MICROCHIP TECHNOLOGY INC
Form 10-Q
August 09, 2012
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012.
OR

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

For the transition period from __________ to __________

Commission File Number: 0-21184

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check One)
Yes o No x

Shares Outstanding of Registrant's Common Stock

Class	Outstanding at July 27, 2012
Common Stock, $0.001 par value	193,692,483 shares

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

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Item1. Financial Statements

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

ASSETS	June 30, 2012	March 31, 2012
Cash and cash equivalents	$779,848	$635,755
Short-term investments	881,913	823,254
Accounts receivable, net	174,685	170,201
Inventories	221,481	217,278
Prepaid expenses	25,588	25,658
Deferred tax assets	94,968	91,191
Other current assets	50,815	52,524
Total current assets	2,229,298	2,015,861
Property, plant and equipment, net	506,229	516,611
Long-term investments	159,476	328,586
Goodwill	102,193	93,513
Intangible assets, net	110,257	90,436
Other assets	37,387	38,769
Total assets	$3,144,840	$3,083,776
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$52,646	$50,287
Accrued liabilities	86,550	88,877
Deferred income on shipments to distributors	110,793	108,709
Total current liabilities	249,989	247,873
Junior convertible debentures	357,355	355,050
Long-term income tax payable	73,261	70,490
Deferred tax liability	416,980	411,368
Other long-term liabilities	29,265	8,322
Stockholders' equity:		
Preferred stock, $0.001 par value; authorized 5,000,000 shares; no shares issued or outstanding	—	—
Common stock, $0.001 par value; authorized 450,000,000 shares; 218,789,994 shares issued and 193,682,267 shares outstanding at June 30, 2012; 218,789,994 shares issued and 193,150,532 shares outstanding at March 31, 2012	194	193
Additional paid-in capital	1,269,607	1,268,907
Retained earnings	1,510,326	1,499,365
Accumulated other comprehensive income	2,963	3,101
Common stock held in treasury: 25,107,727 shares at June 30, 2012; 25,639,462 shares at March 31, 2012	(765,100)	(780,893)
Total stockholders' equity	2,017,990	1,990,673
Total liabilities and stockholders' equity	$3,144,840	$3,083,776

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended June 30,	
	2012	2011
Net sales	$352,134	$374,507
Cost of sales (1)	149,055	154,759
Gross profit	203,079	219,748
Operating expenses:		
Research and development (1)	48,826	45,298
Selling, general and administrative (1)	57,920	57,590
	106,746	102,888
Operating income	96,333	116,860
Losses on equity method investments	(121)	(61)
Other income (expense):		
Interest income	4,332	4,006
Interest expense	(9,148)	(8,015)
Other, net	(532)	1,036
Income before income taxes	90,864	113,826
Income tax provision	12,154	14,533
Net income	$78,710	$99,293
Basic net income per common share	$0.41	$0.52
Diluted net income per common share	$0.39	$0.49
Dividends declared per common share	$0.350	$0.346
Basic common shares outstanding	193,452	190,112
Diluted common shares outstanding	203,700	204,567
(1) Includes share-based compensation expense as follows:		
Cost of sales	$1,310	$1,399
Research and development	4,032	3,413
Selling, general and administrative	4,644	4,212

See accompanying notes to condensed consolidated financial statements

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MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(Unaudited)

	Three Months Ended June 30,	
	2012	2011
Net income	$78,710	$99,293
Other comprehensive income:		
Change in net unrealized holding (loss) gain on available-for-sale securities	(142)	2,046
Change in net deferred tax asset	4	(119)
Other comprehensive (loss) income	(138)	1,927
Total comprehensive income	$78,572	$101,220

See accompanying notes to condensed consolidated financial statements

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

	Three months ended June 30, 2012	2011
Cash flows from operating activities:		
Net income	$78,710	$99,293
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,245	25,351
Deferred income taxes	2,927	6,728
Share-based compensation expense related to equity incentive plans	9,986	9,024
Excess tax benefit from share-based compensation	(20)	(385)
Convertible debt derivatives - revaluation and amortization	330	(30)
Amortization of convertible debenture issuance costs	54	55
Amortization of debt discount on convertible debentures	1,975	1,805
Losses on equity method investments	121	61
Unrealized impairment loss on available-for-sale investments	—	945
Changes in operating assets and liabilities:		
Increase in accounts receivable	(2,814)	(15,052)
Decrease (increase) in inventories	316	(21,384)
Increase in deferred income on shipments to distributors	2,084	5,554
Increase (decrease) in accounts payable and accrued liabilities	4,766	(17,787)
Change in other assets and liabilities	5,291	(10,873)
Net cash provided by operating activities	128,971	83,305
Cash flows from investing activities:		
Purchases of available-for-sale investments	(29,130)	(324,893)
Sales and maturities of available-for-sale investments	139,439	264,485
Business acquisitions	(20,556)	—
Investments in other assets	(1,609)	(976)
Proceeds from sale of assets	50	—
Capital expenditures	(10,304)	(27,219)
Net cash provided by (used in) investing activities	77,890	(88,603)
Cash flows from financing activities:		
Payment of cash dividend	(67,749)	(65,900)
Proceeds from sale of common stock	4,961	18,272
Excess tax benefit from share-based compensation	20	385
Net cash used in financing activities	(62,768)	(47,243)
Net increase (decrease) in cash and cash equivalents	144,093	(52,541)
Cash and cash equivalents at beginning of period	635,755	703,924
Cash and cash equivalents at end of period	$779,848	$651,383

See accompanying notes to condensed consolidated financial statements

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

(1) Basis of Presentation

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The information furnished herein reflects all adjustments which are, in the opinion of management, of a normal recurring nature and necessary for a fair statement of the results for the interim periods reported. Certain information and footnote disclosures normally included in audited consolidated financial statements have been condensed or omitted pursuant to such SEC rules and regulations. It is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2012. The results of operations for the three months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2013 or for any other period.

(2) Recently Issued Accounting Pronouncements

In the fourth quarter of fiscal 2012, the Company early adopted a new standard for the assessment of goodwill impairment, which permits an entity to first assess qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. After assessing qualitative factors, if an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, no further testing is necessary. If an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the traditional two-step goodwill impairment test must be performed. The Company applied this standard to its March 31, 2012 goodwill impairment test, concluding that it was not more likely than not that the fair value of its two reporting units were less than the carrying amounts.

In June 2011, the FASB issued an amendment to the existing guidance on the presentation of comprehensive income. Under the amended guidance, entities have the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Entities no longer have the option of presenting the components of other comprehensive income within the statement of changes in stockholders' equity. This amendment is effective on a retrospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2011, which for the Company is the first quarter in fiscal 2013. The adoption of this amendment resulted in the Company presenting net income and other comprehensive income in two separate but consecutive statements. The adoption of this amendment did not have any impact on the condensed consolidated financial statements and related disclosures.

In May 2011, the FASB issued amendments to the existing guidance on fair value measurement. The amendments are intended to create consistency between U.S. generally accepted accounting standards and International Financial Reporting Standards on measuring fair value and disclosing information about fair value measurements. The amendments clarify the application of existing fair value measurement requirements including (i) the application of the highest and best use valuation premise concepts, (ii) measuring the fair value of an instrument classified in a reporting entity's stockholders' equity, and (iii) quantitative information required for fair value measurements categorized within Level 3. In addition, the amendments require additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. These amendments are effective for interim and annual periods beginning after December 15, 2011, which for the Company is fiscal year 2013. These changes are required to be applied prospectively. The adoption of these amendments will not have a material impact on the condensed consolidated financial statements and related disclosures.

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(3) Business Acquisitions

Acquisition of Roving Networks

On April 18, 2012, the Company acquired Roving Networks, a privately-held company. Roving Networks is an innovator in low-power embedded Wi-Fi and Bluetooth solutions based in Los Gatos, California. The business acquisition was accounted for under the purchase method of accounting. Total consideration paid for this business was approximately $20.6 million. The acquisition also resulted in contingent consideration with an estimated fair value at the date of purchase of approximately $14.7 million. The initial purchase price of the acquisition resulted in purchased intangible assets of approximately $22.8 million and goodwill of approximately $8.7 million which was all allocated to the Company's semiconductor products segment. Goodwill recognized in this transaction is non-deductible. Purchased intangible assets included $10.6 million of developed technology, $10.6 million of customer-related intangibles, $0.3 million of acquisition-date backlog and $1.3 million of in-process research and development. The purchased intangible assets (other than in-process technology and acquisition-date backlog) are being amortized over their expected useful lives which range between four and ten years. Acquisition-date backlog is being amortized over one year and in-process research and development is capitalized until such time the related projects are completed or abandoned at which time the capitalized amounts will begin to be amortized or written off.

(4) Segment Information

The Company's reporting segments are semiconductor products and technology licensing. The Company does not allocate operating expenses, interest income, interest expense, other income or expense, or provision for or benefit from income taxes to these segments for internal reporting purposes, as the Company does not believe that allocating these expenses is beneficial in evaluating segment performance. Additionally, the Company does not allocate assets to segments for internal reporting purposes as it does not manage its segments by such metrics.

The following table represents revenues and gross profit for each segment for the three months ended June 30, 2012 (amounts in thousands):

	Three Months Ended June 30, 2012	
	Net Sales	Gross Profit
Semiconductor products	$331,852	$183,633
Technology licensing	20,282	19,446
	$352,134	$203,079

The following table represents revenues and gross profit for each segment for the three months ended June 30, 2011 (amounts in thousands):

	Three Months Ended June 30, 2011	
	Net Sales	Gross Profit
Semiconductor products	$353,860	$200,065
Technology licensing	20,647	19,683
	$374,507	$219,748

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(5) Investments

The Company's investments are intended to establish a high-quality portfolio that preserves principal, meets liquidity needs, avoids inappropriate concentrations, and delivers an appropriate yield in relationship to the Company's investment guidelines and market conditions. The following is a summary of available-for-sale and marketable equity securities at June 30, 2012 (amounts in thousands):

	Available-for-sale Securities			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency bonds	$263,005	$487	$(6)	$263,486
Municipal bonds	20,662	205	—	20,867
Auction rate securities	10,246	—	—	10,246
Corporate bonds and debt	739,422	3,289	(597)	742,114
Marketable equity securities	5,270	—	(594)	4,676
	$1,038,605	$3,981	$(1,197)	$1,041,389

The following is a summary of available-for-sale and marketable equity securities at March 31, 2012 (amounts in thousands):

	Available-for-sale Securities			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government agency bonds	$342,025	$476	$(397)	$342,104
Municipal bonds	19,888	234	—	20,122
Auction rate securities	10,246	—	—	10,246
Corporate bonds and debt	770,891	4,150	(937)	774,104
Marketable equity securities	5,864	188	(788)	5,264
	$1,148,914	$5,048	$(2,122)	$1,151,840

At June 30, 2012, the Company's available-for-sale debt securities, and marketable equity securities are presented on the condensed consolidated balance sheets as short-term investments of $881.9 million and long-term investments of $159.5 million. At March 31, 2012, the Company’s available-for-sale debt securities and marketable equity securities are presented on the condensed consolidated balance sheets as short-term investments of $823.3 million and long-term investments of $328.6 million.

At June 30, 2012, $10.2 million of the fair value of the Company's investment portfolio was invested in auction rate securities (ARS). With the continuing liquidity issues in the global credit and capital markets, the Company's ARS have experienced multiple failed auctions from September 2007 through the date of this report. While the Company continues to earn interest on these investments based on a pre-determined formula with spreads tied to particular interest rate indices, the estimated market value for these ARS no longer approximates the original purchase value. The fair value of the failed ARS of $10.2 million has been estimated based on market information and estimates determined by management and could change significantly based on market conditions. The Company evaluated the impairments in the value of these ARS, determining its intent to sell these securities prior to the recovery of its amortized cost basis resulted in the securities being other-than-temporarily impaired. The Company did not recognize an impairment charge on these investments in the three-month period ended June 30, 2012 compared to impairment charges of $0.4 million in the three-month period ended June 30, 2011.

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

At June 30, 2012, the Company evaluated its investment portfolio and noted unrealized losses of $0.6 million on its debt securities, and $0.6 million on its marketable equity securities, respectively, which were due to fluctuations in interest rates, credit market conditions, and/or market prices. Management does not believe any of the unrealized losses represent an

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other-than-temporary impairment based on its evaluation of available evidence as of June 30, 2012 and the Company's intent is to hold these investments until these assets are no longer impaired, except for the ARS described above and certain equity investments that are actively being sold. For those debt securities not scheduled to mature until after June 30, 2013, such recovery is not anticipated to occur in the next year and these investments have been classified as long-term investments.

The amortized cost and estimated fair value of the available-for-sale securities at June 30, 2012, by maturity, excluding marketable equity securities of $4.7 million and corporate debt of $4.6 million, which have no contractual maturity, are shown below (amounts in thousands). Expected maturities can differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties, and the Company views its available-for-sale securities as available for current operations.

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale				
Due in one year or less	$304,038	$1,316	$(10)	$305,344
Due after one year and through five years	704,425	2,663	(593)	706,495
Due after five years and through ten years	10,000	2	—	10,002
Due after ten years	10,246	—	—	10,246
	$1,028,709	$3,981	$(603)	$1,032,087

The Company had net realized gains of $0.1 million from sales of available-for-sale marketable equity securities during the three months ended June 30, 2012, compared to a net realized gain of $1.0 million during the three months ended June 30, 2011. The Company had no material gains or losses from sales of available-for-sale debt securities during the three months ended June 30, 2012 and June 30, 2011, respectively.

Marketable Equity Investments

The Company had marketable equity investments in several companies with a fair value of $4.7 million as of June 30, 2012. Cash dividends and other distributions of earnings from the investees, if any, are included in other income at the date of record. The Company has classified the shares owned in these companies as marketable securities. As of June 30, 2012 and March 31, 2012, the Company had an unrealized loss in other comprehensive income of $0.6 million on these marketable securities. The Company did not recognize an impairment charge on these investments in the three-month period ended June 30, 2012 compared to impairment charges of $1.0 million in the three-month period ended June 30, 2011 due to the current market price and active selling of certain shares.

Non-marketable Equity Investments

The Company has certain investments in privately held companies with a carrying value of $7.7 million at June 30, 2012. The investments in privately held companies are accounted for using the cost or the equity method of accounting, as appropriate. Each period the Company evaluates whether an event or change in circumstances has occurred that may indicate an investment has been impaired. If upon further investigation of such events the Company determines the investment has
suffered a decline in value that is other than temporary, the Company writes down the investment to its estimated fair value. At June 30, 2012, the Company determined there were no such impairments. These investments are included in other assets on the condensed consolidated balance sheet.

(6) Fair Value Measurements

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

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Level 1- Observable inputs such as quoted prices in active markets;
Level 2- Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3- Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Marketable Debt Instruments

Marketable debt instruments include instruments such as corporate bonds and debt, government agency bonds, bank deposits, municipal bonds, and money market fund deposits. When the Company uses observable market prices for identical securities that are traded in less active markets, the Company classifies its marketable debt instruments as Level 2. When observable market prices for identical securities are not available, the Company prices its marketable debt instruments using non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. Non-binding market consensus prices are based on the proprietary valuation models of pricing providers or brokers. These valuation models incorporate a number of inputs, including non-binding and binding broker quotes; observable market prices for identical or similar securities; and the internal assumptions of pricing providers or brokers that use observable market inputs and, to a lesser degree, unobservable market inputs. The Company corroborates non-binding market consensus prices with observable market data using statistical models when observable market data exists. The discounted cash flow model uses observable market inputs, such as LIBOR-based yield curves, currency spot and forward rates, and credit ratings.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis at June 30, 2012 are as follows (amounts in thousands):

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Assets				
Money market fund deposits	$457,901	$—	$—	$457,901
Marketable equity securities	4,676	—	—	4,676
Corporate bonds & debt	—	737,489	4,625	742,114
Government agency bonds	—	263,486	—	263,486
Deposit accounts	—	321,947	—	321,947
Municipal bonds	—	20,867	—	20,867
Auction rate securities	—	—	10,246	10,246
Total assets measured at fair value	$462,577	$1,343,789	$14,871	$1,821,237
Liabilities				
Contingent consideration	$—	$—	$14,700	$14,700
Total liabilities measured at fair value	$—	$—	$14,700	$14,700

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Assets measured at fair value on a recurring basis at March 31, 2012 are as follows (amounts in thousands):

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Money market fund deposits	$232,219	$—	$—	$232,219
Marketable equity securities	5,264	—	—	5,264
Corporate bonds & debt	—	769,479	4,625	774,104
Government agency bonds	—	342,104	—	342,104
Deposit accounts	—	403,536	—	403,536
Municipal bonds	—	20,122	—	20,122
Auction rate securities	—	—	10,246	10,246
Total assets measured at fair value	$237,483	$1,535,241	$14,871	$1,787,595

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

When the Company uses observable market prices for identical securities that are traded in less active markets, it classifies such securities as Level 2. When observable market prices for identical securities are not available, the Company prices its marketable debt instruments using non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. Non-binding market consensus prices are based on the proprietary valuation models of pricing providers or brokers. These valuation models incorporate a number of inputs, including non-binding and binding broker quotes; observable market prices for identical or similar securities; and the internal assumptions of pricing providers or brokers that use observable market inputs and, to a lesser degree, unobservable market inputs. There were no transfers between Level 1 and Level 2 during the three months ended June 30, 2012 or the year ended March 31, 2012.

The following tables present a reconciliation for all assets and liabilities measured at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the three months ended June 30, 2012, and the year ended March 31, 2012 (amounts in thousands):

Three months ended June 30, 2012	Auction Rate Securities	Corporate Debt	Contingent Consideration	Total Gains (Losses)
Balance at March 31, 2012	$10,246	$4,625	$—	$—
Total gains or losses (realized and unrealized):				
Included in earnings	—	—	—	—
Included in other comprehensive income (loss)	—	—	—	—
Purchases, sales, issuances, and settlements, net	—	—	—	—
Additions	—	—	14,700	—
Transfer into Level 3	—	—	—	—

Transfer out of Level 3	—	—	—	—
Balance at June 30, 2012	$10,246	$4,625	$14,700	$—

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Year ended March 31, 2012	Auction Rate Securities	Corporate Debt	Total Gains (Losses)
Balance at March 31, 2011	$12,475	$3,500	$—
Total gains or losses (realized and unrealized):			
Included in earnings	271	—	271
Included in other comprehensive income (loss)	—	—	—
Purchases, sales, issuances, and settlements, net	(2,500)	1,125	—
Transfer into Level 3	—	—	—
Transfer out of Level 3	—	—	—
Balance at March 31, 2012	$10,246	$4,625	$271

Assets measured at fair value on a recurring basis are presented/classified on the condensed consolidated balance sheets at June 30, 2012 as follows (amounts in thousands):

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Cash and cash equivalents	$457,901	$321,947	$—	$779,848
Short-term investments	—	881,913	—	881,913
Long-term investments	4,676	139,929	14,871	159,476
Total assets measured at fair value	$462,577	$1,343,789	$14,871	$1,821,237

Assets measured at fair value on a recurring basis are presented/classified in the consolidated balance sheets at March 31, 2012 as follows (amounts in thousands):

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance
Cash and cash equivalents	$232,219	$403,536	$—	$635,755
Short-term investments	782	822,472	—	823,254
Long-term investments	4,482	309,233	14,871	328,586
Total assets measured at fair value	$237,483	$1,535,241	$14,871	$1,787,595

Financial Assets Not Recorded at Fair Value on a Recurring Basis

The Company's non-marketable equity and cost method investments are not recorded at fair value on a recurring basis. These investments are monitored on a quarterly basis for impairment charges. The investments will only be recorded at fair value when an impairment charge is recognized. During the three months ended June 30, 2012, there were no impairment charges recognized on these investments. These investments are included in other assets on the condensed consolidated balance sheet. See further discussion of non-marketable investments in Note 5.

(7) Fair Value of Financial Instruments

The carrying amount of cash equivalents approximates fair value because their maturity is less than three months. Management believes the carrying amount of the equity and cost-method investments materially approximated fair value at

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June 30, 2012 based upon unobservable inputs. The fair values of these investments have been determined as level 3 fair value measurements. The carrying amount of accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short-term maturity of the amounts. The fair value of the Company's junior subordinated convertible debentures was $1.437 billion at June 30, 2012 and $1.585 billion at March 31, 2012 based on observable market prices for these debentures, which are traded in less active markets and are therefore classified as a level 2 fair value measurement.

(8) Accounts Receivable

Accounts receivable consists of the following (amounts in thousands):

	June 30, 2012	March 31, 2012
Trade accounts receivable	$175,606	$171,274
Other	1,668	1,529
	177,274	172,803
Less allowance for doubtful accounts	2,589	2,602
	$174,685	$170,201

(9) Inventories

The components of inventories consist of the following (amounts in thousands):

	June 30, 2012	March 31, 2012
Raw materials	$8,439	$8,065
Work in process	151,935	139,045
Finished goods	61,107	70,168
	$221,481	$217,278

Inventories are valued at the lower of cost or market using the first-in, first-out method. Inventory impairment charges establish a new cost basis for inventory and charges are not subsequently reversed to income even if circumstances later suggest that increased carrying amounts are recoverable.

(10) Property, Plant and Equipment

Property, plant and equipment consists of the following (amounts in thousands):

	June 30, 2012	March 31, 2012
Land	$46,529	$46,529
Building and building improvements	374,371	374,042
Machinery and equipment	1,330,736	1,314,303
Projects in process	74,980	83,676
	1,826,616	1,818,550
Less accumulated depreciation and amortization	1,320,387	1,301,939