorded and paid approximately \$2.1 million in severance and benefit arrangements.

Dallas Fab Closure

In fiscal year 2009, the Company recorded approximately \$3.1 million in severance and benefit expenses in connection with the closure of the Dallas, Texas wafer manufacturing facility during the fourth quarter of fiscal year 2009.

MAXIM INTEGRATED PRODUCTS, INC.
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Test Operation Cost Reduction

The Company continued its cost reduction efforts within the test operations function during fiscal year 2009 resulting in the recording of \$3.4 million in severance and benefit expenses in connection with the involuntary termination of approximately 95 employees.

Cost Reduction of Business Units

In order to improve operational and selling efficiency, the Company reviewed its relative long term goals and decided to reduce development efforts in certain product lines and increase investment in others. During the second quarter of fiscal year 2009, the Company consolidated several product lines in business units which resulted in the termination of approximately 128 employees in the United States and total costs of approximately \$6.1 million, consisting principally of severance and benefit payments.

The Company terminated certain international employees in certain business units during the third quarter of fiscal year 2009 and recognized an additional \$0.6 million consisting principally of severance and benefit payments.

Cost Reduction of Selling, General and Administrative Groups

The Company also previously announced the decision to consolidate certain selling, general and administrative functions throughout the world, which resulted in the termination of approximately 44 employees and total costs consisting principally of severance and benefit payments of approximately \$1.7 million in fiscal year 2009.

Cost Reduction in Domestic Manufacturing & Support Functions

During the third quarter of fiscal year 2009, as a result of the continued global economic weakness, the Company announced restructuring programs primarily in the manufacturing and support functions. These activities resulted in the eventual termination of approximately 382 employees (189 fab employees and 193 other employees in the US) between March and April 2009 and total costs of approximately \$11.3 million, consisting principally of severance and medical benefit costs. These costs are included in restructuring expenses in the Consolidated Statements of Income.

Lease Restructuring

In addition to the Company's severance activities, the Company also decided to vacate certain leased offices in Greensboro, North Carolina, Santa Clara, California, Irving, Texas, and Swindon, United Kingdom, which resulted in a lease impairment of approximately \$0.5 million during fiscal year 2009.

Change in Estimate

During fiscal year 2009 the Company recognized reversals of expense of approximately \$4.6 million related to reductions in estimated benefits costs compared to amounts originally estimated.

Significant FY'08 Activities

San Jose Fab Rampdown

In fiscal year 2008, as a result of the Company's announcement to transfer certain wafer manufacturing production from its San Jose, California wafer manufacturing facility to Epson's Sakata, Japan facility the Company recorded and paid approximately \$2.4 million consisting principally of severance and benefit payments to fab employees in San Jose, California.

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Dallas Fab Closure

In addition, in fiscal year 2008 the Company announced the wind-down and eventual closure of the Company's wafer manufacturing facility located in Dallas, Texas over an 18-month time period. The Company anticipated that the total costs associated with the Dallas wafer fab closure would approximately be \$6.2 million consisting principally of severance and benefit payments over the following 18-month period. A substantial amount of the costs associated with this activity was anticipated to be paid upon the closure of the facility scheduled to be in the last quarter of fiscal 2009. During fiscal year 2008, the Company recognized restructuring charges of \$2.1 million for anticipated severance and benefits associated with the closure of the facility.

Product Line Restructurings

The Company announced the decision to cease development funding of certain product lines resulting in the Company recording and paying \$2.7 million in severance and benefits.

Other Fab Reductions

In response to decreased wafer output requirements resulting from improved manufacturing yields and reduced cycle times in Maxim fab facilities the Company involuntarily terminated approximately 121 employees, which resulted in \$2.7 million in severance and benefits paid to the impacted employees.

Test Operation Cost Reduction

In the fourth quarter of fiscal year 2008, the Company implemented a plan to cease further testing operations in the United States and have all future testing performed overseas in Thailand and Philippines. The Company recorded and paid approximately \$1.8 million in severance and benefit expenses related to the termination of 93 employees.

Activity and liability balances related to the restructuring activity for fiscal year 2009 and fiscal year 2010 follows:

| | <u>Severance and Benefits</u> (in thousands) |
|--------------------------------|---|
| Balance at June 29, 2008 | \$ 4,222 |
| Restructuring accrual | 32,746 |
| Cash payments | (24,652) |
| Changes in estimates | (4,622) |
| Balance at June 27, 2009 | \$ 7,694 |
| Restructuring accrual | 4,558 |
| Cash payments | (6,247) |
| Changes in estimates | (5,257) |
| Balance at June 26, 2010 | \$ 748 |

The Company has included this amount in accrued salary and related expenses in the Consolidated Balance Sheets.

MAXIM INTEGRATED PRODUCTS, INC.

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NOTE 13: 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. These derivative lawsuits were filed in: (1) the U.S. District Court for the Northern District of California, as *In re Maxim Integrated Products, Inc. Derivative Litigation*, Lead Case No. 5:06-cv-03344-JW, which consolidates *McKinney v. Beck, et al.* (Case No. 06-3344) and *Horkay v. Beck, et al.* (Case No. 06-3395), *City of Pontiac Policemen's and Firemen's Retirement System v. Hood, et al.* (Case No. 06-03754) and *Corey v. Gifford, et al.* (Case No. 06-03755); (2) the California Superior Court, Santa Clara County, as *Louisiana Sheriffs' Pension & Relief Fund v. Gifford et al.* (Case No. 1-06-CV-065626); and (3) the Delaware Court of Chancery, as *Ryan v. Gifford, et al.* (Case No. Civ 2213-N). The complaints alleged, among other things, that certain of the Company's current and former executive officers and directors breached their fiduciary duties to the Company by engaging in alleged wrongful conduct of back-dating stock options as well as violating Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The Company was named solely 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 on September 16, 2008, conditioned upon final approval by the Delaware Court of Chancery, and subject to enforcement of the final judgment in Delaware approving the settlement to obtain dismissals of all other pending derivative lawsuits in California. On January 2, 2009, the Delaware Court of Chancery issued a Memorandum Opinion approving the settlement in the *Ryan, et al. vs. Gifford, et al.* action and entered a Final Order and Judgment. The time for appeal of the Final Order and Judgment expired on February 2, 2009, with no party appealing any aspect of the Delaware Final Order and Judgment. All derivative actions pending in the California Superior Court have since been dismissed, with prejudice. All preconditions to distribution of the Delaware settlement proceeds in escrow on behalf of Maxim were met and the net settlement proceeds of \$18.9 million were received 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 in Other operating expenses, net.

On February 6, 2008, a putative class action complaint was filed against the Company, its former chief executive officer, now deceased, and its former chief financial officer in the U.S. District Court for the Northern District of California. The complaint, brought on behalf of a putative class of Maxim stockholders who purchased or otherwise acquired their shares between April 29, 2003 and January 17, 2008, asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 in connection with alleged misrepresentations and omissions concerning the Company's stock option accounting practices. On May 15, 2008, the Court appointed the Cobb County Government Employees Pension Plan, the DeKalb County Pension Plan and the Mississippi Public Employees Retirement System as co-lead plaintiffs (collectively, "Lead Plaintiffs") and Bernstein Litowitz Berger & Grossman LLP and Chitwood Harley Harnes LLP as co-lead counsel.

On May 3, 2010, Lead Plaintiffs and the Company entered into a memorandum of understanding reflecting an agreement in principle to settle all claims asserted against all defendants in the action, which provided for the payment of \$173 million in cash by the Company. In connection with this memorandum of understanding, the Company recorded a charge for the three and nine months ended March 27, 2010, to accrue the \$173 million settlement amount, which has been recorded in Other operating expenses, net in the Condensed Consolidated Statements of Operations and in Accrual for litigation settlement in the Condensed Consolidated Balance Sheets. On June 18, 2010, Lead Plaintiffs and the Company entered into, and Lead Plaintiffs filed with the Court, a formal stipulation of settlement memorializing the agreement to settle all claims against all defendants in the action.

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On July 14, 2010, the Court entered an order preliminarily approving the settlement, which remains subject to notice to the putative class and final approval by the Court. Pending further order of the Court, litigation activity in the action has been stayed, and all hearings, deadlines and other proceedings in the action, other than the final approval hearing, which is scheduled for September 27, 2010, have been taken off the calendar. On July 23, 2010, the Company paid the \$173 million settlement amount into an escrow fund in accordance with the terms of 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.

Commitments

The Company leases certain of its facilities under various operating leases that expire at various dates through October 2016. The lease agreements generally include renewal provisions and require the Company to pay property taxes, insurance, and maintenance costs.

Future annual minimum payments for all commitments are as follows:

| | <u>Total</u> | <u>Less than 1 year</u> | <u>2-3 years</u> | <u>4-5 years</u> | <u>More than 5 years</u> |
|---|------------------------|-----------------------------|------------------|------------------|------------------------------|
| | (Amounts in thousands) | | | | |
| Operating lease obligations (1) | \$ 36,054 | \$ 9,142 | \$ 15,135 | \$ 6,904 | \$ 4,873 |
| Royalty obligations (2) | 30,000 | 10,000 | 20,000 | — | — |
| Long-term debt obligations (3) | 300,000 | — | 300,000 | — | — |
| Interest payments associated with long-term debt obligations (4) | 31,050 | 10,350 | 20,700 | — | — |
| Capital equipment and inventory related purchase obligations (5) | <u>33,452</u> | <u>16,284</u> | <u>4,112</u> | <u>3,752</u> | <u>9,304</u> |
| Total | <u>\$430,556</u> | <u>\$45,776</u> | <u>\$359,947</u> | <u>\$10,656</u> | <u>\$14,177</u> |

- (1) The Company leases some facilities under non-cancelable operating lease agreements that expire at various dates through 2016.
- (2) Royalty obligations represent payments for licensed patents.
- (3) Long-term debt represents amount due for the Company's 3.45% senior unsecured notes due 2013.
- (4) Interest payments associated with the Company's 3.45% senior unsecured notes due 2013.
- (5) Capital equipment purchase obligations represent commitments for purchase of property, plant and equipment. The Company orders some materials and supplies in advance or with minimum purchase quantities. The Company is obligated to pay for the materials and supplies when received.

Purchase orders for the purchase of the majority of our raw materials and other goods and services are not included in the table. Our purchase orders generally allow for cancellation without significant penalties. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected short-term requirements.

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Rental expense amounted to approximately \$8.2 million, \$7.7 million, and \$6.9 million in fiscal years 2010, 2009 and 2008, respectively.

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

In the past, a number of our outstanding stock option awards were granted at exercise prices below the fair market value of our stock on the appropriate accounting measurement date. Many of these options are potentially subject to option holder excise tax under Section 409A of the Internal Revenue Code (and, as applicable, similar excise taxes under state law or foreign law). In fiscal year 2008, we took action to cure certain options from exposure under Section 409A. However, there can be no assurance that such action cured all potential circumstances in which Section 409A would apply. Should it be determined that excise taxes under Section 409A were to apply and we decide to reimburse option holders for such taxes, our results of operations may be materially adversely affected. Also we have determined that certain payroll taxes, interest and penalties may apply under various sections of the Internal Revenue Code, various state tax statutes, and tax statutes in various foreign jurisdictions. Maxim has reviewed these potential liabilities and accrued the estimated probable amount of the liability. There can be no assurance that our accruals covered all potential circumstances in which additional payroll taxes, interest and penalties would apply. Should it be found that additional payroll taxes, interest and penalties would apply, our results of operations may be materially adversely affected.

Indemnifications

The Company indemnifies certain customers, distributors, suppliers and subcontractors for attorney fees and 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, we have separate written indemnification agreements with our current and former Executive Officers and directors. Pursuant to such obligations, the Company has incurred expenses related to legal fees and expenses to certain former officers of the Company who are subject to pending 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: COMPREHENSIVE INCOME

Comprehensive income consists of net income and net unrealized (losses) gains on available-for-sale investments and forward exchange contracts, actuarial losses on post-retirement benefits and deferred income taxes on unrealized exchange gains (losses) on intercompany receivables. The components of comprehensive income and related tax effects were as follows:

| | For the Year Ended | | |
|---|--------------------|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| | (in thousands) | | |
| Net income, as reported | \$125,139 | \$10,455 | \$317,725 |
| Change in unrealized gains (losses) on investments, net of tax benefit (expense) of \$770 in 2010, \$(383) in 2009, and \$(700) in 2008 | (1,346) | 681 | 1,222 |
| Change in unrealized gains (losses) on forward exchange contracts, net of tax benefit (expense) of \$85 in 2010, \$0 in 2009, and \$44 in 2008 | (150) | — | (77) |
| Deferred tax on unrealized exchange gain (loss) on intercompany receivables | (1,893) | 552 | 1,999 |
| Actuarial loss on post-retirement benefits, net of tax benefit (expense) of \$515 in 2010, \$2,153 in 2009 and \$0 in 2008 | (896) | (3,762) | — |
| Total comprehensive income | <u>\$120,854</u> | <u>\$ 7,926</u> | <u>\$320,869</u> |

Accumulated other comprehensive loss presented in the Consolidated Balance Sheets at June 26, 2010 and June 27, 2009 consist of net unrealized gains on available-for-sale investments of \$0.2 million and \$1.6 million, respectively, net foreign currency translation loss adjustments of \$(1.5) million and \$(1.5) million, respectively, actuarial gains (losses) on post-retirement benefits of \$(4.7) million and \$(3.8) million, respectively, net unrealized gain (losses) of forward exchange contracts of \$(0.2) million and zero, respectively, and deferred income tax of \$(5.7) million and \$(4.0) million, respectively on unrealized exchange gains related to an intercompany receivable that is of a long-term investment nature.

NOTE 15: INCOME TAXES

The provision for income taxes consisted of the following:

| | For the Year Ended | | |
|----------------|--------------------|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| | (in thousands) | | |
| Federal | | | |
| Current | \$151,786 | \$30,237 | \$171,507 |
| Deferred | 12,340 | (7,447) | (18,713) |
| State | | | |
| Current | 4,092 | (2,056) | 9,168 |
| Deferred | (1,464) | (681) | (597) |
| Foreign | | | |
| Current | 14,345 | 2,995 | 3,849 |
| Deferred | (6,175) | 1,116 | (159) |
| | <u>\$174,924</u> | <u>\$24,164</u> | <u>\$165,055</u> |

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Pretax income (loss) from the Company's foreign subsidiaries was approximately \$(95.5) million, \$(63.3) million and \$26.9 million for fiscal years ended June 26, 2010, June 27, 2009 and June 28, 2008, respectively.

The Company has tax holidays with respect to certain operations in Thailand and the Philippines. The Thailand and Philippines tax holidays will expire at various dates between the fiscal years 2012 and 2015. The impact of the tax holidays on net income was not material for fiscal years 2010, 2009, and 2008.

As of June 26, 2010 the Company's foreign subsidiaries have accumulated undistributed earnings of approximately \$20.3 million that are intended to be indefinitely reinvested outside the U.S. and, accordingly, no provision for U.S. federal and state tax has been made for the distribution of these earnings. At June 26, 2010 the amount of the unrecognized deferred tax liability on the indefinitely reinvested earnings was \$5.6 million.

The provision for income taxes differs from the amount computed by applying the statutory rate as follows:

| | For the Year Ended | | |
|--|--------------------|------------------|------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| Federal statutory rate | 35.0% | 35.0% | 35.0% |
| State tax, net of federal benefit | 0.4 | (10.8) | 1.1 |
| General business credits | (1.2) | (25.6) | (0.7) |
| Domestic production deduction benefit | (2.1) | (16.1) | (2.2) |
| Foreign earnings and losses taxed or benefitted at different rates | 21.0 | 76.5 | (1.0) |
| Stock-based compensation | 3.0 | 8.4 | 0.3 |
| Acquired in process R&D | — | 3.9 | — |
| Executive compensation | 0.1 | (11.2) | 0.2 |
| Interest accrual for uncertain tax benefits | 0.9 | 9.9 | 0.8 |
| Other | 1.2 | (0.2) | 0.7 |
| Income tax rate | <u>58.3%</u> | <u>69.8%</u> | <u>34.2%</u> |

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's deferred tax assets and liabilities are as follows:

| | For the Year Ended | |
|---|--------------------|-------------------|
| | June 26, 2010 | June 27, 2009 |
| | (in thousands) | |
| Deferred tax assets: | | |
| Inventory valuation and reserves | \$ 66,087 | \$ 133,062 |
| Distributor related accruals and sales return and allowance accruals | 14,168 | 12,073 |
| Deferred revenue | 3,187 | 4,150 |
| Accrued compensation | 47,500 | 33,596 |
| Stock-based compensation | 84,225 | 106,891 |
| Net operating loss carryovers | 31,450 | 22,769 |
| Tax credit carryovers | 46,025 | 42,426 |
| Other reserves and accruals not currently deductible for tax purposes | 75,782 | 11,444 |
| Other | 18,437 | 18,313 |
| Total deferred tax assets | <u>386,861</u> | <u>384,724</u> |
| Deferred tax liabilities | | |
| Fixed assets cost recovery, net | (240,463) | (179,174) |
| Other | (10,524) | (8,363) |
| Net deferred tax assets before valuation allowance | 135,874 | 197,187 |
| Valuation allowance | (47,006) | (46,666) |
| Net deferred tax assets | <u>\$ 88,868</u> | <u>\$ 150,521</u> |

The valuation allowance increased by \$0.3 million in fiscal year 2010 primarily due to net operating loss carryforwards of foreign subsidiaries. \$37.6 million of the valuation allowance is attributable to the tax benefits of income tax deductions generated by the exercise of stock options that when realized, will be recorded as a credit to additional paid-in-capital.

As of June 26, 2010, the Company has \$57.7 million of federal net operating loss carryforwards expiring at various dates between fiscal years 2023 and 2029, \$75.3 million of state net operating loss carryforwards expiring at various dates between fiscal years 2022 and 2030, \$21.0 million of foreign net operating losses with no expiration date, \$11.1 million of state credit carryforwards expiring at various dates between fiscal years 2011 and 2026 and \$63.6 million of state credit carryforwards with no expiration date.

The Company classifies unrecognized tax benefits as (i) a current liability to the extent that payment is anticipated within one year; (ii) a non current liability to the extent that payment is not anticipated within one year; or (iii) as a reduction to deferred tax assets to the extent that the unrecognized tax benefit relates to deferred tax assets such as operating loss or tax credit carryforwards.

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A reconciliation of the change in gross unrecognized tax benefits, excluding interest, penalties and the federal benefit for state unrecognized benefits, is as follows:

| | For the Year Ended | |
|--|--------------------|------------------|
| | June 26, 2010 | June 27, 2009 |
| | (in thousands) | |
| Balance as of beginning of year | \$137,298 | \$124,932 |
| Tax positions related to current year: | | |
| Addition | 31,491 | 11,369 |
| Tax positions related to prior year: | | |
| Addition | 5,696 | 997 |
| Reduction | (190) | — |
| Settlements | (22,831) | — |
| Lapses in statutes of limitations | — | — |
| Balance as of end of year | <u>\$151,464</u> | <u>\$137,298</u> |

The total amount of gross unrecognized tax benefits as of June 26, 2010 that, if recognized, would affect the effective tax rate and additional paid in capital is \$100.6 million and \$50.9 million, respectively.

Consistent with prior years, the Company reports interest and penalties related to unrecognized tax benefits as a component of income tax expense. The gross amount of interest and penalties recognized in income tax expense during fiscal years ended June 26, 2010, June 27, 2009, and June 28, 2008 was \$4.4 million and \$5.5 million and \$6.5 million, respectively, and the total amount of interest and penalties accrued as of June 26, 2010, June 27, 2009, and June 28, 2008 was \$20.4 million, \$21.8 million, and \$16.3 million, respectively.

Management estimates that it is reasonably possible that the liability for gross unrecognized tax benefits, including accrued interest and penalties, could decrease within the next 12 months by an amount in the range of \$0 to \$80 million. Such changes could occur based on the expiration of various statutes of limitations and the possible conclusion of ongoing tax audits.

In the second quarter of fiscal year 2010 the Internal Revenue Service (“IRS”) completed its examination of the Company’s federal corporate income tax returns for the fiscal years 2004–2006 and issued a Revenue Agents Report (“RAR”). The Company agreed with the RAR findings and made a payment of \$26.4 million. The settlement of this audit had no impact on the income tax provision as the Company had adequately provided for all issues in the RAR. Although this audit was settled, these years still remain subject to examination because the statute of limitations for the assessment of additional federal income tax for the fiscal years 2004–2006 does not expire until December 31, 2010.

In the third quarter of fiscal year 2010, the IRS commenced an examination of the Company’s federal corporate income tax returns for the fiscal years 2007 and 2008. Management believes that it has adequately provided for any adjustments that may result from the IRS examination, however, the outcome of tax examinations cannot be predicted with certainty.

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A summary of the fiscal tax years that remain subject to examination, as of June 26, 2010, for the Company's major tax jurisdictions are:

| | |
|--------------------------------------|----------------|
| United States - Federal | 2004 - forward |
| United States - Various States | 2004 - forward |
| Japan | 2005 - forward |
| Philippines | 2007 - forward |
| Thailand | 2006 - forward |
| United Kingdom | 2008 - forward |

NOTE 16: SEGMENT INFORMATION

The Company operates and tracks its results in one reportable segment. The Company designs, develops, manufactures and markets a broad range of linear and mixed signal integrated circuits. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by ASC No. 280, *Disclosures about Segments Reporting* ("ASC 280").

The Company has fifteen operating segments which aggregate into one reportable segment under ASC 280. Under ASC 280, two or more operating segments may be aggregated into a single operating segment for financial reporting purposes if aggregation is consistent with the objective and basic principles of ASC 280, if the segments have similar economic characteristics, and if the segments are similar in each of the following areas:

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

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

- the sale of analog and mixed signal integrated circuits is the primary source of revenue for each of the Company's fifteen operating segments,
- the integrated circuits sold by each of the Company's operating segments are manufactured using similar semiconductor manufacturing processes;
- the integrated circuits marketed by each of the Company's operating segments are sold to the same types of customers; and
- all of the Company's integrated circuits are sold through a centralized sales force and common wholesale distributors. customers; and

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 the Company's 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.

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Enterprise-wide information is provided in accordance with ASC 280. 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 fiscal year.

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

| | For the Year Ended | |
|---------------------|--------------------|--------------------|
| | June 26, 2010 | June 27, 2009 |
| | (in thousands) | |
| United States | \$ 291,539 | \$ 302,648 |
| China | 685,908 | 496,091 |
| Japan | 131,513 | 120,763 |
| Korea | 311,928 | 229,833 |
| Rest of Asia | 223,786 | 169,203 |
| Europe | 288,675 | 291,524 |
| Rest of World | 64,254 | 35,953 |
| | <u>\$1,997,603</u> | <u>\$1,646,015</u> |

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

| | Fiscal Year Ended | | |
|---------------------|--------------------|--------------------|--------------------|
| | June 26, 2010 | June 27, 2009 | June 28, 2008 |
| | (in thousands) | | |
| United States | \$ 983,761 | \$1,016,116 | \$1,114,382 |
| Philippines | 216,738 | 234,004 | 225,398 |
| Thailand | 116,050 | 108,898 | 138,375 |
| Rest of World | 7,887 | 7,034 | 7,045 |
| | <u>\$1,324,436</u> | <u>\$1,366,052</u> | <u>\$1,485,200</u> |

NOTE 17: 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 fiscal year 2010 and fiscal year 2009, the Company repurchased approximately 10.3 million, and 18.1 million shares of its common stock for \$190.1 million and \$235.1 million. As of the end of fiscal year 2010, the Company was authorized to repurchase up to \$324.8 million of the Company's common stock. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and general market and business conditions.

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

NOTE 18: BENEFITS

Former CEO Retirement Benefits

The Company's former CEO, John F. Gifford, now deceased, resigned in fiscal year 2007. As part of his resignation, he was provided with certain retirement benefits which included office space, administrative assistance, and health benefits. In accordance with ASC 712, the Company recorded a charge for the net present value of these benefits of \$3.1 million in fiscal year 2007. During the fiscal year ended June 27, 2009, the Company reversed \$2.4 million of accrued retirement benefits as a change in estimate as a result of the death of Mr. Gifford.

Post-Employment Benefits

The Company maintained an outstanding obligation associated with certain former Maxim employees to provide post-employment medical benefits. The total amount of this obligation was \$5.6 million and \$3.8 million and included in Other liabilities in the Consolidated Balance Sheet as of June 26, 2010 and June 27, 2009, respectively.

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Post-Retirement Benefits

As a result of the Company's historical acquisition of Dallas Semiconductor, the Company assumed the obligation to continue medical coverage for certain former officers and directors. The Company accounted for the obligation under GAAP applicable to post-retirement benefits. The table below summarizes the obligation, expenses and assumptions as of June 26, 2010 and June 27, 2009:

Medical Expense & Funded Status Reconciliation

| | June 27, 2009 | Fiscal 2010 Expense | Current Year end | Estimated Fiscal 2011 Expense |
|---|---|---|---|---|
| | (in thousands, except percentages) | | | |
| Accumulated Postretirement Benefit Obligation | | | | |
| [APBO]: | | | | |
| Retirees and beneficiaries | \$ (7,301) | | \$ (9,239) | |
| Active participants | — | | — | |
| Total | (7,301) | | (9,239) | |
| Fair value of plan assets | — | | — | |
| Funded status | \$ (7,301) | | \$ (9,239) | |
| Actuarial loss | | | \$ 1,735 | |
| New prior service cost/(credit) | | | — | |
| Amounts Recognized in Accumulated Other | | | | |
| Comprehensive Income: | | | | |
| Net actuarial (gain)/loss | \$ 5,915 | | \$ 7,327 | |
| Prior service cost/(credit) | — | | — | |
| Total | \$ 5,915 | | \$ 7,327 | |
| Net Periodic Postretirement Benefit Cost/(Income): | | | | |
| Service cost | | \$ — | | \$ — |
| Interest cost | | 465 | | 471 |
| Expected return on plan assets | | — | | — |
| Amortization: | | | | |
| Prior service cost/(credit) | | — | | — |
| Net actuarial (gain)/loss (1) | | 323 | | 364 |
| Total net periodic postretirement benefit cost/(income) | | \$ 788 | | \$ 835 |
| Employer contributions | | \$ 262 | | \$ 359 |
| Economic Assumptions: | | | | |
| Discount rate | 6.5% | 6.5% | 5.2% | 5.2% |
| Medical trend | 10.5% in 2010, declining to 5% at the rate of 0.5%/yr. | 10.5% in 2010, declining to 5% at the rate of 0.5%/yr. | 10.0% in 2011, declining to 5% at the rate of 0.5%/yr. | 10.0% in 2011, declining to 5% at the rate of 0.5%/yr. |
| Dental trend | 5% | 5% | 5% | 5% |

(1) Unrecognized gain and losses are amortized over average remaining life expectancy (17.6 years at June 26, 2010).

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

The following benefit payments are expected to be paid (in thousands):

| | Non-Pension Benefits |
|------------------|---------------------------------|
| 2011 | \$ 359 |
| 2012 | 397 |
| 2013 | 436 |
| 2014 | 475 |
| 2015 | 511 |
| Thereafter | <u>7,061</u> |
| Total | <u><u>\$9,239</u></u> |

Dallas Semiconductor Split-Dollar Life Insurance

As a result of the Company's historical acquisition of Dallas Semiconductor, the Company assumed responsibility associated with certain split-dollar life insurance policies held by certain former Dallas Semiconductor officers and directors. The policies are owned by the individuals with the Company maintaining a limited collateral assignment on each policy. As a result of the adoption of ASC 715, *Accounting for Compensation in retirement benefits*, during the first quarter of fiscal year 2008 (effective July 1, 2007), the Company recognized a \$14.1 million cumulative reduction to retained earnings. No corporate income tax benefit was netted against the charge to retained earnings because the liabilities being accrued are not deductible for corporate income tax purposes.

During the fourth quarter of 2009, the Company entered into contractual arrangements to settle certain of these split-dollar life insurance policies for cash consideration of \$6.4 million. Pursuant to the arrangements the Company released rights to their limited collateral assignment on the policies and was relieved of its obligation to continue funding the policies.

The Company had \$2.7 million and \$1.9 million included in Other Assets as of June 26, 2010 and June 27, 2009, respectively, associated with the limited collateral assignment to the policies. The Company had a \$4.2 million and \$3.2 million obligation included in Other Liabilities as of June 26, 2010 and June 27, 2009, respectively, related to the anticipated continued funding associated with these policies.

NOTE 19: 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 2013, with an effective interest rate of 3.49%. Interest on the notes will be 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 net proceeds of the offering were approximately \$298 million, after issuing at a discount and deducting expenses, and are included in the financing activities in the Consolidated Statement of Cash Flows. The discount and expenses will be amortized to interest income and other, net over the life of the Notes.

The Company may redeem all or a portion of the Notes at anytime, at a redemption price equal to the greater of: 100% of the principal amount plus accrued and unpaid interest; or the sum of the present values of the remaining scheduled payments of principal and interest discounted on a semiannual basis, at the Treasury Rate plus 35 basis points, plus accrued and unpaid interest.

MAXIM INTEGRATED PRODUCTS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The underwriting agreements governing the Notes contain covenants that provide limitations over the Company's creation or incurrence of liens or sale and lease-back transactions on any of its properties, or properties of its subsidiaries. Upon the occurrence of a change of control triggering event, each holder shall have the right to require the Company to buy their Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest. The Company's ability to repurchase the senior notes in such event may be limited by law, by the indenture associated with the senior notes by the Company's then-available financial resources or by the terms of other agreements to which the Company may be party at such time. If the Company fails to repurchase the senior notes as required by the indenture, it would constitute an event of default. In the event of default, the principal amount and interest will become due and payable immediately.

The estimated fair value of the debt at June 26, 2010 was \$300 million.

NOTE 20: QUARTERLY FINANCIAL DATA (UNAUDITED)

| <u>Fiscal Year 2010</u> | <u>Quarter Ended</u> | | | |
|--|---|----------------------|-------------------|------------------|
| | <u>6/26/2010</u> | <u>3/27/2010 (1)</u> | <u>12/26/2009</u> | <u>9/26/2009</u> |
| | Unaudited | | | |
| | (In thousands, except percentages and per share data) | | | |
| Net revenues | 565,962 | 508,880 | 473,515 | 449,246 |
| Cost of goods sold | 225,014 | 200,177 | 181,727 | 197,619 |
| Gross margin | \$340,948 | \$308,703 | \$291,788 | \$251,627 |
| Gross margin % | 60.2% | 60.7% | 61.6% | 56.0% |
| Operating income (loss) | \$141,083 | \$ (48,261) | \$109,129 | \$ 90,099 |
| % of net revenues | 24.9% | (9.5)% | 23.0% | 20.1% |
| Net income (loss) | \$ 58,455 | \$ (33,903) | \$ 58,635 | \$ 41,952 |
| Earnings (loss) per share: | | | | |
| Basic | 0.19 | (0.11) | 0.19 | 0.14 |
| Diluted | 0.19 | (0.11) | 0.19 | 0.13 |
| Shares used in the calculation of earnings (loss) per share: | | | | |
| Basic | 302,188 | 304,518 | 305,324 | 306,276 |
| Diluted | 306,803 | 304,518 | 310,090 | 312,162 |
| Dividends paid per share | \$ 0.200 | \$ 0.200 | \$ 0.200 | \$ 0.200 |

(1) Includes \$173.0 million litigation settlement expense included in other operating expenses, net in the Consolidated Statements of Income.

The following table presents details of the total stock-based compensation expense that is included in the quarterly financial data above (in thousands):

| | <u>Quarter Ended</u> | | | |
|--|----------------------|------------------|-------------------|------------------|
| | <u>6/26/2010</u> | <u>3/27/2010</u> | <u>12/26/2009</u> | <u>9/26/2009</u> |
| Cost of goods sold | \$ 3,423 | \$ 1,071 | \$ 5,265 | \$ 5,461 |
| Research and development expenses | 13,983 | 8,691 | 14,650 | 16,741 |
| Selling, general and administrative expenses | 7,442 | 5,517 | 7,018 | 4,263 |
| Total | \$24,848 | \$15,279 | \$26,933 | \$26,465 |

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

| <u>Fiscal Year 2009</u> | <u>Quarter Ended</u> | | | |
|---|--|------------------|-------------------|------------------|
| | <u>6/27/2009</u> | <u>3/28/2009</u> | <u>12/27/2008</u> | <u>9/27/2008</u> |
| | Unaudited (In thousands, except percentages and per share data) | | | |
| Net revenues | \$394,471 | \$339,665 | \$410,675 | \$501,204 |
| Cost of goods sold | 203,934 | 171,960 | 211,590 | 209,654 |
| Gross margin | \$190,537 | \$167,705 | \$199,085 | \$291,550 |
| Gross margin % | 48.3% | 49.4% | 48.5% | 58.2% |
| Operating income (loss) | \$ 21,587 | \$ (16,954) | \$ (80,840) | \$ 93,585 |
| % of net revenues | 5.5% | (5.0)% | (19.7)% | 18.7% |
| Net income (loss) | \$ 8,098 | \$ (26,426) | \$ (38,784) | \$ 67,567 |
| Earnings (loss) per share: | | | | |
| Basic | \$ 0.03 | \$ (0.09) | \$ (0.12) | \$ 0.21 |
| Diluted | \$ 0.03 | \$ (0.09) | \$ (0.12) | \$ 0.21 |
| Shares used in the calculation of earnings per share: | | | | |
| Basic | 305,347 | 304,415 | 312,718 | 320,553 |
| Diluted | 308,442 | 304,415 | 312,718 | 323,815 |
| Dividends paid per share | \$ 0.200 | \$ 0.200 | \$ 0.200 | \$ 0.200 |

The following table presents details of the total stock-based compensation expense that is included in the quarterly financial data above (in thousands):

| | <u>Quarter Ended</u> | | | |
|--|----------------------|------------------|-------------------|------------------|
| | <u>6/27/2009</u> | <u>3/28/2009</u> | <u>12/27/2008</u> | <u>9/27/2008</u> |
| Cost of goods sold | \$ 6,772 | \$ 7,574 | \$30,834 | \$11,920 |
| Research and development expenses | 22,785 | 25,194 | 33,432 | 19,419 |
| Selling, general and administrative expenses | 5,442 | 6,842 | 19,672 | 6,222 |
| Total | \$34,999 | \$39,610 | \$83,938 | \$37,561 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Maxim Integrated Products, Inc.
Maxim Integrated Products, Inc.
Sunnyvale, CA

We have audited the accompanying consolidated balance sheets of Maxim Integrated Products, Inc. and subsidiaries (the “Company”) as of June 26, 2010 and June 27, 2009, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended June 26, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Maxim Integrated Products, Inc. and subsidiaries at June 26, 2010 and June 27, 2009, and the results of their operations and their cash flows for each of the three years in the period ended June 26, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of June 26, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 18, 2010 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
August 18, 2010

MAXIM INTEGRATED PRODUCTS, INC.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

| | <u>Balance at Beginning of Period</u> | <u>Additions (Deductions) Charged (Credited) to Costs and Expenses</u> | <u>Deductions (1)</u> | <u>Balance at End of Period</u> |
|--------------------------------|---|--|-----------------------|-------------------------------------|
| | (In thousands) | | | |
| Doubtful accounts | | | | |
| Year ended June 26, 2010 | \$ 2,831 | \$ 457 | \$ 842 | \$ 2,446 |
| Year ended June 27, 2009 | \$ 3,174 | \$ (9) | \$ 334 | \$ 2,831 |
| Year ended June 28, 2008 | \$ 4,889 | \$ (104) | \$ 1,611 | \$ 3,174 |
| Returns and Allowances | | | | |
| Year ended June 26, 2010 | \$10,332 | \$67,505 | \$62,845 | \$14,992 |
| Year ended June 27, 2009 | \$12,054 | \$45,220 | \$46,942 | \$10,332 |
| Year ended June 28, 2008 | \$12,412 | \$56,391 | \$56,749 | \$12,054 |

(1) Uncollectible accounts written off.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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.

August 18, 2010

MAXIM INTEGRATED PRODUCTS, INC.

By: /s/ DAVID A. CARON
David A. Caron
Vice President and Principal Accounting Officer
(For the Registrant, as Principal Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Tunc Doluca and Bruce Kiddoo as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|--|--|-----------------|
| <u>/s/ TUNC DOLUCA</u> Tunc Doluca | President and Chief Executive Officer (Principal Executive Officer) | August 18, 2010 |
| <u>/s/ JAMES R. BERGMAN</u> James R. Bergman | Director | August 18, 2010 |
| <u>/s/ JOSEPH R. BRONSON</u> Joseph R. Bronson | Director | August 18, 2010 |
| <u>/s/ ROBERT E. GRADY</u> Robert E. Grady | Director | August 18, 2010 |
| <u>/s/ B. KIPLING HAGOPIAN</u> B. Kipling Hagopian | Director and Chairman of the Board | August 18, 2010 |
| <u>/s/ WILLIAM D. WATKINS</u> William D. Watkins | Director | August 18, 2010 |
| <u>/s/ A.R. WAZZAN</u> A.R. Wazzan | Director | August 18, 2010 |

CORPORATE DATA AND STOCKHOLDER INFORMATION

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
San Jose, California

Registrar/Transfer Agent

Computershare
Canton, Massachusetts

Corporate Headquarters

120 San Gabriel Drive
Sunnyvale, California 94086
(408) 737-7600

Stock Listing

At July 31, 2010, there were 977 stockholders of record of the Company's common stock as reported by Computershare. Maxim common stock is traded on the Nasdaq National Global Select Market under the symbol "MXIM".

| <u>Exhibit Number</u> | <u>Description</u> |
|----------------------------------|---|
| 3.1 (1) | Restated Certificate of Incorporation of the Company |
| 3.3 (2) | Amendments to Restated Certificate of Incorporation of the Company |
| 3.4 (3) | Amended and Restated Bylaws of the Company, as amended |
| 4.1 | Reference is made to Exhibits 3.1, 3.3, and 3.4 |
| 10.8 (5) | The Company's Forms of Indemnity Agreement (A) |
| 10.11 (1) | The Company's Incentive Stock Option Plan, as amended (A) |
| 10.12 (6) | The Company's 1987 Supplemental Stock Option Plan, as amended (A) |
| 10.13 (6) | The Company's Supplemental Nonemployee Stock Option Plan, as amended (A) |
| 10.15 (6) | The Company's 1988 Nonemployee Director Stock Option Plan, as amended (A) |
| 10.16 (4) | The Company's 1996 Stock Incentive Plan, as amended and restated (A) |
| 10.17 (7) | Dallas Semiconductor Corporation — 1993 Officer and Director Stock Option Plan, as amended, together with forms of stock option agreements thereunder (A) |
| 10.18 (7) | Dallas Semiconductor Corporation Amended 1987 Stock Option Plan, together with forms of stock option agreements thereunder (A) |
| 10.21 (7) | Form of Shareholder Agreements between Dallas Semiconductor Corporation and employee stockholders, as amended (A) |
| 10.26 (7) | Assumption Agreement, dated April 11, 2001, relating to Dallas Semiconductor Corporation Executives Retiree Medical Plan (A) |
| 10.27 (7) | Assumption Agreement, dated April 11, 2001, relating to Dallas Semiconductor Corporation stock options (A) |
| 10.28 (7) | Dallas Semiconductor Corporation Executives Retiree Medical Plan (A) |
| 10.29 (7) | Form of Indemnification Agreement between Dallas Semiconductor Corporation and its directors and officers (A) |
| 10.30 (13) | Form of Non-Statutory Option Agreement, as amended and restated, under the Company's 1996 Stock Incentive Plan, for U.S. Option Optionees |
| 10.31 (13) | Form of Restricted Stock Unit Agreement under the Company's 1996 Stock Incentive Plan, for U.S. Holders |
| 10.32 (8) | Employment Agreement between the Company and Tunc Doluca dated as of September 30, 1993 (A) |
| 10.33 (8) | Employment Agreement between the Company and Vijay Ullal dated as of April 1, 1995 (A) |
| 10.34 (8) | Employment Agreement between the Company and Pirooz Parvarandeh dated as of November 1, 1994 (A) |
| 10.40 (9) | Employment Letter Agreement between the Company and Bruce Kiddoo dated as of August 6, 2007 (A) |
| 10.41 (3) | Form of Non-Statutory Option Agreement, as amended and restated, under the Company's 1996 Stock Incentive Plan, for Non-U.S. Option Optionees |
| 10.42 (3) | Form of Restricted Stock Unit Agreement under the Company's 1996 Stock Incentive Plan, for Non-U.S. Holders |
| 10.43 (10) | The Company's 2008 Employee Stock Purchase Plan, as amended (A) |

| <u>Exhibit Number</u> | <u>Description</u> |
|----------------------------------|--|
| 10.44 (11) | Release of Claims and Vesting Agreement for Officer Goodwill Payment (A) |
| 10.45 (12) | Amendment to Dallas Semiconductor Corporation Executives Retiree Medical Plan (A) |
| 10.46 (14) | Agreement and Plan of Merger dated April 12, 2010, relating to the acquisition of Teridian Semiconductor Corp. by the Company |
| 10.47 (15) | Underwriting Agreement, dated June 10, 2010, between the Company and J.P. Morgan Securities Inc. and Goldman, Sachs & Co. |
| 10.48 (16) | Supplemental Indenture, dated as of June 17, 2010, between the Company and Wells Fargo Bank, National Association, as trustee |
| 10.49 | Change In Control Employee Severance Plan for U.S. Based Employees PDF provided as a courtesy |
| 10.50 | Change In Control Employee Severance Plan for Non-U.S. Based Employees PDF provided as a courtesy |
| 10.51 | Equity Award Policy Acceleration Of Vesting In The Event of A Change In Control For Employees Based Outside The U.S. PDF provided as a courtesy |
| 14 | Code of Business Conduct and Ethics PDF provided as a courtesy |
| 21.1 | Subsidiaries of the Company PDF provided as a courtesy |
| 23.1 | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm PDF provided as a courtesy |
| 24.1 | Power of Attorney (see page 90) |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 PDF provided as a courtesy |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 PDF provided as a courtesy |
| 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 PDF provided as a courtesy |
| 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 PDF provided as a courtesy |

(A) Management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 30, 1995.
- (2) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 30, 1997, to the Company's Annual Report on Form 10-K for the year ended June 30, 1998, to the Company's Quarterly Report on Form 10-Q for the quarter ended December 25, 1999, and to the Company's Quarterly Report on Form 10-Q for the quarter ended December 30, 2000.
- (3) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2008.
- (4) Incorporated by reference to the Company's Period Report on Form 8-K filed on November 24, 2009.
- (5) Incorporated by reference to the Company's Registration Statement on Form S-1 No. 33-19561 and to the Company's Annual Report on Form 10-K for the year ended June 25, 2005.
- (6) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 27, 1998.
- (7) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 30, 2001.
- (8) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 24, 2006.
- (9) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 2007.

- (10) Incorporated by reference as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed on October 26, 2009.
- (11) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 28, 2009.
- (12) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 27, 2009.
- (13) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 2009.
- (14) Incorporated by reference to the Company's Period Report on Form 8-K filed on April 14, 2010.
- (15) Incorporated by reference to the Company's Period Report on Form 8-K filed on June 16, 2010.
- (16) Incorporated by reference to the Company's Period Report on Form 8-K filed on June 18, 2010.

CERTIFICATION

I, Tunc Doluca, certify that:

1. I have reviewed this Annual Report on Form 10-K of Maxim Integrated Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 18, 2010

/s/ TUNC DOLUCA

Tunc Doluca
President and Chief Executive Officer

CERTIFICATION

I, Bruce E Kiddoo, certify that:

1. I have reviewed this Annual Report on Form 10-K of Maxim Integrated Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 18, 2010

/s/ BRUCE E. KIDDOO

Bruce E. Kiddoo
Senior Vice President and Chief Financial Officer

CERTIFICATE OF CHIEF EXECUTIVE OFFICER

In connection with the periodic report of Maxim Integrated Products, Inc. (the “Company”) on Form 10-K for the period ended June 26, 2010 as filed with the Securities and Exchange Commission (the “Report”), I, Tunc Doluca, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: August 18, 2010

By: /s/ TUNC DOLUCA
Tunc Doluca
President and Chief Executive Officer

This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.

CERTIFICATE OF CHIEF FINANCIAL OFFICER

In connection with the periodic report of Maxim Integrated Products, Inc. (the “Company”) on Form 10-K for the period ended June 26, 2010 as filed with the Securities and Exchange Commission (the “Report”), I, Bruce E. Kiddoo, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: August 18, 2010

By: /s/ BRUCE E. KIDDOO
Bruce E. Kiddoo
Senior Vice President and Chief Financial Officer

This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.

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Directions and other annual meeting information

Directions

From the San Jose Airport/South Bay: Take Highway 101 North to the Mathilda exit and turn left (West) on Mathilda. Maxim will be on your right after the 2nd traffic light crossing Maude Ave.

From the San Francisco Airport/North Bay: Take Highway 101 South to the Mathilda exit and turn right (West) on Mathilda. Maxim will be on your right after the 2nd traffic light crossing Maude Ave.

From the East Bay: Take Highway 880 South to CA-237 West exit toward Mountain View, take 3B exit toward Sunnyvale, turn left (West) on Mathilda. Maxim will be on your right after the 2nd traffic light crossing Maude Ave.

From the Los Gatos Area: Take Highway 85 North and take Exit 22C to merge onto CA-237 East toward Oakland/San Jose/US-101 South and take the exit onto US-101 South toward San Jose. Take the Mathilda exit and turn right (West) on Mathilda. Maxim will be on your right after the 2nd traffic light crossing Maude Ave.

Parking

There will be reserved parking for all visitors.

Security

Please be advised that Maxim policy forbids weapons, cameras and audio/video recording devices inside Maxim buildings. All bags will be subject to search upon entry into the building.

