

LAM RESEARCH CORP
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

or

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 0-12933

LAM RESEARCH CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

4650 Cushing Parkway
Fremont, California
(Address of principal executive offices)

94-2634797
(I.R.S. Employer
Identification No.)

94538
(Zip Code)

(510) 572-0200
(Registrant's telephone number, including area code)

Indicate by check mark 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 such filing requirements for the past 90 days. YES NO

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

Indicate by check mark 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 Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 3, 2013 there were 162,717,165 shares of registrant's common stock outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****LAM RESEARCH CORPORATION****CONSOLIDATED BALANCE SHEETS****(in thousands, except per share data)**

	March 31, 2013 (unaudited)	June 24, 2012 (1)
ASSETS		
Cash and cash equivalents	\$ 1,019,109	\$ 1,564,752
Short-term investments	1,337,819	1,297,931
Accounts receivable, less allowance for doubtful accounts of \$5,349 as of March 31, 2013 and \$5,248 as of June 24, 2012	544,070	765,818
Inventories	545,036	632,853
Deferred income taxes	137,729	47,782
Prepaid expenses and other current assets	86,156	105,973
Total current assets	3,669,919	4,415,109
Property and equipment, net	594,916	584,596
Restricted cash and investments	166,196	166,335
Goodwill	1,446,244	1,446,303
Intangible assets, net	1,116,742	1,240,427
Other assets	152,285	151,882
Total assets	\$ 7,146,302	\$ 8,004,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	\$ 173,287	\$ 258,778
Accrued expenses and other current liabilities	432,856	492,178
Deferred profit	193,315	164,833
Current portion of long-term debt, convertible notes, and capital leases	1,555	511,139
Total current liabilities	801,013	1,426,928
Long-term debt, convertible notes, and capital leases	1,294,599	761,783
Income taxes payable	250,339	274,240
Other long-term liabilities	258,151	219,577
Total liabilities	2,604,102	2,682,528
Commitments and contingencies		
Senior convertible notes		190,343
Stockholders' equity:		
Preferred stock, at par value of \$0.001 per share; authorized- 5,000 shares; none outstanding		
Common stock, at par value of \$0.001 per share; authorized - 400,000 shares; issued and outstanding- 161,802 shares as of March 31, 2013 and 186,656 shares as of June 24, 2012	162	187
Additional paid-in capital	5,229,530	4,943,539
Treasury stock, at cost; 89,496 shares as of March 31, 2013 and 62,068 shares as of June 24, 2012	(3,550,728)	(2,636,936)
Accumulated other comprehensive loss	(23,745)	(33,818)
Retained earnings	2,886,981	2,858,809

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Total stockholders' equity	4,542,200	5,131,781
Total liabilities and stockholders' equity	\$ 7,146,302	\$ 8,004,652

(1) Derived from audited financial statements

See Notes to Condensed Consolidated Financial Statements

Table of Contents**LAM RESEARCH CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(unaudited)**

	Three Months Ended		Nine Months Ended	
	March 31,	March 25,	March 31,	March 25,
	2013	2012	2013	2012
Revenue	\$ 844,928	\$ 658,961	\$ 2,612,702	\$ 1,923,378
Cost of goods sold	505,096	391,814	1,623,570	1,138,381
Cost of goods sold - restructuring				(859)
Total cost of goods sold	505,096	391,814	1,623,570	1,137,522
Gross margin	339,832	267,147	989,132	785,856
Research and development	174,206	113,448	503,468	320,031
Selling, general and administrative	154,807	95,581	453,070	259,037
Restructuring and impairments			1,021	1,725
Total operating expenses	329,013	209,029	957,559	580,793
Operating income	10,819	58,118	31,573	205,063
Other expense, net	(15,834)	(3,568)	(39,162)	(23,426)
Income (loss) before income taxes	(5,015)	54,550	(7,589)	181,637
Income tax expense (benefit)	(24,011)	8,946	(35,761)	30,983
Net income	\$ 18,996	\$ 45,604	\$ 28,172	\$ 150,654
Net income per share:				
Basic net income per share	\$ 0.12	\$ 0.38	\$ 0.16	\$ 1.25
Diluted net income per share	\$ 0.11	\$ 0.38	\$ 0.16	\$ 1.24
Number of shares used in per share calculations:				
Basic	163,034	119,841	171,016	120,904
Diluted	168,504	120,956	174,306	121,830

See Notes to Condensed Consolidated Financial Statements

Table of Contents**LAM RESEARCH CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)****(unaudited)**

	Three Months Ended		Nine Months Ended	
	March 31,	March 25,	March 31,	March 25,
	2013	2012	2013	2012
Net income	\$ 18,996	\$ 45,604	\$ 28,172	\$ 150,654
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(5,398)	7,118	(554)	(24,771)
Cash flow hedges:				
Net unrealized gains (losses) during the period	8,400	6,372	10,028	(5,420)
Net losses (gains) reclassified into earnings	(5,389)	3,140	(3,100)	8,652
	3,011	9,512	6,928	3,232
Available-for-sale investments:				
Net unrealized gains (losses) during the period	67	354	(105)	117
Net losses (gains) reclassified into earnings	2,899	(200)	3,321	(316)
	2,966	154	3,216	(199)
Defined benefit plan, net change in unrealized component	160	158	483	(4,211)
Other comprehensive income (loss), net of tax	739	16,942	10,073	(25,949)
Comprehensive income	\$ 19,735	\$ 62,546	\$ 38,245	\$ 124,705

See Notes to Condensed Consolidated Financial Statements

Table of Contents**LAM RESEARCH CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Nine Months Ended	
	March 31,	March 25,
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 28,172	\$ 150,654
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	228,065	66,249
Deferred income taxes	(47,271)	3,090
Restructuring and impairment charges	1,021	866
Impairment of investment	3,711	1,724
Equity-based compensation expense	74,089	52,385
Income tax impact on equity-based compensation plans	(847)	81
Excess tax impact on equity-based compensation plans	903	(2,292)
Amortization of convertible note discount	23,530	20,014
Other, net	30,838	3,671
Changes in operating assets and liabilities	202,734	105,871
Net cash provided by operating activities	544,945	402,313
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures and intangible assets	(117,655)	(70,392)
Cash paid for business acquisition	(9,116)	
Purchases of available-for-sale securities	(832,913)	(638,637)
Sales and maturities of available-for-sale securities	780,950	266,959
Purchase of equity method investment		(10,740)
Receipt of loan payment		8,375
Proceeds from sale of assets	660	2,677
Transfer of restricted cash and investments	147	23
Net cash used for investing activities	(177,927)	(441,735)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt and capital lease obligations	(1,536)	(4,164)
Excess tax impact on equity-based compensation plans	(903)	2,292
Net cash paid in advance for stock repurchase contracts		55,194
Treasury stock purchases	(953,386)	(111,604)
Reissuances of treasury stock related to employee stock purchase plan	18,419	16,760
Proceeds from issuance of common stock	22,666	1,776
Net cash used for financing activities	(914,740)	(39,746)
Effect of exchange rate changes on cash	2,079	(2,697)
Net decrease in cash and cash equivalents	(545,643)	(81,865)
Cash and cash equivalents at beginning of period	1,564,752	1,492,132
Cash and cash equivalents at end of period	\$ 1,019,109	\$ 1,410,267

See Notes to Condensed Consolidated Financial Statements

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LAM RESEARCH CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of Lam Research Corporation (Lam Research or the Company) for the fiscal year ended June 24, 2012, which are included in the Annual Report on Form 10-K as of and for the year ended June 24, 2012 (the 2012 Form 10-K). The Company s Forms 10-K, Forms 10-Q and Forms 8-K are available online at the Securities and Exchange Commission website on the Internet. The address of that site is www.sec.gov. The Company also posts its Forms 10-K, Forms 10-Q and Forms 8-K on its corporate website at <http://investor.lamresearch.com> .

The consolidated financial statements include the accounts of Lam Research Corporation and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. We use the equity method to account for equity investments in instances in which we own common stock or similar interests and have the ability to exercise significant influence, but not control, over the investee. The Company s reporting period is a 52/53-week fiscal year. The Company s current fiscal year (the 2013 fiscal year) will end June 30, 2013 and includes 53 weeks. The quarter ended March 31, 2013 (the March 2013 quarter) included 14 weeks. The quarter ended March 25, 2012 (the March 2012 quarter) included 13 weeks.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board (FASB) issued new authoritative guidance that increases the prominence of items reported in other comprehensive income (OCI) by eliminating the option to present components of OCI as part of the statement of changes in stockholders equity. The amendments in this standard require that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company adopted this guidance in the September 2012 quarter. The implementation of this authoritative guidance did not have an impact on the Company s financial position or results of operations, but did change the presentation of the Company s financial statements.

In February 2013, the FASB issued an accounting standard update regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The February 2013 update does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, this update requires an entity to present on the face of the financial statements or in the notes amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. As allowed in the update, the Company elected to early adopt these disclosure amendments in the quarter ended March 31, 2013. The implementation of this update did not impact the Company s financial position, results of operations or cash flows as it was disclosure-only in nature.

NOTE 3 EQUITY-BASED COMPENSATION PLANS

The Company has stock plans that provide for grants of equity-based awards to eligible participants, including stock options and restricted stock units (RSUs), of Lam Research common stock (Common Stock). An option is a right to purchase the Company s stock at a set price. An RSU award is an agreement to issue shares of the Company s stock at the time of vesting. The Company s options and RSU awards typically vest over a period of three years or less, although awards assumed in connection with the Novellus acquisition have vesting terms up to four years. The Company also has an employee stock purchase plan that allows employees to purchase its Common Stock at a discount through payroll deductions.

The Company recognized the following equity-based compensation expense and related income tax benefit in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Nine Months Ended	
	March 31, 2013	March 25, 2012	March 31, 2013	March 25, 2012

(in millions)

Equity-based compensation expense	\$ 25.6	\$ 16.4	\$ 74.1	\$ 52.4
Income tax benefit related to equity-based compensation expense	\$ 4.3	\$ 2.2	\$ 13.3	\$ 7.1

The estimated fair value of the Company's stock-based awards, less expected forfeitures, is amortized over the awards' vesting term on a straight-line basis. The increase in stock compensation expense during the three and nine months ended March 31, 2013 as compared to the three and nine months ended March 25, 2012 was primarily due to the increased number of RSUs and stock options outstanding as a result of awards assumed in connection with the Novellus acquisition.

Table of Contents**Stock Options and RSUs**

The 2007 Stock Incentive Plan provides for grants of equity-based awards to eligible participants. In June 2012, as part of the Novellus acquisition, Lam also assumed the Novellus Systems, Inc. 2011 Stock Incentive Plan (together with the 2007 Stock Incentive Plan, collectively the Plans), which provides for grants of equity-based awards to eligible participants. As of March 31, 2013, there were a total of 7,569,144 shares reserved to cover options and RSUs issued and outstanding under the Plans. As of March 31, 2013, there were an additional 13,891,610 shares reserved and available for future equity-based awards under the Plans.

A summary of stock option activity under the Plans as of March 31, 2013 and changes during the nine months then ended is presented below:

Options	Shares (in thousands)	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value as of March 31, 2013 (in thousands)
Outstanding at June 24, 2012	3,902	\$ 25.14	4.79	
Granted	289	\$ 42.59		
Exercised	(903)	\$ 25.16		
Forfeited or expired	(61)	\$ 26.09		
Outstanding at March 31, 2013	3,227	\$ 26.68	4.47	\$ 48,036
Exercisable at March 31, 2013	2,481	\$ 24.87	3.64	\$ 41,154

The total intrinsic value of options exercised during the three months ended March 31, 2013 and March 25, 2012 was \$8.0 million and \$0.1 million, respectively. The total intrinsic value of options exercised during the nine months ended March 31, 2013 and March 25, 2012 was \$12.7 million and \$1.3 million, respectively. As of March 31, 2013, there was \$9.2 million of total unrecognized compensation cost related to unvested stock options granted and outstanding; that cost is expected to be recognized over a weighted average remaining vesting period of 1.7 years.

A summary of the Company's RSUs as of March 31, 2013 and changes during the nine months then ended is presented below:

Unvested Restricted Stock Units	Shares (in thousands)	Average Grant- Date Fair Value
Unvested at June 24, 2012	4,331	\$ 41.01
Granted	1,820	\$ 35.85
Vested	(1,619)	\$ 42.71
Forfeited	(190)	\$ 39.90
Unvested at March 31, 2013	4,342	\$ 38.21

The fair value of the Company's RSUs was calculated based upon the fair market value of the Company's stock at the date of grant. As of March 31, 2013, there was \$116.8 million of total unrecognized compensation expense related to unvested RSUs granted; that expense is expected to be recognized over a weighted average remaining period of 2.0 years.

ESPP

The 1999 Employee Stock Purchase Plan (as amended and restated, the 1999 ESPP) allows employees to designate a portion of their base compensation to be withheld through payroll deductions and used to purchase the Company's Common Stock at a purchase price per share equal to the lower of 85% of the fair market value of the Company's Common Stock on the first or last day of the applicable purchase period. Each offering period generally lasts up to 12 months and includes up to three interim purchase dates. As of March 31, 2013, there were a total of 10,007,371 shares available for issuance under the 1999 ESPP.

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Purchase rights under the 1999 ESPP were valued using the Black-Scholes model assuming no expected dividends and the following weighted-average assumptions for the three and nine months ended March 31, 2013:

	Three Months Ended March 31, 2013	Nine Months Ended March 31, 2013
Expected term (years)	0.51	0.65
Expected stock price volatility	29.81%	32.54%
Risk-free interest rate	0.12%	0.15%

As of March 31, 2013, there was \$5.2 million of unrecognized compensation expense related to the 1999 ESPP, which is expected to be recognized over a remaining period of approximately 5 months.

NOTE 4 FINANCIAL INSTRUMENTS

The Company maintains an investment portfolio of various holdings, types, and maturities. The Company's mutual funds, which are related to the Company's obligations under the deferred compensation plan, are classified as trading securities. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Differences between the cost and fair value of trading securities are recognized as other income (expense) in the Condensed Consolidated Statements of Operations. All of the Company's other short-term investments are classified as available-for-sale and consequently are recorded in the Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss), net of tax.

Fair Value

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value. The level of an asset or liability in the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities with sufficient volume and frequency of transactions.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or model-derived valuations techniques for which all significant inputs are observable in the market or can be corroborated by, observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities and based on non-binding, broker-provided price quotes and may not have been corroborated by observable market data.

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The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurement at March 31, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)
(In thousands)				
Assets				
Short-Term Investments				
Money Market Funds	\$ 759,101	\$ 759,101	\$	\$
Municipal Notes and Bonds	268,614		268,614	
US Treasury and Agencies	178,834	175,215	3,619	
Government-Sponsored Enterprises	81,594		81,594	
Foreign Government Bonds	16,689		16,689	
Corporate Notes and Bonds	834,947	164,885	670,062	
Mortgage Backed Securities - Residential	29,188		29,188	
Mortgage Backed Securities - Commercial	92,838		92,838	
Total Short-Term Investments	\$ 2,261,805	\$ 1,099,201	\$ 1,162,604	\$
Equities	5,610	5,610		
Mutual Funds	24,016	24,016		
Derivative Assets	8,065		8,065	
Total Assets	\$ 2,299,496	\$ 1,128,827	\$ 1,170,669	\$
Liabilities				
Derivative Liabilities	\$ 4,313	\$	\$ 4,030	\$ 283

The amounts in the table above are reported in the Consolidated Balance Sheet as of March 31, 2013 as follows:

	Total	Level 1	Level 2	Level 3
	(In thousands)			
Reported Within:				
Cash Equivalents	\$ 759,101	\$ 759,101	\$	\$
Short-Term Investments	1,337,819	175,215	1,162,604	
Restricted Cash and Investments	164,885	164,885		
Prepaid Expenses and Other Current Assets	8,065		8,065	
Other Assets	29,626	29,626		
Total Assets	\$ 2,299,496	\$ 1,128,827	\$ 1,170,669	\$
Accrued Expenses and Other Current Liabilities	\$ 4,030	\$	\$ 4,030	\$
Other Non-current Liabilities	283			283
Total Liabilities	\$ 4,313	\$	\$ 4,030	\$ 283

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The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurement at June 24, 2012			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
Assets				
Short-Term Investments				
Money Market Funds	\$ 1,318,812	\$ 1,318,812	\$	\$
Municipal Notes and Bonds	322,567		322,567	
US Treasury and Agencies	137,446	130,624	6,822	
Government-Sponsored Enterprises	123,268		123,268	
Foreign Government Bond	6,358		6,358	
Corporate Notes and Bonds	768,901	164,885	604,016	
Mortgage Backed Securities - Residential	25,972		25,972	
Mortgage Backed Securities - Commercial	84,853		84,853	
Total Short-Term Investments	\$ 2,788,177	\$ 1,614,321	\$ 1,173,856	\$
Equities	5,913	5,913		
Mutual Funds	17,754	17,754		
Derivative Assets	5,020		5,020	
Total Assets	\$ 2,816,864	\$ 1,637,988	\$ 1,178,876	\$
Liabilities				
Derivative Liabilities	\$ 4,529	\$	\$ 4,328	\$ 201

The amounts in the table above are reported in the Consolidated Balance Sheet as of June 24, 2012 as follows:

	Total	Level 1		Level 2		Level 3	
		(In thousands)					
Reported Within:							
Cash Equivalents	\$ 1,325,361	\$ 1,318,812	\$	6,549	\$		
Short-Term Investments	1,297,931	130,624		1,167,307			
Restricted Cash and Investments	164,885	164,885					
Prepaid Expenses and Other Current Assets	5,020			5,020			
Other Assets	23,667	23,667					
Total Assets	\$ 2,816,864	\$ 1,637,988	\$	\$ 1,178,876	\$	\$	\$
Accrued Expenses and Other Current Liabilities	\$ 4,328	\$	\$	4,328	\$		
Other Non-current Liabilities	201						201
Total Liabilities	\$ 4,529	\$	\$	4,328	\$	\$	201

The Company's primary financial instruments include its cash, cash equivalents, short-term investments, restricted cash and investments, long-term investments, accounts receivable, accounts payable, long-term debt and capital leases, and foreign currency related derivatives. The estimated fair value of cash, accounts receivable and accounts payable approximates their carrying value due to the short period of time to their maturities. The estimated fair values of capital lease obligations approximate their carrying value as the substantial majority of these obligations

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have interest rates that adjust to market rates on a periodic basis. Refer to Note 13 for additional information regarding the fair value of the Company's convertible notes.

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The following tables summarize the Company's investments (in thousands):

	March 31, 2013				June 24, 2012			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Cash	\$ 261,319	\$	\$	\$ 261,319	\$ 240,841	\$	\$	\$ 240,841
Fixed Income Money Market Funds	759,101			759,101	1,318,812			1,318,812
Municipal Notes and Bonds	267,308	1,308	(2)	268,614	321,001	1,574	(8)	322,567
US Treasury and Agencies	178,656	179	(1)	178,834	137,516	43	(113)	137,446
Government-Sponsored Enterprises	81,452	144	(2)	81,594	123,269	67	(68)	123,268
Foreign Government Bonds	16,620	91	(22)	16,689	6,315	43		6,358
Corporate Notes and Bonds	832,886	2,554	(493)	834,947	767,847	1,443	(389)	768,901
Mortgage Backed Securities - Residential	29,046	204	(62)	29,188	25,857	121	(6)	25,972
Mortgage Backed Securities - Commercial	92,663	563	(388)	92,838	84,682	555	(384)	84,853
Total Cash and Short -Term Investments	\$ 2,519,051	\$ 5,043	\$ (970)	\$ 2,523,124	\$ 3,026,140	\$ 3,846	\$ (968)	\$ 3,029,018
Publicly Traded Equity Security	\$ 5,610	\$	\$	\$ 5,610	\$ 9,320	\$	\$ (3,407)	\$ 5,913
Private Equity Security	5,000			5,000	5,000			5,000
Mutual Funds	22,384	1,632		24,016	17,459	366	(71)	17,754
Total Financial Instruments	\$ 2,552,045	\$ 6,675	\$ (970)	\$ 2,557,750	\$ 3,057,919	\$ 4,212	\$ (4,446)	\$ 3,057,685
Reported Within								
Cash and Cash Equivalents	\$ 1,019,109	\$	\$	\$ 1,019,109	\$ 1,564,752	\$	\$	\$ 1,564,752
Short-Term Investments	1,333,746	5,043	(970)	1,337,819	1,295,053	3,846	(968)	1,297,931
Restricted Cash and Investments	166,196			166,196	166,335			166,335
Other assets	32,994	1,632		34,626	31,779			