

NARA BANCORP INC
Form 425
April 15, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 13, 2011

Center Financial Corporation

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of

000-50050
(Commission

52-2380548
(I.R.S. Employer

incorporation)

File Number)

Identification No.)

3435 Wilshire Boulevard, Suite 700, Los Angeles, California 90010

(Address of principal executive offices)

(213) 251-2222

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

x Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

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- “ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- “ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- “ Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4 (c))

Item 1.01 Entry into a Material Definitive Agreement

On April 13, 2011, Nara Bancorp, Inc. (Nara Bancorp) and Center Financial Corporation (Center Financial) amended their previously reported Agreement and Plan of Merger, dated December 9, 2010, to amend certain of the provisions relating to the concurrent merger of their respective subsidiary banks (the Amendment). The Amendment is attached hereto as Exhibit 1.1.

Additional Information and Where to Find It

In connection with the proposed merger, Nara Bancorp filed with the Securities and Exchange Commission (the SEC) a registration statement on Form S-4 (the Registration Statement) that includes a Joint Proxy Statement/Prospectus of Center Financial and Nara Bancorp, as well as other relevant documents concerning the proposed transaction. A definitive Joint Proxy Statement/Prospectus will be mailed to stockholders of Center Financial and Nara Bancorp after the Registration Statement is declared effective. Stockholders are urged to read the Registration Statement and the definitive Joint Proxy Statement/Prospectus regarding the merger when it becomes available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. You will be able to obtain a free copy of the Registration Statement and the definitive Joint Proxy Statement/Prospectus (when the registration statement in which it is included is declared effective), as well as other filings containing information about Center Financial and Nara Bancorp at the SEC's Internet site (www.sec.gov). You will also be able to obtain these documents, free of charge, from Center Financial at www.centerbank.com under the tab Investor Relations and then under the heading SEC Filings and from Nara Bancorp at www.narabank.com under the tab Investor Relations and then under the heading SEC Filings.

Participants in Solicitation

Center Financial, Nara Bancorp and their respective directors, executive officers, management and employees may be deemed to be participants in the solicitation of proxies in respect of the merger. Information concerning Center Financial's participants is set forth in the proxy statement, dated April 30, 2010, for Center Financial's 2010 annual meeting of stockholders as filed with the SEC on Schedule 14A. Information concerning Nara Bancorp's participants is set forth in the proxy statement, dated May 24, 2010, for Nara Bancorp's 2010 annual meeting of stockholders as filed with the SEC on Schedule 14A. Additional information regarding the interests of participants of Center Financial and Nara Bancorp in the solicitation of proxies in respect of the merger is included in the Registration Statement filed with the SEC and will be included in the definitive Joint Proxy Statement/Prospectus regarding the merger when it becomes available.

Item 9.01 Financial Statements and Exhibits.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Exhibits

The exhibit number corresponds with Item 601(a) of Regulation S-K.

Exhibit

No.	Document Description
Exhibit 1.1	Amendment No. 1 to Agreement and Plan of Merger

SIGNATURES

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

CENTER FINANCIAL CORPORATION,
a California corporation

Date: April 15, 2011

By: /s/ Lisa K. Pai
Lisa K. Pai

Executive Vice President and General Counsel

;209,958 240,842
Prepaid expenses and other current assets
174,587 147,751

Total current assets
1,959,573 2,192,558
Property and equipment, net
234,028 229,732
Other intangible assets, net
1,128,590 1,225,196
Goodwill
537,517 499,551
Other assets
265,741 249,353

Total assets
\$4,125,449 \$4,396,390

LIABILITIES AND STOCKHOLDERS EQUITY

Accounts payable
\$237,397 \$329,444
Accrued salaries, wages and benefits
141,328 118,990
Other accrued liabilities
229,866 298,343
Income taxes payable
24,706 15,679

Total current liabilities
633,297 762,456

Long-term debt

715,595 717,967

Pension, post-retirement and other benefits

124,051 137,543

Income taxes payable non-current

206,307 185,036

Other non-current liabilities

90,372 108,143

Total long-term obligations and other liabilities

1,136,325 1,148,689

Commitments and contingencies (Note 13)

Minority interest in subsidiary

265 249

Stockholders' equity:

Preferred stock, \$.01 par value: 2,000 shares authorized; none outstanding

Common stock, \$.01 par value: 1,300,000 shares authorized; 644,432 and 680,595 shares outstanding

6,444 6,806

Additional paid-in capital

6,035,946 6,152,421

Accumulated deficit

(3,754,426) (3,738,522)

Accumulated other comprehensive income

67,598 64,291

Total stockholders' equity

2,355,562 2,484,996

Total liabilities and stockholders' equity

\$4,125,449 \$4,396,390

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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LSI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(In thousands, except per share amounts)			
Revenues	\$ 714,308	\$ 727,415	\$ 2,067,118	\$ 1,862,769
Cost of revenues	416,891	479,550	1,225,252	1,268,418
Gross profit	297,417	247,865	841,866	594,351
Research and development	169,551	182,291	509,383	488,071
Selling, general and administrative	103,744	104,518	307,267	280,931
Restructuring of operations and other items, net	1,586	101,231	26,869	119,071
Acquired in-process research and development				182,900
Income/(loss) from operations	22,536	(140,175)	(1,653)	(476,622)
Interest expense	(8,993)	(9,033)	(26,930)	(21,972)
Interest income and other, net	8,028	11,808	30,879	33,129
Income/(loss) before income taxes	21,571	(137,400)	2,296	(465,465)
Provision for income taxes	10,200	3,200	18,200	23,156
Net income/(loss)	\$ 11,371	\$ (140,600)	\$ (15,904)	\$ (488,621)
Net income/(loss) per share:				
Basic	\$ 0.02	\$ (0.20)	\$ (0.02)	\$ (0.78)
Diluted	\$ 0.02	\$ (0.20)	\$ (0.02)	\$ (0.78)
Shares used in computing per share amounts:				
Basic	643,849	715,733	648,519	623,692
Diluted	647,418	715,733	648,519	623,692

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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LSI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended	
	September 28, 2008	September 30, 2007
	(In thousands)	
Operating activities:		
Net loss	\$ (15,904)	\$ (488,621)
Adjustments:		
Depreciation and amortization	239,945	216,720
Stock-based compensation expense	54,292	55,772
Non-cash restructuring and other items	(3,163)	88,354
Acquired in-process research and development		182,900
Write-down of debt and equity securities	4,500	2,396
Loss/(gain) on sale of property and equipment, including assets held-for-sale	14	(9,513)
Non-cash foreign exchange loss	6,988	3,221
Changes in deferred tax assets and liabilities	4,397	(6,797)
Changes in assets and liabilities, net of assets acquired and liabilities assumed in business combinations:		
Accounts receivable, net	5,237	143,998
Inventories	30,884	95,148
Prepaid expenses and other assets	9,192	35,061
Accounts payable	(92,323)	(134,621)
Accrued and other liabilities	(64,194)	658
Net cash provided by operating activities	179,865	184,676
Investing activities:		
Purchases of debt securities available-for-sale	(158,601)	(154,087)
Proceeds from maturities and sales of debt securities available-for-sale	131,719	493,029
Purchases of equity securities	(8,500)	(10,500)
Purchases of property, equipment and software	(95,005)	(76,986)
Proceeds from sale of property and equipment	11,400	13,790
Cash acquired from acquisition of Agere, net of acquisition costs		517,712
Acquisition of other companies, net of cash acquired	(95,137)	(52,079)
Proceeds from sale of Consumer Products Group		22,555
Increase in non-current assets and deposits	(13,300)	
Proceeds received from the resolution of a pre-acquisition income tax contingency	4,821	2,442
Net cash (used in)/provided by investing activities	(222,603)	755,876
Financing activities:		
Issuance of common stock	36,370	28,994
Purchases of common stock under repurchase programs	(229,231)	(549,113)

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Net cash used in financing activities	(192,861)	(520,119)
Effect of exchange rate changes on cash and cash equivalents	(1,060)	1,700
(Decrease)/increase in cash and cash equivalents	(236,659)	422,133
Cash and cash equivalents at beginning of year	1,021,569	327,800
Cash and cash equivalents at end of period	\$ 784,910	\$ 749,933

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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LSI CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

For financial reporting purposes, LSI Corporation (the Company or LSI) reports on a 13- or 14-week quarter with a year ending December 31. The current quarter ended September 28, 2008. The third quarter of 2007 ended September 30, 2007. The results of operations for the quarter ended September 28, 2008, are not necessarily indicative of the results to be expected for the full year. The first nine months of 2008 and 2007 consisted of approximately 39 weeks each. The third quarter in each of 2008 and 2007 consisted of 13 weeks.

On April 2, 2007, the Company acquired Agere Systems Inc. (Agere) through the merger of Agere and a subsidiary of the Company.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from these estimates.

In management's opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments and restructuring and other items, net, as discussed in Note 3), necessary to state fairly the financial information included herein. While the Company believes that the disclosures are adequate to make the information not misleading, these financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (FAS 157), Fair Value Measurements. FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and expands on required disclosures about fair value measurement. FAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, Effective Date of FASB Statement No. 157, which delays the effective date of FAS 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. In October 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for that Asset Is Not Active, which amends FAS 157 by incorporating an example to illustrate key considerations in determining the fair value of a financial asset in an inactive market. FSP 157-3 is effective upon issuance and should be applied to prior periods for which financial statements have not been issued. The adoption of FAS 157 for financial assets and financial liabilities, effective January 1, 2008, had no material impact on the Company's results of operations or financial position. The Company is currently assessing the impact of FAS 157 for nonfinancial assets and nonfinancial liabilities on its results of operations and financial position.

FAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company's financial assets and financial liabilities recorded at fair value have been categorized based upon the following three levels of inputs in accordance with FAS 157:

Level 1 Unadjusted, quoted prices in active, accessible markets for identical assets or liabilities. The Company's investments in marketable equity securities and money market funds that are traded in active exchange markets, as well as United States Treasury securities that are highly liquid and are actively traded in over-the-counter markets are classified under level 1.

Level 2 Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices 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 assets or liabilities. The Company's investments in U.S.

government agency securities, commercial paper, corporate and municipal debt securities and asset and mortgage backed securities are traded less frequently than exchange traded securities and are valued using inputs that include quoted prices for similar assets in active markets, and inputs other than quoted prices that are observable for the asset, such as interest rates and yield curves that are observable at commonly quoted

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intervals. Forward foreign currency contracts traded in the over-the-counter markets are valued using market transactions, or broker quotations. As such, these derivative instruments are classified within level 2.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The following table summarizes assets measured at fair value on a recurring basis as of September 28, 2008:

	Fair Value Measurements as of September 28, 2008		
	Level 1	Level 2	Level 3
	(In thousands)		
			Total
Short-term investments in debt securities and certain cash equivalents	\$ 704,354	\$ 345,769	\$ 1,050,123
Long-term investments in marketable equity securities	\$ 1,276		\$ 1,276
Rabbi Trust all invested in money market funds	\$ 10,107		\$ 10,107

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (Revised 2007) (FAS 141(R)), Business Combinations. FAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in an acquiree and the goodwill acquired in an acquisition. FAS 141(R) also establishes disclosure requirements to evaluate the nature and financial effects of a business combination. FAS 141(R) is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of FAS 141(R) on its results of operations and financial position.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (FAS 161), Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133. FAS 161 expands quarterly disclosure requirements in FAS 133 about an entity's derivative instruments and hedging activities. FAS 161 is effective for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact, if any, of the adoption of FAS 161 on its results of operations and financial position.

In April 2008, the FASB issued FSP 142-3, Determination of the Useful Life of Intangible Assets. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standards No. 142 (FAS 142), Goodwill and Other Intangible Assets. FSP 142-3 is intended to improve the consistency among the useful life of a recognized intangible asset under FAS 142, the period of expected cash flows used to measure the fair value of an asset under FAS 141(R), and other guidance under generally accepted accounting principles in the United States. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact, if any, of the adoption of FSP 142-3 on its results of operations and financial position.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162 (FAS 162), The Hierarchy of Generally Accepted Accounting Principles. This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. This statement will be effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company is currently evaluating the impact, if any, of the adoption of FAS 162 on its results of operations and financial position.

NOTE 2 STOCK-BASED COMPENSATION

At the Company's annual meeting in May 2008, the stockholders approved amendments to the 2003 Equity Incentive Plan (the 2003 Plan) and the Employee Stock Purchase Plan (the US ESPP). The principal changes to the

2003 Plan were:

Making a total of 45 million shares available for use under the 2003 Plan. Of that amount, 15 million shares were available for grants of restricted stock and restricted stock units;

Allowing non-employee directors to be eligible to participate in the 2003 Plan;

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Including stock appreciation rights as a permitted type of award under the 2003 Plan;

Increasing the limits on the size of awards that can be granted under the 2003 Plan to any person in one year from two million to four million shares for stock options and from 0.5 million to one million shares for restricted stock and restricted stock units; and

Allowing incentive stock options to be granted under the 2003 Plan until May 14, 2018.

The Company will no longer award stock options, stock appreciation rights, restricted stock or restricted stock units under any other existing plans.

The principal changes to the US ESPP were:

Making a total of 25 million shares available for purchase under the US ESPP after May 14, 2008;

Consolidating the Company's International Employee Stock Purchase Plan (IESPP) into the US ESPP, which is expected to occur in November 2008; and

Extending the term of the US ESPP through May 14, 2018.

The following table summarizes stock-based compensation expense related to the Company's stock options, employee stock purchase plans (ESPPs, which include the US ESPP and the IESPP) and restricted stock unit awards in the consolidated statements of operations for the three and nine months ended September 28, 2008 and September 30, 2007. Stock-based compensation costs capitalized to inventory and software development for the three and nine months ended September 28, 2008 and September 30, 2007 were not significant.

Stock-Based Compensation Expense Included in:	Three Months Ended September		Nine Months Ended September	
	28, 2008	September 30, 2007	28, 2008	September 30, 2007
	(In thousands)			
Cost of revenues	\$ 2,252	\$ 2,824	\$ 6,885	\$ 7,916
Research and development	6,593	8,916	21,985	22,611
Selling, general and administrative	8,005	10,035	25,422	25,245
Total stock-based compensation expense	\$ 16,850	\$ 21,775	\$ 54,292	\$ 55,772

The estimated fair value of the stock-based awards, less expected forfeitures, is amortized over each award's vesting period on a straight-line basis.

Stock Options

The fair value of each option grant is estimated on the date of grant using a reduced form calibrated binominal lattice model (the lattice model). This model requires the use of historical data for employee exercise behavior and the use of the assumptions outlined in the following table:

	Three Months Ended September		Nine Months Ended September	
	28, 2008	September 30, 2007	28, 2008	September 30, 2007
Weighted average estimated grant date fair value per share	\$ 2.63	\$ 2.54	\$ 2.06	\$ 3.31
Weighted average assumptions in calculation:				
Expected life (years)	4.38	4.36	4.37	4.35
Risk-free interest rate	3%	4%	3%	5%

Volatility	53%	49%	52%	46%
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The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is a derived output of the lattice model. The expected life of employee stock options is affected by all of the underlying assumptions and calibration of the Company's model.

The risk-free interest rate assumption is based upon observed interest rates of constant maturity U. S. Treasury securities appropriate for the term of the Company's employee stock options.

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The Company used an equally weighted combination of historical and implied volatilities as of the grant date. The historical volatility is the standard deviation of the daily stock returns for LSI from the date of the initial public offering of its common stock in 1983. For the implied volatilities, the Company uses near-the-money exchange-traded call options, as stock options are call options that are granted at-the-money. The historical and implied volatilities are annualized and equally weighted to determine the volatilities as of the grant date. Management believes that the equally weighted combination of historical and implied volatilities is more representative of future stock price trends than sole use of historical or implied volatilities.

The lattice model assumes that employees' exercise behavior is a function of the option's remaining vested life and the extent to which the option is in-the-money. The lattice model estimates the probability of exercise as a function of these two variables based on the entire history of exercises and cancellations for all past option grants made by the Company since its initial public offering.

Because stock-based compensation expense recognized is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

A summary of the changes in stock options outstanding during the nine months ended September 28, 2008 is presented below:

	Number of Shares (In thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Options outstanding at December 31, 2007	100,242	\$ 16.12		
Options granted	17,993	5.75		
Options exercised	(4,679)	(5.41)		
Options canceled	(26,035)	(21.78)		
Options outstanding at September 28, 2008	87,521	\$ 12.88	4.22	\$ 12,251
Options exercisable at September 28, 2008	49,203	\$ 17.45	3.02	\$ 3,993

As of September 28, 2008, total unrecognized compensation expense related to nonvested stock options, net of estimated forfeitures, was approximately \$93.7 million and is expected to be recognized over the next 2.7 years on a weighted average basis. The total intrinsic value of options exercised during the three and nine months ended September 28, 2008 was \$1.9 million and \$7.2 million, respectively. Cash received from stock option exercises was \$6.8 million and \$25.3 million for the three and nine months ended September 28, 2008, respectively.

The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as a number of highly complex and subjective assumptions. The Company uses third-party consultants to assist in developing the assumptions used in, as well as calibrating, the lattice model. The Company is responsible for determining the assumptions used in estimating the fair value of its share-based payment awards.

Employee Stock Purchase Plans

A total of 2.2 million shares and 1.7 million shares related to the ESPPs were issued during the three months ended June 29, 2008 and July 1, 2007, respectively. No shares related to the ESPPs were issued during the three months ended September 28, 2008 and September 30, 2007. For disclosure purposes, the assumptions that went into the calculation of fair value for the May 2008 and May 2007 grants were as follows:

	Three Months Ended	
	June 29,	July 1, 2007
	2008	
Weighted average estimated grant date fair value per share	\$2.13	\$ 2.37
Weighted average assumptions in calculation:		
Expected life (years)	0.8	0.8
Risk-free interest rate	2%	5%
Volatility	44%	38%

Restricted Stock Awards

A summary of the changes in restricted stock units outstanding during the nine months ended September 28, 2008 is presented below.

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	Number of Shares (In thousands)
Non-vested shares at December 31, 2007	9,177
Granted	1,736
Vested	(2,337)
Forfeited	(512)
Non-vested shares at September 28, 2008	8,064

As of September 28, 2008, the total unrecognized compensation expense related to restricted stock units, net of estimated forfeitures, was \$46.3 million and is expected to be recognized over the next 1.9 years on a weighted average basis. The fair value of shares vested during the three and nine months ended September 28, 2008 was \$2.1 million and \$12.8 million, respectively.

NOTE 3 RESTRUCTURING AND OTHER ITEMS

The Company recorded charges of \$1.6 million and \$26.9 million in restructuring of operations and other items, net, for the three and nine months ended September 28, 2008, respectively. The Company recorded charges of \$101.2 million and \$119.1 million in restructuring of operations and other items, net, for the three and nine months ended September 30, 2007, respectively. For a complete discussion of the 2007 restructuring actions, see Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Restructuring and Impairment of Long-Lived Assets

The Company recorded a charge of \$1.7 million related to restructuring of operations for the three months ended September 28, 2008, which was recorded in the Semiconductor segment. The Company recorded a charge of \$15.0 million related to restructuring of operations for the nine months ended September 28, 2008. Of this charge, \$14.7 million and \$0.3 million were recorded in the Semiconductor segment and the Storage Systems segment, respectively.

The restructuring of operations charges included \$0.9 million and \$5.3 million related to the Agere merger for the three and nine months ended September 28, 2008, respectively. See further discussion under Restructuring Actions Associated with the Agere Merger below.

First Quarter of 2008:

A net charge of \$1.8 million in restructuring of operations resulted from the following items:

A gain of \$2.0 million from the sale of land in Gresham, Oregon, which had a net book value of \$0.9 million.
Total proceeds from the sale were \$2.9 million;

A charge of \$5.0 million for lease termination costs, which included \$3.1 million for additional lease termination costs in the United States and \$1.9 million for changes in previously accrued facility lease exit costs including changes in the time-value of accruals; and

A credit of \$1.2 million primarily for severance and termination benefits for employees due to a change in estimates primarily for restructuring actions taken in January 2008.

Second Quarter of 2008:

A charge of \$7.1 million in restructuring of operations resulted from the following items:

A charge of \$3.4 million for lease termination costs, which included \$2.7 million for additional United States lease termination costs including the related write-off of leasehold improvements and \$0.7 million in charges for changes in assumptions and changes in the time value of accruals for previously accrued facility lease exit costs; and

A charge of \$3.7 million for severance and termination benefits for employees, which included \$1.8 million for integrating operations in Asia and \$1.9 million for changes in estimates related to various restructuring actions taken since June 2007.

Third Quarter of 2008:

A charge of \$0.8 million in restructuring of operations resulted from the following items:

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A credit of \$0.6 million for the reversal of a prior accrual offset by changes in previously accrued facility lease exit costs including changes in the time-value of accruals; and

A charge of \$1.4 million for severance and termination benefits for employees, which included \$0.8 million as the result of a change in severance estimates related to restructuring actions taken in January 2008 and \$0.6 million primarily for integrating operations in Asia.

The following table sets forth the Company's restructuring reserves as of September 28, 2008, other than reserves related to restructuring actions associated with the Agere merger, which are included in other accrued liabilities and other non-current liabilities in the consolidated balance sheet, and the activities affecting the accruals since December 31, 2007:

	Balance at December 31, 2007			Balance at March 30, 2008			Balance at June 29, 2008			Balance at September 28, 2008	
	Restructuring Expense Q1 2008	Utilized During Q1 2008		Restructuring Expense Q2 2008	Utilized During Q2 2008		Restructuring Expense Q3 2008	Utilized During Q3 2008			

(a) The amount utilized in Q1, 2008 includes a gain from the sale of land in Gresham, Oregon.

(b) Amounts utilized represent cash payments. The balance remaining for real estate lease

terminations is expected to be paid during the remaining terms of the leases, which extend through 2011.

- (c) Amounts utilized include \$6.5 million related to stock grants exercised or expired. The majority of the balance remaining for severance is expected to be paid by the end of 2009.

Restructuring Actions Associated with the Agere Merger

In connection with the Agere merger, management approved and initiated plans to restructure the operations of Agere to eliminate certain duplicative activities, reduce cost structure and better align product and operating expenses with existing general economic conditions. Agere restructuring costs were accounted for as liabilities assumed as part of the purchase business combination as of April 2, 2007 in accordance with Emerging Issues Task Force Issue No. 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination. For a complete discussion of the Agere merger, see Note 4 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Adjustments to the initial restructuring cost estimates made before December 31, 2007 were recorded as an offset to goodwill and to restructuring expense thereafter.

First Quarter of 2008:

A net charge of \$1.5 million in restructuring related to the Agere merger resulted from the following items:

A charge of \$1.1 million for changes in assumptions and the time value of accruals previously recorded for facility lease exit costs;

A charge of \$1.6 million for severance and termination benefits due to a change in severance estimates; and

A gain of \$1.2 million from the sale of assets held for sale in Singapore.

The amount utilized in Q1, 2008 includes \$2.9 million in cash payments and \$0.8 million for write-off of leasehold improvements. The balance remaining for real estate lease terminations is expected to be paid during the remaining terms of these contracts, which extend through 2013. There were no write-offs of assets during the second and third quarters of 2008.

(b) Amounts utilized represent cash severance payments to employees. The majority of the balance remaining for severance is expected to be paid by the end of 2008.

(c) Amounts utilized represent stock grants exercised or expired. The balance is expected to be utilized by the end of 2009.

- (d) The amount in Q1, 2008 represents a gain on the sale of assets in Singapore. The amount in Q2, 2008 includes a \$0.6 million gain on the sale of assets in Singapore.

Assets Held for Sale

Assets held for sale are included as a component of prepaid expenses and other current assets in the consolidated balance sheets as of September 28, 2008 and December 31, 2007. Assets held for sale of \$18.4 million as of September 28, 2008 primarily included \$16.8 million related to land in Gresham, Oregon and \$0.9 million related to land in Colorado. Assets held for sale of \$26.1 million as of December 31, 2007 included \$17.7 million related to land in Gresham, Oregon, \$6.8 million related to semiconductor assembly and test facilities in Singapore and \$0.9 million related to land in Colorado.

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Assets classified as held for sale are recorded at the lower of their carrying amount or fair value less cost to sell and are not depreciated. The fair values of impaired equipment and facilities were researched and estimated by management. The Company reassesses the ability to realize the carrying value of these assets at the end of each quarter until the assets are sold or otherwise disposed of, and therefore, additional adjustments may be necessary.

Other Items

The Company recorded a net credit of \$0.1 million and a charge of \$11.9 million related to other items for the three months and nine months ended September 28, 2008, respectively. The majority of the charge resulted from the settlement of the Litton proceeding referred to in Note 13.

NOTE 4 BUSINESS COMBINATIONS**Acquisition of Hard Disk Drive Semiconductor Business of Infineon**

On April 25, 2008, the Company completed the acquisition of the assets of the hard disk drive (HDD) semiconductor business of Infineon Technologies AG (Infineon). The acquisition was intended to enhance the Company's competitive position in the desktop and enterprise HDD space. The acquisition was accounted for under the purchase method of accounting.

In connection with the acquisition, the Company also entered into additional agreements with Infineon, including a supply agreement and a transition service agreement. Under the terms of the supply agreement, Infineon will provide the Company operations handling and wafer supply services for a period of up to six months from the date of acquisition in April 2008. These services were priced separately and at fair market values. Under the terms of the transition services agreement, Infineon will provide the Company engineering services in support of the existing HDD business products for the period from the date of acquisition in April 2008 to December 31, 2009. These services were priced separately and at fair market values.

The table below provides information about this acquisition:

Entity Name or Type of Technology; Segment Included in;	Acquisition Date	Total		Fair Value of Other Assets		Amortizable Intangible Assets
		Purchase Price	Type of Consideration	Acquired	Goodwill	
Description of Acquired Business				(Dollars in millions)		
HDD semiconductor business of Infineon; Semiconductor segment; Silicon solutions for hard disk drive makers	April 25, 2008	\$95.1	cash	\$ 10.3	\$6.6	\$ 78.2

The following table sets forth the components of the identifiable intangible assets associated with this acquisition, which are being amortized over the estimated usage periods:

	Fair Value (In millions)	Weighted Average Useful Life (in years)
Current technology	\$ 46.5	4
Customer base	31.7	5
Total acquired identifiable intangible assets	\$ 78.2	

Pro forma financial information has not been presented because the effect of this acquisition on the Company's results of operations was not material.

Agere Merger Pro Forma Results

On April 2, 2007, the Company acquired Agere. The following pro forma summary is provided for illustrative purposes only and is not necessarily indicative of the consolidated results of operations for future periods or results that actually would have been realized had the Company and Agere been a consolidated entity during the period presented. The summary combines the results of operations as if Agere had been acquired as of the beginning of the period presented.

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The summary includes the impact of certain adjustments such as amortization of intangibles, stock compensation charges and interest expense related to Agere's convertible notes that the Company guaranteed. Additionally, acquired in-process research and development associated with the Agere acquisition has been excluded from the period presented. Pro forma amounts presented below are in thousands except per share data.

	Nine Months Ended September 30, 2007
Revenues	\$ 2,197,613
Net loss	\$ (309,374)
Basic loss per share	\$ (0.41)
Diluted loss per share	\$ (0.41)

NOTE 5 BENEFIT OBLIGATIONS

The Company has pension plans covering substantially all former Agere U. S. employees, excluding management employees hired after June 30, 2003. Retirement benefits are offered under a defined benefit plan and are based on either an adjusted career average pay or dollar per month formula or on a cash balance plan. The cash balance plan provides for annual company contributions based on a participant's age and compensation and interest on existing balances and covers employees of certain companies acquired by Agere since 1996 and management employees hired after January 1, 1999 and before July 1, 2003. The Company also has postretirement benefit plans that include healthcare benefits and life insurance coverage for former Agere employees. Participants in the cash balance plan and management employees hired after June 30, 2003 are not entitled to company paid benefits under the postretirement benefit plans. The Company also has pension plans covering certain international employees.

The following table sets forth the components of the net periodic benefit credit for the three and nine months ended September 28, 2008 and September 30, 2007:

	Three Months Ended			
	September 28, 2008		September 30, 2007	
	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
	(In thousands)			
Service cost	\$ 1,298	\$ 25	\$ 1,867	\$ 41
Interest cost	18,947	745	18,395	932
Expected return on plan assets	(20,701)	(1,258)	(21,026)	(1,235)
Amortization of prior service cost	4			
Net actuarial gain recognized		(30)		
Total benefit credit	\$ (452)	\$ (518)	\$ (764)	\$ (262)

	Nine Months Ended			
	September 28, 2008		September 30, 2007	
	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
	(In thousands)			
Service cost	\$ 4,201	\$ 77	\$ 3,734	\$ 82
Interest cost	56,084	2,278	36,791	1,863
Expected return on plan assets	(61,865)	(3,775)	(41,885)	(2,429)
Amortization of prior service cost	12			

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Net actuarial gain recognized	(1)	(89)		
Total benefit credit	\$ (1,569)	\$ (1,509)	\$ (1,360)	\$ (484)

During the nine months ended September 28, 2008, the Company contributed \$8.8 million to its pension plans and \$11.9 million to its post-retirement benefit plans. The Company expects to contribute an additional \$1.7 million and \$3.6 million to its pension plans and post-retirement benefit plans, respectively, for the remainder of 2008.

Table of Contents**NOTE 6 INTANGIBLE ASSETS AND GOODWILL****Intangible Assets**

As of September 28, 2008 and December 31, 2007, intangible assets by reportable segment were comprised of the following:

	September 28, 2008		December 31, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)			
Semiconductor:				
Current technology	\$ 894,808	\$ (394,702)	\$ 848,656	\$ (298,525)
Trademarks	26,657	(26,236)	26,730	(26,272)
Customer base	399,508	(65,782)	367,808	(20,761)
Non-compete agreements	1,949	(1,639)	1,949	(1,165)
Existing purchase orders	200	(200)	200	(200)
Supply agreement	100	(100)	100	(100)
Patent licensing	313,800	(54,367)	313,800	(27,183)
Order backlog	41,300	(41,300)	41,300	(41,300)
Workforce	3,567	(1,108)	3,567	(661)
Trade names	2,248	(375)	2,248	(94)
Subtotal	1,684,137	(585,809)	1,606,358	(416,261)
Storage Systems:				
Current technology	164,339	(134,668)	164,339	(130,361)
Trademarks	7,150	(7,150)	7,150	(7,149)
Customer base	5,010	(5,010)	5,010	(5,010)
Non-compete agreements	1,600	(1,600)	1,600	(1,156)
Supply agreement	8,147	(8,147)	8,147	(8,147)
Trade names	800	(209)	800	(124)
Subtotal	187,046	(156,784)	187,046	(151,947)
Total intangible assets	\$ 1,871,183	\$ (742,593)	\$ 1,793,404	\$ (568,208)

On April 25, 2008, the Company completed the acquisition of Infineon's HDD semiconductor business.

The following table sets forth amortization expense and weighted average lives of intangible assets:

	Weighted Average Lives	Nine Months Ended	
	(In months)	September 28, 2008	September 30, 2007
		(In thousands)	
Current technology	57	\$ 100,833	\$ 65,392
Trademarks	83	37	839
Customer base	45	45,020	13,809
Non-compete agreements	27	918	1,238

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Supply agreement	32		775
Patent licensing	36	27,183	18,259
Order backlog	2		53,000
Workforce	72	447	447
Trade names	75	366	86
Total	50	\$ 174,804	\$ 153,845

The estimated future amortization expense related to intangible assets as of September 28, 2008 was as follows:

	Amount (In thousands)
Fiscal Year:	
2008 (September 29 through December 31, 2008)	\$ 60,279
2009	234,926
2010	191,666
2011	149,914
2012 and thereafter	491,805
Total	\$ 1,128,590

Table of Contents**Goodwill**

The following table sets forth changes in the carrying amount of goodwill for the nine months ended September 28, 2008:

	Semiconductor Segment	Storage Systems Segment (In thousands)	Total
Balance as of December 31, 2007	\$ 323,927	\$ 175,624	\$ 499,551
Goodwill acquired during the year *	6,624		6,624
Goodwill acquired in a prior year for a pre-acquisition income tax contingency **	31,342		31,342
Balance as of September 28, 2008	\$ 361,893	\$ 175,624	\$ 537,517

* During the nine months ended September 28, 2008, the Company recorded \$6.6 million of goodwill in connection with the acquisition of Infineon's HDD semiconductor business.

** During the nine months ended September 28, 2008, the Company recorded \$37.1 million of goodwill primarily relating to a re-measurement of uncertain tax positions based on new information received in the third quarter of 2008 offset by

\$5.8 million of
income tax
refunds.

NOTE 7 DERIVATIVE INSTRUMENTS

The Company has foreign subsidiaries that operate and sell the Company's products in various global markets. As a result, the Company is exposed to changes in foreign currency exchange rates. The Company utilizes various hedge instruments, primarily forward contracts, to manage its exposure associated with net asset and liability positions denominated in non-functional currencies and forecasted foreign currency transactions to reduce the volatility of earnings and cash flows. The Company does not hold derivative financial instruments for speculative or trading purposes.

The Company enters into forward contracts that are designated as foreign currency cash flow hedges of forecasted payments denominated in currencies other than U.S. dollars. Changes in the fair value of the forward contracts attributable to changes in time value are excluded from the assessment of effectiveness and are recognized in interest income and other, net. The effective portion of the forward contracts' gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion, if any, of the gain or loss is reported in earnings immediately. As of September 28, 2008, the Company held forward contracts designated as foreign currency cash flow hedges of forecasted Euro, Pound Sterling and Indian Rupee payment transactions that were set to expire from one to eleven months. For the three and nine months ended September 28, 2008, the changes in time value of these forward contracts were not significant. The unrealized gains, net of incomes taxes, included in accumulated other comprehensive income as of September 28, 2008, which will be reclassified into earnings within the next twelve months, were \$0.1 million. The Company did not record any gains or losses due to hedge ineffectiveness for the three and nine months ended September 28, 2008. There were no such hedges outstanding as of December 31, 2007.

NOTE 8 OTHER BALANCE SHEET DETAILS

	September 28, 2008	December 31, 2007
	(In thousands)	
Cash and cash equivalents:		
Cash in financial institutions	\$ 65,751	\$ 117,464
Cash equivalents	719,159	904,105
Total cash and cash equivalents	\$ 784,910	\$ 1,021,569
Available-for-sale debt securities: *		
Asset-backed and mortgage-backed securities	\$ 206,523	\$ 207,290
U.S. government and agency securities	163,226	121,350
Corporate and municipal debt securities	19,268	47,388
Total short-term investments	\$ 389,017	\$ 376,028
Inventories:		
Raw materials	\$ 31,560	\$ 30,023
Work-in-process	63,696	95,262
Finished goods	114,702	115,557
Total inventories	\$ 209,958	\$ 240,842

	Maturity	Interest Rate	Conversion Price (In thousands)	September 28, 2008	December 31, 2007
Long-term debt:					
2003 Convertible Subordinated Notes	2010	4.00%	\$ 13.4200	\$ 350,000	\$ 350,000
2002 Convertible Subordinated Notes **	2009	6.50%	\$ 15.3125	361,645	361,660
Accrued debt premium				8,589	8,589
				720,234	720,249
Amortization of accrued debt premium				(4,639)	(2,282)
Total long-term debt				\$ 715,595	\$ 717,967

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* During the three and nine months ended September 28, 2008, the Company recognized impairment charges of \$1.7 million and \$3.8 million for certain available-for-sale debt securities, after determining that the decline in their fair value was other than temporary.

** During the nine months ended September 28, 2008, \$15,000 of the principal amount of these notes was converted into 977 shares of LSI's common stock at the conversion price of \$15.3125 per share.

See Note 14 regarding subsequent events.

NOTE 9 RECONCILIATION OF BASIC AND DILUTED INCOME/(LOSS) PER SHARE

The following table sets forth a reconciliation of the numerators and denominators used in the computation of basic and diluted per share amounts:

		Three Months Ended			
		September 28, 2008		September 30, 2007	
Income*	Shares+	Per-Share Amount	Loss*	Shares+	Per-Share Amount
(In thousands except per share amounts)					

Basic income/(loss) per share:

Net income/(loss) available to common stockholders	\$ 11,371	643,849	\$0.02	\$(140,600)	715,733	\$(0.20)
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Stock options, employee stock purchase rights and restricted stock unit awards

3,569

Diluted income/(loss) per share:

Net income/(loss) available to common stockholders	\$ 11,371	647,418	\$0.02	\$(140,600)	715,733	\$(0.20)
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Nine Months Ended

September 28, 2008

September 30, 2007

Loss*	Shares+	Per-Share Amount	Loss*	Shares+	Per-Share Amount
(In thousands except per share amounts)					

Basic loss per share:

Net loss available to common stockholders	\$(15,904)	648,519	\$(0.02)	\$(488,621)	623,692	\$(0.78)
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Stock options, employee stock purchase rights and restricted stock unit awards

Diluted loss per share:

Net loss available to common stockholders	\$(15,904)	648,519	\$(0.02)	\$(488,621)	623,692	\$(0.78)
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* Numerator

+ Denominator

Options to purchase 80,902,022 and 87,628,269 shares were excluded from the computation of diluted shares for the three and nine months ended September 28, 2008, respectively, because of their antidilutive effect on net income/(loss) per share. Options to purchase 99,238,936 and 76,909,990 shares were excluded from the computation of diluted shares for the three and nine months ended September 30, 2007, respectively, because of their antidilutive effect on net loss per share.

For the three and nine months ended September 28, 2008, 49,698,093 and 49,698,418 weighted average potentially dilutive shares associated with convertible notes, respectively, were excluded from the calculation of diluted shares because of their antidilutive effect on net income/(loss) per share. For the three and nine months ended September 30, 2007, 49,699,072 and 41,826,201 weighted average potentially dilutive shares associated with convertible notes, respectively, were excluded from the calculation of diluted shares because of their antidilutive effect on net loss per share.

Table of Contents**NOTE 10 SEGMENT REPORTING**

The Company operates in two reportable segments the Semiconductor segment and the Storage Systems segment in which the Company offers products and services for a variety of electronic systems applications. LSI's products are marketed primarily to original equipment manufacturers (OEMs) that sell products to the Company's target end customers.

Summary of Operations by Segment

The following is a summary of operations by segment for the three and nine months ended September 28, 2008 and September 30, 2007:

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(In thousands)			
Revenues:				
Semiconductor	\$ 500,432	\$ 530,013	\$ 1,421,244	\$ 1,287,227
Storage Systems	213,876	197,402	645,874	575,542
Total	\$ 714,308	\$ 727,415	\$ 2,067,118	\$ 1,862,769
Income/(loss) from operations:				
Semiconductor	\$ 8,892	\$ (147,344)	\$ (47,371)	\$ (485,996)
Storage Systems	13,644	7,169	45,718	9,374
Total	\$ 22,536	\$ (140,175)	\$ (1,653)	\$ (476,622)

For the three months ended September 28, 2008, restructuring of operations and other items, a net of \$1.6 million, was primarily included in the Semiconductor segment. For the nine months ended September 28, 2008, restructuring of operations and other items, net, for the Semiconductor and Storage Systems segments were \$26.6 million and \$0.3 million, respectively.

For the three months ended September 30, 2007, restructuring of operations and other items, a net of \$101.2 million, was primarily included in the Semiconductor segment. For the nine months ended September 30, 2007, restructuring of operations and other items, net, for the Semiconductor and Storage Systems segments were \$115.0 million and \$4.1 million, respectively.

Significant Customers

The following table summarizes the number of the Company's significant customers, each of whom accounted for 10% or more of the Company's revenues, along with the percentage of revenues they individually represent by segment and on a consolidated basis:

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
Semiconductor segment:				
Number of significant customers	1	2	1	2
Percentage of segment revenues	26%	29%, 17%	27%	26%, 14%
Storage Systems segment:				
Number of significant customers	4	3	2	2
Percentage of segment revenues	46%, 12%, 10%, 10%	46%, 15%, 11%	45%, 15%	46%, 18%
Consolidated:				

Number of significant customers	2	3	2	2
Percentage of consolidated revenues	18%, 15%	21%, 13%, 12%	19%, 15%	18%, 15%

Information about Geographic Areas

Revenues from domestic operations were \$155.2 million, representing 21.7% of consolidated revenues, for the three months ended September 28, 2008 compared to \$205.2 million, representing 28.2% of consolidated revenues, for the three months ended September 30, 2007.

Revenues from domestic operations were \$582.8 million, representing 28.2% of consolidated revenues, for the nine months ended September 28, 2008 compared to \$623.8 million, representing 33.5% of consolidated revenues, for the nine months ended September 30, 2007.

Table of Contents**NOTE 11 COMPREHENSIVE INCOME/(LOSS)**

Comprehensive income/(loss) is defined as a change in equity of a company during a period from transactions and other events and circumstances, excluding transactions resulting from investments by owners and distributions to owners. Comprehensive income/ (loss), net of taxes, for the three and nine months ended September 28, 2008 and September 30, 2007 is as follows:

	Three Months Ended		Nine Months Ended	
	September	September 30,	September	September 30,
	28,	2007	28, 2008	2007
	2008			
	(In thousands)			
Net income/(loss)	\$ 11,371	\$ (140,600)	\$ (15,904)	\$ (488,621)
Change in unrealized gain/(loss) on available-for-sale securities	249	2,217	(2,117)	4,354
Unrealized gain on cash-flow hedges	78		78	
Change in foreign currency translation adjustments	(336)	8,862	5,459	5,506
Amortization of prior service cost and actuarial gains included in net periodic benefit credit	(62)		(113)	
Comprehensive income/(loss)	\$ 11,300	\$ (129,521)	\$ (12,597)	\$ (478,761)

NOTE 12 RELATED PARTY TRANSACTIONS

A member of the Company's board of directors is also a member of the board of directors of Seagate Technology. The Company sells semiconductors used in storage product applications to Seagate Technology for prices an unrelated third party would pay for such products. Revenues from sales to Seagate Technology were \$131.6 million and \$384.2 million for the three and nine months ended September 28, 2008, respectively. Revenues from sales to Seagate Technology were \$155.0 million and \$334.5 million for the three and nine months ended September 30, 2007, respectively. The Company had accounts receivable from Seagate Technology of \$73.4 million and \$103.6 million as of September 28, 2008 and December 31, 2007, respectively.

Upon the merger with Agere, the Company acquired an equity interest in a joint venture, Silicon Manufacturing Partners Pte Ltd. (SMP), formed by Agere and Chartered Semiconductor Manufacturing Ltd. (Chartered Semiconductor), a manufacturing foundry for integrated circuits. SMP operates an integrated circuit manufacturing facility in Singapore. The Company owns a 51% equity interest in this joint venture, and Chartered Semiconductor owns the remaining 49% equity interest. The Company's 51% interest in SMP is accounted for under the equity method because the Company is effectively precluded from unilaterally taking any significant action in the management of SMP due to Chartered Semiconductor's significant participatory rights under the joint venture agreement. Because of Chartered Semiconductor's approval rights, the Company cannot make any significant decisions regarding SMP without Chartered Semiconductor's approval, despite the 51% equity interest. In addition, the General Manager, who is responsible for the day-to-day management of SMP, is appointed by Chartered Semiconductor and Chartered Semiconductor provides the day-to-day operational support to SMP.

The Company purchased \$16.6 million and \$53.1 million of inventory from SMP for the three and nine months ended September 28, 2008, respectively. The Company purchased \$18.4 million and \$37.0 million of inventory from SMP for the three and nine months ended September 30, 2007, respectively. As of September 28, 2008 and December 31, 2007, the amount of inventory on hand that was purchased from SMP was \$9.3 million and \$11.3 million, respectively, and the amounts payable to SMP were \$4.6 million and \$10.2 million, respectively.

NOTE 13 COMMITMENTS, CONTINGENCIES AND LEGAL MATTERS**Purchase Commitments**

The Company maintains some purchase commitments with suppliers primarily for raw materials and manufacturing services and for some non-production items. Purchase commitments for inventory materials are generally restricted to a forecasted time-horizon as mutually agreed upon between the parties. This forecasted time-horizon can vary among different suppliers.

In connection with the sale of the Company's Gresham, Oregon semiconductor manufacturing facility in 2006, the Company entered into a multi-year wafer supply agreement with ON Semiconductor, under which LSI agreed to purchase \$202.6 million in wafers from ON Semiconductor between May 2006 and the end of LSI's fourth quarter of 2008. In September 2008, this wafer supply agreement was amended to extend the ending period for the commitment to the end of LSI's second quarter of 2009. As of September 28, 2008, the remaining purchases required under this arrangement were not significant.

The Company has a take or pay agreement with SMP under which it has agreed to purchase 51% of the managed wafer capacity from SMP's integrated circuit manufacturing facility and Chartered Semiconductor agreed to purchase the remaining 49% of the managed wafer capacity. SMP determines its managed wafer capacity each year based on forecasts provided by the Company and

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Chartered Semiconductor. If the Company fails to purchase its required commitments, it will be required to pay SMP for the fixed costs associated with the unpurchased wafers. Chartered Semiconductor is similarly obligated with respect to the wafers allotted to it. The agreement may be terminated by either party upon two years written notice. The agreement may also be terminated for material breach, bankruptcy or insolvency.

Guarantees**Product Warranties:**

The Company warrants finished goods against defects in material and workmanship under normal use and service for periods of one to five years. A liability for estimated future costs under product warranties is recorded when products are shipped.

The following table sets forth a summary of changes in product warranties during the nine months ended September 28, 2008 (in thousands):

Balance as of December 31, 2007	\$ 14,734
Accruals for warranties issued during the period	11,331
Accruals related to pre-existing warranties (including changes in estimates)	(1,529)
Settlements made during the period (in cash or in kind)	(10,737)
Balance as of September 28, 2008	\$ 13,799

Convertible Subordinated Notes:

As part of the merger with Agere, the Company guaranteed Agere's 6.5% Convertible Subordinated Notes due December 15, 2009. As of September 28, 2008 and December 31, 2007, \$361.6 million and \$361.7 million of these notes were outstanding, respectively. See Note 14 below.

Standby Letters of Credit:

As of September 28, 2008 and December 31, 2007, the Company had outstanding obligations relating to standby letters of credit of \$21.5 million and \$11.1 million, respectively. Standby letters of credit are financial guarantees provided by third parties for leases, claims from litigations and certain self-insured risks. If the guarantees are called, the Company must reimburse the provider of the guarantee. The fair value of the letters of credit approximates the contract amount and they generally have one-year terms.

FASB Interpretation No. 48 (FIN 48) Liabilities

As of September 28, 2008, the amount of the unrecognized tax benefits determined under FIN 48 was \$228.8 million, of which none is expected to be paid within one year. This is a net increase of \$21.4 million in unrecognized tax benefits from the previous quarter. Increases and decreases were made to unrecognized tax benefits as a result of tax positions taken during a prior period. In the third quarter of 2008, based on new information received, certain unrecognized tax benefits taken in prior quarters were re-measured. Other decreases were made to unrecognized tax benefits as a result of a lapse of the statute of limitations in a tax jurisdiction.

The Company is unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur. However, it is reasonably possible that the total amount of unrecognized tax benefits will increase or decrease in the next 12 months. Such changes could occur based on the normal expiration of various statutes of limitations or the possible conclusion of ongoing tax audits in various jurisdictions around the world. If those events occur within the next 12 months, the Company estimates that its unrecognized tax benefits, plus accrued interest and penalties, could decrease by an amount in the range of \$0 to \$32.6 million. A majority of this would affect the Company's effective tax rate.

Indemnifications

The Company is a party to a variety of agreements pursuant to which it may be obligated to indemnify the other party. Typically, these obligations arise in connection with contracts and license agreements or the sale of assets, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of warranties, representations and covenants related to such matters as title to assets sold, validity of certain intellectual property rights, non-infringement of third-party rights, and certain income tax-related matters. In each of these

circumstances, payment by the Company is typically subject to the other party

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making a claim to and cooperating with the Company pursuant to the procedures specified in the particular contract. This usually allows the Company to challenge the other party's claims or, in case of breach of intellectual property representations or covenants, to control the defense or settlement of any third-party claims brought against the other party. Further, the Company's obligations under these agreements may be limited in terms of activity (typically to replace or correct the products or terminate the agreement with a refund to the other party), duration and/or amounts. In some instances, the Company may have recourse against third parties covering payments made by the Company.

Legal Matters

On May 1, 2003, Litton Systems (Litton) and Stanford University filed a patent infringement lawsuit against Agere and others in the United States District Court for the Central District of California (Western Division). The complaint alleged that each of the defendants infringed a patent related to the manufacture of optical amplifiers. The patent, which expired in October 2003, was owned by Stanford University and was exclusively licensed to Litton. The complaint sought, among other remedies, monetary damages, counsel fees and injunctive relief. The Company settled this lawsuit on July 30, 2008, for \$12.5 million.

On April 6, 2006, Silicon Space Technology Corporation (Silicon Space) filed a lawsuit against LSI in the District Court of Travis County, Texas, alleging, among other things, that LSI misappropriated unspecified intellectual property related to radiation hardening of integrated circuits. In December 2007, the jury found that LSI did misappropriate Silicon Space intellectual property. A final judgment was entered on February 29, 2008, awarding Silicon Space \$18.0 million plus interest from October 10, 2006 and attorneys' fees, but denying injunctive relief. LSI and Silicon Space are challenging the judgment.

On December 6, 2006, Sony Ericsson Mobile Communications USA Inc. (Sony Ericsson) filed a lawsuit against Agere in Wake County Superior Court in North Carolina, alleging unfair and deceptive trade practices, fraud and negligent misrepresentation in connection with Agere's engagement with Sony Ericsson to develop a wireless data card for personal computers. The complaint claimed an unspecified amount of damages and seeks damages, treble damages and attorneys' fees. On February 13, 2007, Agere filed a motion to dismiss for improper venue. On August 27, 2007, the court granted Agere's motion to dismiss for improper venue. Sony Ericsson has appealed that ruling. On October 22, 2007, Sony Ericsson filed a lawsuit in the Supreme Court of the State of New York, New York County against LSI, raising substantially the same allegations and seeking substantially the same relief as the North Carolina proceeding.

On March 23, 2007, CIF Licensing, LLC, d/b/a GE Licensing (GE) filed a lawsuit against Agere in the United States District Court for the District of Delaware, asserting that unspecified Agere products infringe patents in a portfolio of patents GE acquired from Motorola. GE has asserted that four of the patents cover inventions relating to modems. GE is seeking monetary damages.

In addition to the foregoing, the Company and its subsidiaries are parties to other litigation matters and claims in the normal course of business. The Company does not believe, based on currently available facts and circumstances, that the final outcome of these other matters, taken individually or as a whole, will have a material adverse effect on the Company's consolidated results of operations or financial position. However, the pending unsettled lawsuits may involve complex questions of fact and law and may require the expenditure of significant funds and the diversion of other resources to defend. From time to time, the Company may enter into confidential discussions regarding the potential settlement of such lawsuits. However, there can be no assurance that any such discussions will occur or will result in a settlement. Moreover, the settlement of any pending litigation could require the Company to incur substantial costs and, in the case of the settlement of any intellectual property proceeding against the Company, may require the Company to obtain a license under a third party's intellectual property rights that could require royalty payments in the future and the Company to grant a license to certain of its intellectual property rights to a third party under a cross-license agreement. The results of litigation are inherently uncertain, and material adverse outcomes are possible.

NOTE 14 SUBSEQUENT EVENTS

In October and November of 2008, the Company repurchased \$118.6 million principal amount of the 2002 Convertible Subordinated Notes due in December 2009 for \$116.6 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's discussion and analysis should be read in conjunction with the other sections of this Form 10-Q, including Part I, Item 1- Financial Statements.

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Where more than one significant factor contributed to changes in results from year to year, we have quantified these factors throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where practicable and useful to the discussion.

OVERVIEW

We design, develop and market complex, high-performance semiconductors and storage systems. We offer a broad portfolio of capabilities including custom and standard product integrated circuits used in hard disk drives, high-speed communication systems, computer servers, storage systems and personal computers. We also offer external storage systems, associated data management software and related products.

We operate in two segments – the Semiconductor segment and the Storage Systems segment. For the Semiconductor segment, we sell our integrated circuits for storage applications to makers of hard disk drives and computer servers. We sell our integrated circuits for networking applications principally to makers of devices used in computer and communications networks and, to a lesser extent, to makers of personal computers. For the Storage Systems segment, we sell our storage systems, host adapter boards and software applications for attaching storage devices to computer servers and for storage area networks to original equipment manufacturers who resell those products to end customers under their own brand name. We also generate revenue by licensing other entities to use our intellectual property.

Our revenues depend on market demand for these types of products and our ability to compete in highly competitive markets. We face competition not only from makers of products similar to ours, but also from competing technologies. For example, we see the development of solid state drives, based on flash memory rather than the spinning platters used in hard disk drives, as a long term potential competitor to certain types of hard disk drives, and have begun focusing development efforts in that area.

Our business is largely focused on the information technology industry. Due to seasonality in this industry, we typically expect to see stronger revenues in the second half of the year. While the current economic conditions that companies are facing generally are making it more difficult for us to predict our future revenues, we believe, however, that these conditions will likely have a negative impact on our revenues in the coming months.

Since the beginning of 2007, we have undertaken a number of actions to focus our business on the storage and networking areas, where we believe we have the scale, technology, and customer relationships to be most successful. We have also transitioned the final assembly and testing of our products to third party manufacturers in an effort to improve our profitability by reducing our exposure to unrecovered fixed costs, to reduce our capital expenditures and to allow us to focus our efforts on product development. The significant actions in this process have included:

The acquisition of SiliconStor, a provider of semiconductor solutions for enterprise storage networks, in March 2007;

The acquisition of Agere Systems in April 2007, through the merger of Agere and a subsidiary of ours. Agere was a provider of integrated circuit solutions for a variety of communications and computing applications;

The sale of our Consumer Products Group in July 2007;

The sale of the Mobility Products Group in October 2007, which we acquired from Agere;

The sale of, or discontinuation of operations at, our semiconductor and storage systems assembly and test facilities, and the transition of the work performed at those facilities to contract manufacturers;

The acquisition of Tarari, a maker of silicon and software that provides content and application awareness in packet and message processing, in October 2007; and

The acquisition of the hard disk drive semiconductor business of Infineon Technologies in April 2008.

Because of Agere's size, the integration of its business and people has been an important and time-consuming process for us. We believe the only significant actions remaining in the Agere integration are the unification of our

benefits programs and moving Agere's operations onto our enterprise resource planning system.

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Revenues for the three months ended September 28, 2008 were \$714.3 million, representing a 1.8% decrease from the three months ended September 30, 2007. The decrease was primarily attributable to the absence of revenues from the Mobility Products Group that was sold in October 2007, offset in part by an increase in revenues from increased sales of semiconductors used in storage product applications, increased revenues from the licensing of intellectual property and an increase in revenues associated with increased demand for our entry level storage systems. Revenues for the nine months ended September 28, 2008 were \$2,067.1 million, representing an 11.0% increase from the nine months ended September 30, 2007.

We reported net income of \$11.4 million, or \$0.02 per diluted share, for the three months ended September 28, 2008, as compared to a net loss of \$140.6 million, or \$0.20 per diluted share, for the three months ended September 30, 2007. We reported a net loss of \$15.9 million, or \$0.02 per diluted share, for the nine months ended September 28, 2008, as compared to a net loss of \$488.6 million, or \$0.78 per diluted share, for the nine months ended September 30, 2007. During the three months ended September 28, 2008, we recorded restructuring of operations and other items, net of \$1.6 million compared to \$101.2 million for the three months ended September 30, 2007, relating primarily to the sale of the Mobility Products Group. During the nine months ended September 28, 2008, we recorded restructuring of operations and other items, net of \$26.9 million compared to \$119.1 million for the same period in 2007. During the nine months ended September 30, 2007, we recorded a \$182.9 million charge for acquired in-process research and development primarily associated with the merger with Agere on April 2, 2007. We did not record any charge related to acquired in-process research and development during the nine months ended September 28, 2008.

Cash, cash equivalents and short-term investments were \$1,173.9 million as of September 28, 2008. For the three and nine months ended September 28, 2008, we generated \$56.4 million and \$179.9 million, respectively, in cash from operating activities.

RESULTS OF OPERATIONS**Revenues**

The following table summarizes our revenues by segment for the three and nine months ended September 28, 2008 and September 30, 2007:

	Three Months Ended		Nine Months Ended	
	September			
	28,	September 30,	September	September 30,
	2008	2007	28, 2008	2007
	(In millions)			
Semiconductor segment	\$ 500.4	\$ 530.0	\$ 1,421.2	\$ 1,287.2
Storage Systems segment	213.9	197.4	645.9	575.6
Consolidated	\$ 714.3	\$ 727.4	\$ 2,067.1	\$ 1,862.8

Three months ended September 28, 2008 compared to the three months ended September 30, 2007:

Total consolidated revenues for the three months ended September 28, 2008 decreased \$13.1 million or 1.8% as compared to the three months ended September 30, 2007.

Semiconductor Segment:

Revenues for the Semiconductor segment decreased \$29.6 million or 5.6% for the third quarter of 2008 as compared to the third quarter of 2007. The decrease was primarily attributable to the absence of \$93.3 million in revenues from the Mobility Products Group which we sold in October 2007. The decrease was partially offset by:

- A \$42.9 million increase in revenues attributable to increased demand for semiconductors used in storage product applications and revenues from the HDD semiconductor business acquired from Infineon in April 2008;

- A \$19.0 million increase in revenues from the licensing of intellectual property; and

A \$7.7 million increase in revenues from the sale of semiconductors used in networking standard products.

Table of Contents**Storage Systems Segment:**

Revenues for the Storage Systems segment increased \$16.5 million or 8.4% for the third quarter of 2008 as compared to the third quarter of 2007. The increase was primarily attributable to an increase in revenues for our entry level storage systems and our premium feature software products.

Nine months ended September 28, 2008 compared to the nine months ended September 30, 2007:

Total consolidated revenues for the nine months ended September 28, 2008 increased \$204.3 million or 11.0% as compared to the nine months ended September 30, 2007.

Semiconductor Segment:

Revenues for the Semiconductor segment increased \$134.0 million or 10.4% for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007. The increase was primarily attributable to revenues from Agere and, to a lesser extent, increased demand for semiconductors used in storage product applications and networking standard products. The increase was partially offset by the absence of \$183.9 million of revenues from the Mobility Products Group and a decrease of \$54.6 million in revenues from the Consumer Products Group.

Storage Systems Segment:

Revenues for the Storage Systems segment increased \$70.3 million or 12.2% for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007. The increase was primarily attributable to an increase in revenues for our entry level storage systems and a continued increase in demand for our premium feature software products.

See Note 10 to our consolidated financial statements in Item 1 for information about our significant customers.

Revenues by Geography

The following table summarizes our revenues by geography for the three and nine months ended September 28, 2008 and September 30, 2007:

	Three Months Ended		Nine Months Ended	
	September 28, 2008	September 30, 2007	September 28, 2008	September 30, 2007
	(In millions)			
North America *	\$ 155.2	\$ 205.2	\$ 582.8	\$ 623.9
Asia **	390.9	440.3	1,086.0	1,016.2
Europe and the Middle East	168.2	81.9	398.3	222.7
Total	\$ 714.3	\$ 727.4	\$ 2,067.1	\$ 1,862.8

* Primarily the United States.

** Including Japan.

Three months ended September 28, 2008 compared to the three months ended September 30, 2007:

Revenues in Europe and the Middle East increased 105.4% for the third quarter of 2008 compared to the third quarter of 2007. The increase was attributable to increased revenues in storage systems and increased revenues in semiconductors used in storage product applications. The increase in revenues for storage systems is primarily the result of a significant customer shifting order placements from our U.S. subsidiary to a subsidiary in Europe. Revenues in North America decreased 24.4% and revenues in Asia decreased 11.2%. The decrease in North America was primarily attributable to decreased revenues in storage systems primarily for the reasons discussed above, offset by increased revenues from semiconductors used in storage and networking standard products. The decrease in Asia was primarily attributable to the absence of revenues from the Mobility Products Group offset by an increase in

revenues for our entry level storage system products.

Nine months ended September 28, 2008 compared to the nine months ended September 30, 2007:

Revenues in Europe and the Middle East increased 78.9% and revenues in Asia increased 6.9% for the nine months ended September 28, 2008 compared to the nine months ended September 30, 2007. These increases were offset by a 6.6% decrease in

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revenues in North America. The increase in Europe and the Middle East was primarily attributable to revenues from Agere, increased revenues in storage systems for the reasons discussed above and increased demand for semiconductors used in storage product applications.

Gross Profit Margin

The following table summarizes our gross profit margins by segment for the three and nine months ended September 28, 2008 and September 30, 2007:

	Three Months Ended		Nine Months Ended	
	September	September 30,	September	September 30,
	28,	2007	28,	2007
	2008		2008	
	(Dollars in millions)			
Semiconductor segment	\$ 216.4	\$ 175.9	\$ 597.3	\$ 396.3
Percentage of segment revenues	43.2%	33.2%	42.0%	30.8%
Storage Systems segment	\$ 81.0	\$ 72.0	\$ 244.6	\$ 198.1
Percentage of segment revenues	37.9%	36.5%	37.9%	34.4%
Consolidated	\$ 297.4	\$ 247.9	\$ 841.9	\$ 594.4
Percentage of total revenues	41.6%	34.1%	40.7%	31.9%

Three months ended September 28, 2008 compared to the three months ended September 30, 2007:

The consolidated gross profit margin as a percentage of total revenues increased to 41.6% for the three months ended September 28, 2008 as compared to 34.1% for the three months ended September 30, 2007.

Semiconductor Segment:

The gross profit margin as a percentage of segment revenues for the Semiconductor segment increased to 43.2% for the third quarter of 2008 from 33.2% for the third quarter of 2007. The increase was primarily attributable to:

A decrease of \$19.1 million in the amortization of intangible assets in the third quarter of 2008;

An \$8.0 million charge recorded in the third quarter of 2007 for a wafer supply agreement with ON Semiconductor resulting from a decline in demand; and

Increased sales of products with higher gross profit margins in the third quarter of 2008.

Storage Systems Segment:

The gross profit margin as a percentage of segment revenues for the Storage Systems segment increased to 37.9% for the third quarter of 2008 from 36.5% for the third quarter of 2007. The increase was primarily driven by lower manufacturing costs across the product lines and higher demand for premium feature software products, which have higher margins.

Nine months ended September 28, 2008 compared to the nine months ended September 30, 2007:

The consolidated gross profit margin as a percentage of total revenues increased to 40.7% for the nine months ended September 28, 2008 as compared to 31.9% for the nine months ended September 30, 2007.

Semiconductor Segment:

The gross profit margin as a percentage of segment revenues for the Semiconductor segment increased to 42.0% for the nine months ended September 28, 2008 from 30.8% for the nine months ended September 30, 2007. The increase was primarily attributable to:

An inventory charge of \$47.9 million recorded in the second quarter of 2007 related to fair valuing the inventory in the acquisition of Agere;

\$19.0 million in charges recorded during the nine months ended September 30, 2007 for a wafer supply agreement with ON Semiconductor resulting from a decline in demand;

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A decrease of \$8.5 million in the amortization of intangible assets for the nine months ended September 28, 2008;

An additional \$6.6 million of previously reserved inventory was sold through for the nine months ended September 28, 2008; and

Increased sales of products with higher gross profit margins for the nine months ended September 28, 2008.

Storage Systems Segment:

The gross profit margin as a percentage of segment revenues for the Storage Systems segment increased to 37.9% for the nine months ended September 28, 2008 from 34.4% for the nine months ended September 30, 2007. The increase was primarily driven by lower manufacturing costs across the product lines and higher demand for premium feature software products, which have higher margins.

Research and Development

The following table summarizes our research and development, or R&D, expenses by segment for the three and nine months ended September 28, 2008 and September 30, 2007:

	Three Months Ended		Nine Months Ended	
	September	September 30,	September	September 30,
	28,	2007	28,	2007
	2008		2008	
	(Dollars in millions)			
Semiconductor segment	\$ 135.1	\$ 146.4	\$ 405.7	\$ 391.1
Percentage of segment revenues	27.0%	27.6%	28.5%	30.4%
Storage Systems segment	\$ 34.5	\$ 35.9	\$ 103.7	\$ 97.0
Percentage of segment revenues	16.1%	18.2%	16.1%	16.9%
Consolidated	\$ 169.6	\$ 182.3	\$ 509.4	\$ 488.1
Percentage of total revenues	23.7%	25.1%	24.6%	26.2%

Three months ended September 28, 2008 compared to the three months ended September 30, 2007:

Consolidated R&D expenses decreased \$12.7 million or 7.0% for the three months ended September 28, 2008 as compared to the three months ended September 30, 2007.

Semiconductor Segment:

R&D expenses for the Semiconductor segment decreased \$11.3 million or 7.7% for the third quarter of 2008 as compared to the third quarter of 2007 and as a percentage of segment revenues decreased to 27.0% for the third quarter of 2008 from 27.6% for the third quarter of 2007. These decreases were primarily attributable to decreased expenditures resulting from the sale of the Mobility Products Group and headcount reductions from our restructuring actions and, to a lesser extent, decreased spending related to third party design tools and materials used in the design of custom silicon and standard products.

Storage Systems Segment:

R&D expenses for the Storage Systems segment decreased \$1.4 million or 3.9% for the third quarter of 2008 as compared to the third quarter of 2007. The decrease was primarily attributable to lower spending on various development projects. R&D expenses as a percentage of segment revenues decreased to 16.1% for the third quarter of 2008 from 18.2% for the third quarter of 2007. The decrease was primarily attributable to an increase in revenues in the third quarter of 2008 compared to the third quarter of 2007.

Nine months ended September 28, 2008 compared to the nine months ended September 30, 2007:

Consolidated R&D expenses increased \$21.3 million or 4.4% for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007.

Table of Contents**Semiconductor Segment:**

R&D expenses for the Semiconductor segment increased \$14.6 million or 3.7% for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007. The increase was primarily attributable to the acquisition of Agere, partially offset by reduced expenditures from the sale of the Mobility and Consumer Product groups, headcount reductions from our restructuring actions and decreased spending related to third party design tools and materials. R&D expenses as a percentage of segment revenues decreased to 28.5% for the nine months ended September 28, 2008 from 30.4% for the nine months ended September 30, 2007. The decrease was primarily the result of higher revenues for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007.

Storage Systems Segment:

R&D expenses for the Storage Systems segment increased \$6.7 million or 6.9% for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007. The increase was attributable to increased compensation related expenditures as well as increased material spending and depreciation expenses associated with equipment spending for R&D projects associated with new product development. R&D expenses as a percentage of segment revenues was 16.1% for the nine months ended September 28, 2008 and 16.9% for the nine months ended September 30, 2007.

Selling, General and Administrative

The following table summarizes our selling, general and administrative, or SG&A, expenses by segment for the three and nine months ended September 28, 2008 and September 30, 2007:

	Three Months Ended		Nine Months Ended	
	September	September 30,	September	September 30,
	28,	2007	28,	2007
	2008		2008	
	(Dollars in millions)			
Semiconductor segment	\$ 70.8	\$ 75.9	\$ 212.4	\$ 193.4
Percentage of segment revenues	14.1%	14.3%	14.9%	15.0%
Storage Systems segment	\$ 32.9	\$ 28.6	\$ 94.9	\$ 87.5
Percentage of segment revenues	15.4%	14.5%	14.7%	15.2%
Consolidated	\$ 103.7	\$ 104.5	\$ 307.3	\$ 280.9
Percentage of total revenues	14.5%	14.4%	14.9%	15.1%

Three months ended September 28, 2008 compared to the three months ended September 30, 2007:

Consolidated SG&A expenses decreased \$0.8 million or 0.8% for the three months ended September 28, 2008 compared to the three months ended September 30, 2007.

Semiconductor Segment:

SG&A expenses for the Semiconductor segment decreased \$5.1 million or 6.7% for the third quarter of 2008 as compared to the third quarter of 2007 and as a percentage of segment revenues decreased to 14.1% for the third quarter of 2008 from 14.3% for the third quarter of 2007. These decreases were primarily attributable to reduced expenditures resulting from the sale of the Mobility Products Group and reduced labor costs from headcount reductions associated with our restructuring actions.

Storage Systems Segment:

SG&A expenses for the Storage Systems segment increased \$4.3 million or 15.0% for the third quarter of 2008 as compared to the third quarter of 2007 and as a percentage of segment revenues increased to 15.4% for the third quarter of 2008 from 14.5% for the third quarter of 2007. These increases were primarily attributable to an increase in labor costs associated with growth in sales and marketing headcount, an increase in sales incentives and increased marketing expenses to support higher revenues during the third quarter of 2008 as compared to the same quarter of 2007.

Nine months ended September 28, 2008 compared to the nine months ended September 30, 2007:

Consolidated SG&A expenses increased \$26.4 million or 9.4% for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007.

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Semiconductor Segment:

SG&A expenses for the Semiconductor segment increased \$19.0 million or 9.8% for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007. The increase was primarily attributable to the acquisition of Agere, partially offset by reduced expenses from the sale of the Mobility and Consumer Product groups as well as reduced labor costs from headcount reductions associated with our restructuring actions.

Storage Systems Segment:

SG&A expenses for the Storage Systems segment increased \$7.4 million or 8.5% for the nine months ended September 28, 2008 as compared to the nine months ended September 30, 2007. The increase was primarily attributable to an increase in labor costs associated with growth in sales and marketing headcount, an increase in sales incentives and increased marketing expenses to support higher revenues during the nine months ended September 28, 2008 compared to the same period in 2007. As a percentage of segment revenues, SG&A expenses declined to 14.7% for the nine months ended September 28, 2008 from 15.2% for the nine months ended September 30, 2007 as a result of higher revenues for the nine months ended September 28, 2008 than in the nine months ended September 30, 2007.

Restructuring of Operations and Other Items

We recorded charges of \$1.6 million and \$26.9 million in restructuring of operations and other items, net, for the three and nine months ended September 28, 2008, respectively. We recorded charges of \$101.2 million and \$119.1 million in restructuring of operations and other items, net, for the three and nine months ended September 30, 2007, respectively.

We recorded a charge of \$1.7 million related to restructuring of operations for the three months ended September 28, 2008, which was recorded in the Semiconductor segment. We recorded a charge of \$15.0 million related to restructuring of operations for the nine months ended September 28, 2008. Of this charge, \$14.7 million and \$0.3 million were recorded in the Semiconductor segment and the Storage Systems segment, respectively.

As a result of the restructuring actions taken since the second quarter of 2007, we are realizing operating expense savings of approximately \$59.1 million per quarter. We expect savings in cost of revenues to be fully offset by additional costs from purchasing services through contract manufacturers.

See Note 3 to our consolidated financial statements in Item 1 for more information about the restructuring charges recorded during the third quarter of 2008.

We recorded a net credit of \$0.1 million and a charge of \$11.9 million related to other items for the three months and nine months ended September 28, 2008, respectively. The majority of the charge resulted from the settlement of the Litton proceeding referred to in Note 13 to our consolidated financial statements in Item 1.

Interest Expense

Interest expense remained flat at \$9.0 million for the three months ended September 28, 2008 and September 30, 2007. Interest expense increased \$4.9 million to \$26.9 million for the nine months ended September 28, 2008 from \$22.0 million for the nine months ended September 30, 2007 as a result of interest on convertible notes we guaranteed in connection with the Agere merger.

Interest Income and Other

Interest income and other, net, was \$8.0 million for the third quarter of 2008 as compared to \$11.8 million for the third quarter of 2007. Interest income decreased to \$10.4 million for the third quarter of 2008 from \$13.3 million for the third quarter of 2007. The decrease in interest income was primarily attributable to lower interest rates during the third quarter of 2008 as compared to the third quarter of 2007. Other expenses, net, of \$2.4 million for the third quarter of 2008 included \$1.7 million of impairment charges related to certain marketable available for sale debt securities and other miscellaneous items. Other expenses, net, of \$1.5 million for the third quarter of 2007 included a \$2.3 million charge for points on foreign currency forward contracts, offset in part by other miscellaneous items.

Interest income and other, net, was \$30.9 million for the nine months ended September 28, 2008 as compared to \$33.1 million for the nine months ended September 30, 2007. Interest income decreased to \$35.3 million for the nine months ended September 28, 2008 from \$41.2 million for the nine months ended September 30, 2007. The decrease in interest income was primarily due to lower interest

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rates during the nine months ended September 28, 2008 compared to the nine months ended September 30, 2007. Other expenses, net, of \$4.4 million for the nine months ended September 28, 2008 were primarily from \$4.5 million of impairment charges related to certain available-for-sale debt and equity securities, partially offset by other miscellaneous credits. Other expenses, net, of \$8.1 million for the nine months ended September 30, 2007 included a \$5.6 million charge for points on foreign currency forward contracts, a pre-tax loss of \$2.4 million on the impairment of certain non-marketable equity securities and other miscellaneous items.

Provision for Income Taxes

During the three and nine months ended September 28, 2008, we recorded an income tax provision of \$10.2 million and \$18.2 million, respectively. Under FASB interpretation No. 18, Accounting for Income Taxes in Interim Periods, an interpretation of Accounting Principal Board Opinion No. 28, we have excluded the income or loss from certain jurisdictions from the overall estimation of the annual rate due to the anticipated pretax losses in those jurisdictions for the years for which tax benefits are not realizable or cannot be recognized in the current year. The provision for income taxes for the three months ended September 28, 2008 reflects the release of a \$4.5 million FIN 48 liability because a statute of limitations expired and an increase of \$3.5 million as a result of re-measurement of uncertain tax positions taken in prior quarters, based on new information received in the third quarter of 2008.

During the three and nine months ended September 30, 2007, we recorded an income tax provision of \$3.2 million and \$23.2 million, respectively. The provision for income taxes for the three months ended September 30, 2007 reflects a release of a \$3.3 million reserve due to the expiration of the applicable period under a statute of limitations.

Excluding certain foreign jurisdictions, management believes that the future benefit of deferred tax assets is not more likely than not to be realized.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

Cash, cash equivalents and short-term investments decreased to \$1,173.9 million as of September 28, 2008 from \$1,397.6 million as of December 31, 2007. The decrease was mainly due to cash outflows for financing and investing activities as described below, partially offset by cash inflows from operating activities.

Working Capital

Working capital decreased by \$103.8 million to \$1,326.3 million as of September 28, 2008 from \$1,430.1 million as of December 31, 2007. The decrease was attributable to the following:

Cash, cash equivalents and short-term investments decreased by \$223.7 million;

Inventories decreased by \$30.9 million primarily as the result of a shift to progress billing for one of our customers and a reduction in buffer stocks established to facilitate our manufacturing transition to contract manufacturers;

Accrued salaries, wages and benefits increased by \$22.3 million primarily attributable to the timing of payments;

Income taxes payable increased by \$9.0 million as a result of an increase in the tax provision offset by tax payments; and

Accounts receivable decreased by \$5.2 million as a result of lower revenues and higher days sales outstanding in the third quarter of 2008 compared to the fourth quarter of 2007.

These decreases in working capital were offset, in part, by the following:

Accounts payable decreased by \$92.0 million due to the timing of invoice receipt and payments;

Other accrued liabilities decreased by \$68.5 million primarily as a result of utilization of restructuring reserves and pension contributions, partially offset by an increase in accrued interest on the convertible notes; and

Prepaid expenses and other current assets increased by \$26.8 million primarily due to increases in other receivables and prepaid taxes offset by a decrease in assets held for sale.

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Cash provided by operating activities

During the nine months ended September 28, 2008, we generated \$179.9 million of cash from operating activities compared to \$184.7 million generated during the nine months ended September 30, 2007. Cash generated by operating activities for the nine months ended September 28, 2008 was the result of the following:

A net loss adjusted for non-cash transactions. The non-cash items and other non-operating adjustments are quantified in the Consolidated Statements of Cash Flows included in Item 1; and

A net decrease in assets and liabilities, including changes in working capital components from December 31, 2007 to September 28, 2008, as discussed above.

Cash and cash equivalents used in investing activities

Cash and cash equivalents used in investing activities were \$222.6 million for the nine months ended September 28, 2008, as compared to \$755.9 million provided by investing activities for the nine months ended September 30, 2007. The primary investing activities for the nine months ended September 28, 2008 were:

Acquisition of businesses, net of cash acquired;

Purchases of property, equipment and software, net of sales;

Purchase of available for sale debt securities and equity securities, net of proceeds from maturities and sales;

An increase in a non-current deposit; and

Proceeds received from the resolution of a pre-acquisition income tax contingency.

We expect capital expenditures to be approximately \$60.0 million in 2008. In recent years, we have reduced our level of capital expenditures as a result of our focus on establishing strategic supplier alliances with foundry semiconductor manufacturers and with third-party assembly and test operations, which enables us to have access to advanced manufacturing capacity and reduce our capital spending requirements.

Cash and cash equivalents used in financing activities

Cash and cash equivalents used in financing activities were \$192.9 million for the nine months ended September 28, 2008, as compared to \$520.1 million for the nine months ended September 30, 2007. The primary financing activities during the nine months ended September 28, 2008 were the purchase of common stock under our repurchase programs and the issuance of common stock under our employee stock plans.

On August 20, 2007, we announced that our Board of Directors had authorized a stock repurchase program of up to \$500.0 million worth of shares of our common stock. During the nine months ended September 28, 2008, we repurchased 44.6 million shares for \$229.2 million in cash, effectively completing the authorization. The repurchased shares were retired immediately after the repurchases were completed. Retirement of the repurchased shares is recorded as a reduction of common stock and additional paid-in-capital.

Cash, cash equivalents and short-term investments are our primary source of liquidity. We believe that our existing liquid resources and cash generated from operations will be adequate to meet our operating and capital requirements and obligations for the foreseeable future. We may, however, seek additional equity or debt financing from time to time. We cannot be certain that additional financing, if needed, will be available on favorable terms. Moreover, any future equity or convertible debt financing may decrease the percentage of equity ownership of existing stockholders and may result in dilution, depending on the price at which the equity is sold or the debt is converted.

Table of Contents**CONTRACTUAL OBLIGATIONS**

The following table summarizes our contractual obligations as of September 28, 2008:

	Payments Due by Period				Total
	Less Than 1 Year	1-3 Years	4-5 Years (In millions)	After 5 Years	
Convertible Subordinated Notes	\$	\$ 711.6	\$	\$	\$ 711.6
Operating lease obligations	94.4	106.5	25.1	4.2	230.2
Purchase commitments	273.0	311.5			584.5
Pension and post-retirement contributions	28.5	*	*	*	28.5
Total	\$ 395.9	\$ 1,129.6	\$ 25.1	\$ 4.2	\$ 1,554.8

* We have pension plans covering substantially all former Agere U.S. employees, excluding management employees hired after June 30, 2003. We also have pension plans covering certain international employees. Although additional future contributions will be required, the amount and timing of these contributions will be impacted by actuarial assumptions, the actual rate of return on plan assets, the level of market interest rates, and the amount

of voluntary contributions to the plans. If current macroeconomic conditions continue, the additional contributions in the years 2009 and 2010 would likely be higher than 2008.

Convertible Subordinated Notes

As of September 28, 2008, we had outstanding \$350.0 million of 4% Convertible Subordinated Notes due May 15, 2010. Interest on these notes is payable semiannually on May 15 and November 15 of each year. These convertible notes are subordinated to all existing and future senior debt and are convertible at the holder's option into shares of our common stock at a conversion price of approximately \$13.42 per share at any time prior to maturity. We cannot elect to redeem these notes prior to maturity. Each holder of these notes has the right to cause us to repurchase all of such holder's convertible notes at a price equal to 100% of their principal amount plus any accrued interest upon the occurrence of any fundamental change, which includes a transaction or an event such as an exchange offer, liquidation, a tender offer, consolidation, certain mergers or combinations. The merger with Agere did not trigger this right.

As part of the merger with Agere, we guaranteed Agere's 6.5% Convertible Subordinated Notes due December 15, 2009. As of September 28, 2008, we had outstanding \$361.6 million of these notes. Interest on these notes is payable semiannually on June 15 and December 15 of each year. These convertible notes are unsecured and subordinated obligations and are subordinated in right of payment to all of Agere's existing and future senior debt. These notes are convertible at the holder's option into shares of our common stock at a conversion price of \$15.3125 per share, subject to adjustment in certain events, at any time prior to maturity, unless previously redeemed or repurchased. We may redeem these notes in whole or in part at any time. We may be required to repurchase these notes at a price equal to 100% of their principal amount plus any accrued and unpaid interest if our stock is no longer approved for public trading, if our stockholders approve liquidation or if a specified change in control occurs. Subsequent to the third quarter of 2008, we repurchased \$118.6 million principal amount of these notes for \$116.6 million.

Fluctuations in our stock price impact the prices of our outstanding convertible securities and the likelihood of the convertible securities being converted into equity. If we are required to redeem any of the convertible notes for cash, it may affect our liquidity position. In the event they are not converted to equity, we believe that our current cash position and expected future operating cash flows will be adequate to meet these obligations as they mature.

Operating Lease Obligations

We lease real estate, certain non-manufacturing equipment and software under non-cancelable operating leases.

Purchase Commitments

We maintain certain purchase commitments with suppliers primarily for raw materials and manufacturing services and for some non-production items. Purchase commitments for inventory materials are generally restricted to a forecasted time-horizon as mutually agreed upon between the parties. This forecasted time-horizon can vary among different suppliers.

FIN 48 Tax Liabilities

As of September 28, 2008, the amount of the unrecognized tax benefits determined under FIN 48 was \$228.8 million, of which none is expected to be paid within one year. This is a net increase of \$21.4 million in unrecognized tax benefits from the previous quarter. Increases and decreases were made to unrecognized tax benefits as a result of tax positions taken during a prior period. In the third quarter of 2008, based on new information received, certain unrecognized tax benefits taken in prior quarters were re-measured. Other decreases were made to unrecognized tax benefits as a result of a lapse of the statute of limitations in a tax jurisdiction.

We are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur. However, it is reasonably possible that the total amount of unrecognized tax benefits will increase or decrease in the next 12 months. Such changes could occur based on the normal expiration of various statutes of limitations or the possible conclusion of ongoing tax audits in various jurisdictions around the world. If those events occur within the next 12 months, we estimate that our unrecognized tax

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benefits, plus accrued interest and penalties, could decrease by an amount in the range of \$0 to \$32.6 million. A majority of this would affect our effective tax rate.

Standby Letters of Credit

As of September 28, 2008 and December 31, 2007, we had outstanding obligations relating to standby letters of credit of \$21.5 million and \$11.1 million, respectively. Standby letters of credit are financial guarantees provided by third parties for leases, claims from litigations and certain self-insured risks. If the guarantees are called, we must reimburse the provider of the guarantee. The fair value of the letters of credit approximates the contract amount and they generally have one-year terms.

CRITICAL ACCOUNTING POLICIES

For a detailed discussion of our critical accounting policies, please see the Critical Accounting Estimates contained in the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 and significant accounting policies contained in Note 1 to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2007.

RECENT ACCOUNTING PRONOUNCEMENTS

The information contained in Note 1 to our consolidated financial statements in Item 1 under the heading "Recent Accounting Pronouncements" is hereby incorporated by reference into this Item 2.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The following information is in addition to the information contained in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2007 and is included as a result of current macroeconomic conditions:

Credit and Market Liquidity Risks

As of September 28, 2008, we had investments in money market mutual funds of \$649 million and available-for-sale debt securities of \$401 million. These securities are classified as available-for-sale under the guidance of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and accordingly are recorded at fair market value in cash and cash equivalents or short-term investments with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of applicable taxes.

These investments expose us to credit risk, or the risk of loss should the issuer of the debt securities held in our portfolio or by the money market mutual funds we invest in be unable to meet their financial obligations under those securities. Our available-for-sale debt securities at September 28, 2008 included \$207 million of asset-backed and mortgage-backed securities of which \$158 million are issued by agencies of the U.S. government. We diversify our investments to reduce the exposure to loss from any single issuer, sector, bank or mutual fund.

We are also exposed to market liquidity risk. This is the risk that the demand for securities in the market becomes significantly lower than normal or ceases to exist. The U.S. government has recently instituted several programs to restore market liquidity such as money market guarantees, The Commercial Paper Funding Facility, and the Troubled Asset Relief Program. However, access to our funds could be limited in some cases and some money market funds could limit redemptions for a period of time. The impact of market liquidity risk on our investments is that we may be unable to sell our investments in a timely manner should we need to, or if we are able to sell them, the sale price of the investments may be lower than we expect.

Credit and market liquidity risks could impact our results of operations to the extent we incur a loss or if management determines that changes in prices of available-for-sale debt securities are other than temporary.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Securities and Exchange Commission defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act is accumulated and

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communicated to management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required or necessary disclosures. Our chief executive officer and chief financial officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management, with the participation of our chief executive officer and chief financial officer, as of the end of the period covered by this report, that our disclosure controls and procedures were effective for this purpose.

CHANGES IN INTERNAL CONTROL

During the quarter ended September 28, 2008, we did not make any changes in our internal control over financial reporting that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

This information is included under the caption Legal Matters in Note 13 to our consolidated financial statements in Item 1 of Part I.

Item 1A. Risk Factors

Set forth below are risks and uncertainties, which are discussed in greater detail in our Annual Report on Form 10-K for the year ended December 31, 2007, that, if they were to occur, could materially adversely affect our business or that could cause our actual results to differ materially from the results contemplated by the forward-looking statements in this report and other public statements we make:

We depend on a small number of customers. The loss of, or a significant reduction in revenue from, any of these customers would harm our results of operations.

If we fail to keep pace with technological advances, or if we pursue technologies that do not become commercially accepted, customers may not buy our products and our results of operations may be harmed.

We operate in intensely competitive markets, and our failure to compete effectively would harm our results of operations.

We may fail to realize benefits expected from our merger with Agere Systems, which could harm our stock price.

Customer orders and ordering patterns can change quickly, making it difficult for us to predict our revenues and making it possible that our actual revenues may vary materially from our expectations, which could harm our results of operations and stock price.

We depend increasingly on outside suppliers to manufacture, assemble, package and test our products; accordingly, any failure to transition successfully our manufacturing, assembly, packaging and test operations to suppliers, to secure and maintain sufficient manufacturing capacity or to maintain the quality of our products could harm our business and results of operations.

Failure to qualify our semiconductor products or our suppliers' manufacturing lines with key customers could harm our business and results of operations.

Any defects in our products could harm our reputation, customer relationships and results of operations.

As part of our integration efforts with Agere, we intend to transition Agere's operation to our enterprise resource planning system. Any issues that may arise with this transition could interfere with our business and harm our operating results or our ability to produce accurate and timely financial statements.

We may be subject to intellectual property infringement claims and litigation, which could cause us to incur significant expenses or prevent us from selling our products.

If we are unable to protect or assert our intellectual property rights, our business and results of operations may be harmed.

A decline in the revenue that we derive from the licensing of intellectual property could have a significant impact on our net income.

We are exposed to legal, business, political and economic risks associated with our international operations.

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We use indirect channels of product distribution over which we have limited control.

Our failure to attract, retain and motivate key employees could harm our business.

We may engage in acquisitions and strategic alliances, which may not be successful and could harm our business and operating results.

The semiconductor industry is highly cyclical, which may cause our operating results to fluctuate.

Our operations and our suppliers' operations are subject to natural disasters and other events outside of our control that may disrupt our business and harm our operating results.

We are subject to various environmental laws and regulations that could impose substantial costs on us and may harm our business.

Our stockholder rights plan and Delaware law contain provisions that may inhibit potential acquisition bids, which may harm our stock price, discourage merger offers or prevent changes in our management.

Class action litigation due to stock price volatility or other factors could cause us to incur substantial costs and divert our management's attention and resources.

A prolonged economic downturn could have a material negative impact on our results of operations or financial condition.

Recently, we have seen reports of significant declines in economic activity and reduced availability of credit in the United States and other countries around the world. We have also seen significant declines in prices of securities generally in equity and debt markets. If these declines persist, they could negatively affect our business in several ways, in addition to resulting in lower demand for our products.

We have defined benefit pension plans under which we are obligated to make future payments to participants. We have set aside funds to meet our anticipated obligations under these plans. These funds are invested in equity and fixed income securities. Recently, market prices of these types of securities have declined significantly. Under U.S. law, if the value of our assets falls below a specified percentage of the present value of our anticipated benefit obligation, we will be required to contribute additional funds to the plans. The value of any required contributions will depend on a number of factors, including the level of funding when a valuation is completed, changes in laws and changes in assumptions, including interest rates, used in calculating the anticipated benefit obligation. If current conditions continue until we perform our next valuation, it is likely that we will be required to make contributions to our pension plans in 2009 that exceed the amounts we will contribute in 2008.

In addition, at September 30, 2008, we had \$537.5 million of goodwill. We test our goodwill annually for impairment in the fourth quarter of our fiscal year. During the year ended December 31, 2007, we determined that based on then current market conditions in the semiconductor industry, the carrying amount of our goodwill was no longer recoverable, and recorded an impairment charge of \$2,019.9 million. If current market conditions worsen, it is possible that we could recognize an additional goodwill impairment.

Our foundry partners often require significant amounts of financing in order to build wafer fabrication facilities. If they are unable to obtain financing and anticipated capacity is not completed, we may experience a shortage of capacity, which could increase our costs or reduce our ability to meet customer demand.

Item 6. Exhibits

See the Exhibit Index, which follows the signature page to this report.

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SIGNATURES

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

LSI CORPORATION
(Registrant)

Date: November 7, 2008

By /s/ Bryon Look
Bryon Look
Executive Vice President & Chief Financial
Officer

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EXHIBIT INDEX

- 3.1 By-laws (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed August 25, 2008)
- 10.1 Extension of International Assignment Agreement with Andrew Micallef (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed August 25, 2008)
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350