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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

Commission File No. 000-51448

Hittite Microwave Corporation

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-2854672
(I.R.S. Employer
Identification Number)

2 Elizabeth Drive
Chelmsford, Massachusetts 01824
(Address of Principal Executive Offices and Zip Code)

(978) 250-3343
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the 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" (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer 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 October 21, 2011, Hittite Microwave Corporation had 31,343,437 shares of common stock, par value \$0.01 per share, outstanding.

HITTITE MICROWAVE CORPORATION

FORM 10-Q

September 30, 2011

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****HITTITE MICROWAVE CORPORATION**
Condensed Consolidated Balance Sheets
(Unaudited)

<u>(in thousands, except per share data)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 351,130	\$ 295,490
Accounts receivable, net of allowance for doubtful accounts of \$334	32,718	34,534
Inventories	28,386	23,219
Income taxes receivable	134	3,914
Prepaid expenses and other current assets	1,838	1,333
Deferred taxes	11,078	8,178
	<hr/>	<hr/>
Total current assets	425,284	366,668
Property and equipment, net	31,288	29,470
Deferred taxes	473	—
Other assets	16,547	9,371
	<hr/>	<hr/>
Total assets	<u>\$ 473,592</u>	<u>\$ 405,509</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 6,394	\$ 3,228
Accrued commissions	1,251	1,639
Accrued payroll and benefits	4,877	2,589
Accrued other expenses	4,434	4,945
Customer advances	541	454
Deferred revenue	2,350	9,768
	<hr/>	<hr/>
Total current liabilities	19,847	22,623
Long-term income taxes payable	6,571	6,845
Deferred taxes	—	289
	<hr/>	<hr/>
Total liabilities	26,418	29,757
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$.01 par value: 5,000 shares authorized; no shares issued or outstanding at September 30, 2011 and December 31, 2010	—	—
Common stock, \$.01 par value: 200,000 shares authorized; 31,343 and 31,253 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	313	312
Additional paid-in capital	170,776	161,407
Accumulated other comprehensive loss	(769)	(162)
Retained earnings	276,854	214,195
	<hr/>	<hr/>
Total stockholders' equity	447,174	375,752
	<hr/>	<hr/>
Total liabilities and stockholders' equity	<u>\$ 473,592</u>	<u>\$ 405,509</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

HITTITE MICROWAVE CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

<u>(in thousands, except per share data)</u>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue	\$ 68,135	\$ 64,166	\$ 203,886	\$ 178,673
Cost of revenue	<u>17,395</u>	<u>16,287</u>	<u>54,257</u>	<u>45,914</u>
Gross profit	50,740	47,879	149,629	132,759
Operating expenses:				
Research and development	9,109	8,308	27,900	23,095
Sales and marketing	5,428	4,524	16,346	14,055
General and administrative	<u>2,924</u>	<u>2,839</u>	<u>8,856</u>	<u>8,614</u>
Total operating expenses	<u>17,461</u>	<u>15,671</u>	<u>53,102</u>	<u>45,764</u>
Income from operations	33,279	32,208	96,527	86,995
Interest income	37	36	120	90
Other income (expense), net	<u>199</u>	<u>(66)</u>	<u>406</u>	<u>(167)</u>
Income before income taxes	33,515	32,178	97,053	86,918
Provision for income taxes	<u>11,091</u>	<u>11,343</u>	<u>33,606</u>	<u>30,805</u>
Net income	<u>\$ 22,424</u>	<u>\$ 20,835</u>	<u>\$ 63,447</u>	<u>\$ 56,113</u>
Earnings per share:				
Basic	<u>\$ 0.74</u>	<u>\$ 0.70</u>	<u>\$ 2.10</u>	<u>\$ 1.90</u>
Diluted	<u>\$ 0.73</u>	<u>\$ 0.69</u>	<u>\$ 2.07</u>	<u>\$ 1.87</u>
Weighted average shares outstanding:				
Basic	<u>30,199</u>	<u>29,659</u>	<u>30,159</u>	<u>29,458</u>
Diluted	<u>30,592</u>	<u>30,189</u>	<u>30,580</u>	<u>30,034</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

HITTITE MICROWAVE CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)

<u>(in thousands)</u>	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 63,447	\$ 56,113
Adjustments to reconcile net income to net cash provided by operating activities, net of the effects from the acquisition:		
Depreciation	5,284	4,733
Amortization	3,255	1,510
Deferred taxes	(3,315)	(1,828)
Provision for excess or obsolete inventory	1,643	1,426
Stock-based compensation	7,907	6,874
Changes in operating assets and liabilities:		
Accounts receivable	1,528	(9,604)
Inventories	(6,770)	(4,931)
Other assets	(435)	(595)
Deferred revenue and customer advances	(7,330)	1,920
Accounts payable	3,151	2,473
Accrued expenses	2,059	4,167
Income taxes	<u>3,507</u>	<u>(3,401)</u>
Net cash provided by operating activities	<u>73,931</u>	<u>58,857</u>
Cash flows from investing activities:		
Purchases of property and equipment	(8,187)	(8,516)
Purchase of intangible assets	—	(6,580)
Acquisition, net of cash acquired	<u>(10,421)</u>	<u>—</u>
Net cash used in investing activities	<u>(18,608)</u>	<u>(15,096)</u>
Cash flows from financing activities:		
Repayment of note payable assumed in acquisition	(232)	—
Proceeds from exercise of stock options	629	8,589
Purchase of Company common stock	—	(3,580)
Payment of withholding taxes in connection with vesting of restricted stock	(788)	(388)
Excess income tax benefit related to stock-based compensation plans	<u>834</u>	<u>4,237</u>
Net cash provided by financing activities	<u>443</u>	<u>8,858</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(126)</u>	<u>(94)</u>
Net increase in cash and cash equivalents	55,640	52,525
Cash and cash equivalents, beginning of period	<u>295,490</u>	<u>220,477</u>
Cash and cash equivalents, end of period	<u>\$ 351,130</u>	<u>\$ 273,002</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

HITTITE MICROWAVE CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. General

The interim consolidated financial statements presented herein have been prepared by Hittite Microwave Corporation (the Company), are unaudited and, in the opinion of management, include all adjustments, consisting only of normal, recurring adjustments and accruals, necessary for a fair presentation of the Company's financial position at September 30, 2011, results of operations for the three- and nine-month periods ended September 30, 2011 and 2010 and cash flows for the nine-month periods ended September 30, 2011 and 2010 in accordance with accounting principles generally accepted in the United States (GAAP). Interim results are not necessarily indicative of results for a full year. The condensed consolidated balance sheet presented as of December 31, 2010 has been derived from the audited consolidated financial statements as of that date but does not include all disclosures required by GAAP.

The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain all of the information that is included in the annual financial statements and notes of the Company. The consolidated financial statements and notes presented herein should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The Company operates in one reportable segment: the design, development and production of integrated circuits, modules, subsystems and instrumentation.

2. Recent Accounting Pronouncements

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-17, "Milestone Method of Revenue Recognition," which amends Accounting Standards Codification (ASC) 605. ASU 2010-17 provides guidance for determining when the milestone method of revenue recognition is appropriate and how this method should be applied, and specifies related disclosure requirements. The Company adopted ASU 2010-17 effective January 1, 2011. Such adoption did not have a material effect on the Company's financial position or results of operations.

In December 2010, the FASB issued ASU 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the EITF)." ASU 2010-29 clarifies that when presenting comparative financial statements, an entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only, and expands the related disclosure requirements. The Company adopted ASU 2010-29 effective January 1, 2011, and has applied it to business combinations for which the acquisition date is subsequent to that date. Such adoption did not have a material effect on the Company's financial position or results of operations.

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 will be effective for the Company on January 1, 2012. The Company does not believe that the adoption of ASU 2011-04 will have a material effect on its financial condition or results of operations.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income." ASU 2011-05 requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of equity. ASU 2011-05 will be effective for the Company on January 1, 2012. The Company does not believe that the adoption of ASU 2011-05 will have a material effect on its financial condition or results of operations.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment." ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. ASU 2011-08 will be effective for the Company on January 1, 2012. Early adoption is permitted and the Company expects to adopt the standard in the fourth quarter of 2011. The Company does not believe that the adoption of ASU 2011-08 will have a material effect on its financial condition or results of operations.

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3. Comprehensive Income

Comprehensive income consists of the following:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income	\$ 22,424	\$ 20,835	\$ 63,447	\$ 56,113
Foreign currency translation adjustments	<u>(757)</u>	<u>605</u>	<u>(607)</u>	<u>(24)</u>
Comprehensive income	<u>\$ 21,667</u>	<u>\$ 21,440</u>	<u>\$ 62,840</u>	<u>\$ 56,089</u>

4. Fair Value of Financial Instruments

The Company measures at fair value certain financial assets and financial liabilities. Fair value is the price that would be received for an asset, or the exit price that would be paid to transfer a liability, in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. There are three levels of inputs used to measure fair value, arranged in a hierarchy that maximizes the use of observable inputs:

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** 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 other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability. The following table sets forth the Company's financial assets that were measured at fair value within the fair value hierarchy:

(in thousands)	September 30, 2011			
	Level 1	Level 2	Level 3	Total
Money market funds	<u>\$ 309,370</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 309,370</u>

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5. Inventories

Net inventories consist of the following:

<u>(in thousands)</u>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Raw materials	\$ 12,826	\$ 8,067
Work in process	5,590	7,798
Finished goods	<u>9,970</u>	<u>7,354</u>
	<u>\$ 28,386</u>	<u>\$ 23,219</u>

6. Acquisition

On January 14, 2011, the Company acquired all of the outstanding stock of Arctic Silicon Devices (ASD), a privately held company, for \$10,421,000 in cash and the assumption of a \$232,000 note payable that was repaid during the three months ended March 31, 2011. ASD is a developer of advanced mixed-signal, integrated circuit technology, located in Trondheim, Norway. The acquisition provides the Company with new IC design and integration capability and a new product line of analog-to-digital converters.

The assets and liabilities of ASD were recorded at their fair values as of the acquisition date, as follows (in thousands):

Current assets	\$ 174
Other tangible assets	369
Software	900
Completed technology	5,300
Goodwill	4,236
Current liabilities	(326)
Note payable	<u>(232)</u>
Total purchase price, net of cash and cash equivalents acquired	<u>\$ 10,421</u>

The completed technology will be amortized to cost of revenue over its estimated useful life of 5 years. The software will be amortized to research and development expense over its estimated useful life of 3 years. Goodwill arising from the acquisition will not be deductible for tax purposes.

ASD's operating results have been included in the Company's results of operations from the acquisition date, and were not material. Pro forma results are not provided as ASD's results of operations were not material. Acquisition costs were not material.

7. Commitments and Contingencies

Indemnification

In connection with the sale of products in the ordinary course of business, the Company often makes representations affirming, among other things, that its products do not infringe on the intellectual property rights of others, and agrees to indemnify customers against third-party claims for such infringement. Further, the Company's by-laws require it to indemnify its officers and directors against any action that may arise out of their services in that capacity, and the Company has also entered into indemnification agreements with respect to all of its directors. The Company has not been subject to any material liabilities under such provisions and therefore believes that its exposure for these indemnification obligations is minimal. Accordingly, the Company has no liabilities recorded for these indemnity agreements as of September 30, 2011 and December 31, 2010.

Product Warranties

The Company provides product warranties in conjunction with certain product sales. Generally, product sales are accompanied by a one-year warranty period. These warranties cover factors such as nonconformance to specifications and defects in material and workmanship. Estimated standard warranty costs are recorded in the period in which the related product sales occur. The Company's warranty accrual and related expense were immaterial to the Company's financial position and results of operations for the periods presented herein.

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Intellectual Property Claims

In recent years there has been significant litigation involving intellectual property rights in many technology-based industries, including the Company's. Since patent applications often are not disclosed until a patent issues, it is not always possible for the Company to know whether patent applications are pending that might be infringed by its products, and there could be issued patents that are pertinent to the Company's business of which it is not aware. The Company's products may also be claimed to infringe intellectual property rights of others as a result of activities by its foundries or other suppliers with respect to which it has no control or knowledge.

The Company has from time to time been the subject of litigation alleging that sales by the Company of its products infringe patents held by such third parties. Two such actions were settled in April 2010 and December 2010, respectively, under terms that were not material to the Company. In addition, the Company has from time to time received letters asserting that it infringes patents held by third parties that have not resulted in litigation. The Company has incurred significant costs in investigating and defending intellectual property claims, and there can be no assurance that pending or future litigation or claims relating to infringement of third-party intellectual property rights can be resolved in a manner favorable to the Company. Claims relating to the alleged infringement by the Company of third-party proprietary rights, whether meritorious or not, could be time-consuming to defend and could harm the Company's working relationships with its foundries and customers, damage its reputation, result in substantial and unanticipated costs associated with litigation, require the Company to enter into royalty or licensing agreements, which may not be available on acceptable terms or at all, or result in the payment by the Company of substantial damages. If the Company were found to infringe the intellectual property rights of any third party and if a license were not available on reasonable terms, the Company could be required to redesign the infringing product so as not to infringe, which could be time consuming and costly, or if this is not feasible, could be required to withdraw the infringing product from the market.

8. Earnings per Share

The following table sets forth the computation of basic and diluted net income per share:

<u>(in thousands, except per share data)</u>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Basic earnings per share:				
Net income	\$ 22,424	\$ 20,835	\$ 63,447	\$ 56,113
Weighted average common shares outstanding	<u>30,199</u>	<u>29,659</u>	<u>30,159</u>	<u>29,458</u>
Basic earnings per share	<u>\$ 0.74</u>	<u>\$ 0.70</u>	<u>\$ 2.10</u>	<u>\$ 1.90</u>
Diluted earnings per share:				
Net income	\$ 22,424	\$ 20,835	\$ 63,447	\$ 56,113
Weighted average common shares outstanding	30,199	29,659	30,159	29,458
Effect of dilutive stock options and restricted stock	<u>393</u>	<u>530</u>	<u>421</u>	<u>576</u>
Adjusted weighted average shares — diluted	<u>30,592</u>	<u>30,189</u>	<u>30,580</u>	<u>30,034</u>
Diluted earnings per share	<u>\$ 0.73</u>	<u>\$ 0.69</u>	<u>\$ 2.07</u>	<u>\$ 1.87</u>

The dilutive effect of outstanding options and restricted stock is reflected in diluted earnings per share by application of the treasury stock method, which includes consideration of unamortized compensation cost and excess tax benefits on stock-based compensation.

9. Income Taxes

The Company recorded income tax expense of \$11.1 million and \$33.6 million for the three and nine months ended September 30, 2011, respectively, and \$11.3 million and \$30.8 million for the three and nine months ended September 30, 2010, respectively. Income tax is related to federal, state, and foreign tax obligations.

The Company had gross unrecognized tax benefits of approximately \$7.1 million as of September 30, 2011 and \$5.9 million as of December 31, 2010. These balances represent the amount of unrecognized tax benefits that, if recognized, would result in a reduction of the Company's effective tax rate. Although the Company believes its tax estimates are appropriate, the final determination of tax audits could result in favorable or unfavorable changes in its estimates. The Company anticipates the final determination of tax audits in the next twelve months could result in a decrease in unrecognized tax benefits of an amount between approximately \$2.0 million and \$4.0 million.

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

This information should be read in conjunction with our audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the year ended December 31, 2010.

Description of Our Revenue, Costs and Expenses

Revenue. Our revenue is derived primarily from the sale of standard and custom products. We develop standard products from our own specifications, which we sell through our direct sales organization, our network of independent sales representatives, a distributor and our website. We also develop custom products to meet the specialized requirements of individual customers, which are sold by our direct sales organization.

We sell our products to original equipment manufacturers, or OEMs, that supply advanced electronic systems to commercial and military end users, and to these OEMs' contract manufacturers. In general, the decision to purchase our product is made by the OEM, which has designed our product into its system. In the event that we sell to an OEM's contract manufacturer, the contract manufacturer typically does not have discretion to replace our product with one from a different supplier.

Our sales cycle varies substantially, ranging from a period of a month or less when a customer selects a standard product from our catalog or website, to as long as two years or more for custom products. In the sales process, our sales and application engineers work closely with the OEM customer to analyze the customer's system requirements and select an appropriate standard product or establish a technical specification for a custom product. In the case of a custom product, we also select a semiconductor process and foundry, and evaluate test wafers and finished components before manufacturing in commercial quantities can begin. Volume purchases of our products by an OEM customer, or its contract manufacturer, generally do not occur until the OEM customer has made the decision to begin production of the system incorporating our product. Our receipt of substantial revenue from sales of a product to an OEM customer depends on that customer's commercial success in manufacturing and selling its system incorporating our product. It may take several years for a newly introduced standard product to generate substantial revenue, if ever. However, the life cycles of our standard products tend to be lengthy.

Although most of our revenue is derived from sales of our products, we also receive a small percentage of our revenue from customer-sponsored research and development activities. These activities range from pure research, in which we investigate IC design techniques on new semiconductor technologies at the request of a government agency or commercial customer, to custom development projects in which we are paid to enhance or modify an existing product or develop a new product to meet a customer's specifications.

Cost of revenue. Cost of revenue consists primarily of the cost of semiconductor wafers that we purchase from our third-party foundries and other materials such as packages, epoxies, connectors and production masks. Cost of revenue also includes personnel costs and overhead related to our manufacturing and engineering operations, including occupancy and equipment costs, inbound shipping costs, charges for inventory obsolescence and warranty obligations and amortization of certain intangible assets.

Research and development. Research and development expense consists primarily of personnel costs of our research and development organization, costs of development wafers, license fees for computer-aided design software, costs of development testing and evaluation, costs of developing automated test software, related occupancy and equipment costs and amortization of certain intangible assets. We expense all research and development costs as incurred.

Sales and marketing. Sales and marketing expense consists primarily of personnel costs of our sales and marketing organization, sales commissions paid to independent sales representatives, costs of advertising, trade shows, corporate marketing, promotion, travel, related occupancy and equipment costs, amortization of certain intangible assets and other marketing costs.

General and administrative. General and administrative expense consists primarily of personnel costs of our executive management, finance, and other administrative staff, outside professional fees, related occupancy and equipment costs and other corporate expenses.

Trends and Uncertainties

We have been advised by one of our foundries, from which we source a substantial portion of our GaAs wafers, that it currently does not intend to renew its wafer supply agreement with us when it expires in June 2015. Given this change and resulting uncertainty regarding the availability of future supply, we plan to reduce our use of this foundry for new products, and, over time, to reduce or eliminate our wafer purchases from this foundry. We will seek to work with the foundry to manage this transition so that we can maintain adequate supplies of the affected products over their natural life cycles, which are typically five to ten years.

The impact of this transition on our business is uncertain. We have increased, and will continue to increase, our raw materials inventory sourced from this foundry in order to support the products which have the longest life cycles. This will consume cash and could expose us to increased risk of inventory write-offs. During this transition, we could also experience adverse reactions from customers, which could affect our revenues, and the productivity of our new product development efforts could suffer as we seek to translate certain existing products to other foundries, which could affect our profitability. Products translated to other foundries could have inferior performance, production yields or costs. If any of these events were to occur to a significant degree, our business, revenues, profitability and financial condition could be adversely affected.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements. 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. On an ongoing basis, we re-evaluate our judgments and estimates including those related to uncollectible accounts receivable, inventories, intangible assets, stock-based compensation, income taxes, warranty obligations, accrued expenses and other contingencies. We base our estimates and judgments on our historical experience and on other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates, and material effects on our operating results and financial position may result.

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For a description of the accounting policies which, in our opinion, involve the most significant application of judgment, or involve complex estimation, and which could, if different judgments or estimates were made, materially affect our reported results of operations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2010.

Results of Operations

Comparison of the Three Month Periods Ended September 30, 2011 and 2010

Revenue. In the three months ended September 30, 2011, our revenue increased \$4.0 million, or 6.2%, to \$68.1 million, compared with \$64.2 million in the corresponding period of 2010. Revenue from sales to customers outside the United States accounted for 55.6% of our total revenue in the three months ended September 30, 2011, compared with 56.2% in the corresponding period of 2010. Our revenue increase was primarily attributable to increased sales to the microwave and millimeterwave communications and test and measurement markets. The growth in sales to the microwave and millimeterwave communications and test and measurement markets was primarily due to the increased breadth of our product offerings and the increased market acceptance of products we introduced in prior years.

We expect that our revenues will decline sequentially by approximately 10% to 15% in the fourth quarter of 2011. This forecasted sequential decline primarily relates to an expected \$4 million decrease in the military market and \$4 million decrease in the commercial markets. We expect this decrease in revenue to result in a 26% to 32% sequential decrease in net income.

Gross margin. In the three months ended September 30, 2011, our gross margin was 74.5%, compared with 74.6% in the corresponding period of 2010. The change in gross margin was primarily attributable to unfavorable changes in pricing and manufacturing costs, offset by a favorable change in product mix.

Research and development expense. In the three months ended September 30, 2011, our research and development expense increased \$0.8 million, or 9.6%, to \$9.1 million, and represented 13.4% of our revenue, compared with \$8.3 million, or 12.9% of our revenue, in the corresponding period of 2010. The increase in our research and development expense was primarily attributable to a \$1.1 million increase in personnel costs, a \$0.2 million increase in equipment costs, and a \$0.3 million increase in travel and other costs, partially offset by \$0.8M related to funding received from various foreign government research and development incentive programs. The increase in personnel costs was primarily due to the growth of our engineering organization, including the acquisition of Arctic Silicon Devices in January 2011. We believe that a significant amount of research and development activity will be required for us to remain competitive in the future. As a result, we expect our research and development expense to increase as we add personnel and other costs to invest in the development of new products and, to a lesser extent, to support the translation of certain existing products to other GaAs foundries. Included within our expected increase in research and development expense are the costs associated with the opening of our new design centers in Virginia and Egypt.

Sales and marketing expense. In the three months ended September 30, 2011, our sales and marketing expense increased \$0.9 million, or 20.0%, to \$5.4 million, and represented 8.0% of our revenue, compared with \$4.5 million, or 7.1% of our revenue, in the corresponding period of 2010. The increase in our sales and marketing expense was primarily attributable to a \$0.5 million increase in personnel costs, a \$0.3 million increase in commissions and a \$0.1 million increase in travel and other costs. The increase in personnel costs related primarily to the growth of our worldwide direct sales and marketing organization. We expect sales and marketing expense will increase as we hire additional personnel, continue to expand our worldwide sales and marketing activities and, to the extent that our revenue increases, pay additional commissions.

General and administrative expense. In the three months ended September 30, 2011, our general and administrative expense increased \$0.1 million, or 3.0%, to \$2.9 million, and represented 4.3% of our revenue, compared with \$2.8 million, or 4.4% of our revenue, in the corresponding period of 2010. The increase in our general and administrative expense was primarily attributable to a \$0.1 million increase in personnel costs.

Interest income. In the three months ended September 30, 2011, our interest income was \$37,000 compared with \$36,000 in the corresponding period of 2010. Interest income in both periods reflects the low effective yields that are available due to the current market conditions.

Other income (expense), net. In the three months ended September 30, 2011, our other income, net was \$199,000 compared with other expense, net of \$66,000 in the corresponding period of 2010. The change was primarily due to net foreign currency gains reflecting the appreciation of the U.S. dollar relative to most of the currencies of the countries where we operate.

Provision for income taxes. Our provision for income taxes decreased \$0.3 million to \$11.1 million in the three months ended September 30, 2011, from \$11.3 million in the corresponding period of 2010, representing an effective tax rate of 33.1% and 35.3% in 2011 and 2010, respectively. Generally, the effective tax rates differ from the federal and state statutory tax rates primarily due to the impact of federal and state tax credits and incentives provided for under the American Jobs Creation Act of 2004.

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Comparison of the Nine Month Periods Ended September 30, 2011 and 2010

Revenue. In the nine months ended September 30, 2011, our revenue increased \$25.2 million, or 14.1%, to \$203.9 million, compared with \$178.7 million in the corresponding period of 2010. Revenue from sales to customers outside the United States accounted for 55.1% of our total revenue in the nine months ended September 30, 2011, compared with 55.4% in the corresponding period of 2010. Our revenue increase was primarily attributable to increased sales to the military and test and measurement markets. The increase in sales to the military market was primarily due to shipments under a production order for microwave subsystems that we announced in February 2009. The growth in sales to the test and measurement market was primarily due to the increased breadth of our product offerings and the increased market acceptance of products we introduced in prior years.

Gross margin. In the nine months ended September 30, 2011, our gross margin was 73.4%, compared with 74.3% in the corresponding period of 2010. The decrease in gross margin was primarily attributable to unfavorable changes in pricing and, to a lesser extent, manufacturing costs, partially offset by a favorable change in product mix.

Research and development expense. In the nine months ended September 30, 2011, our research and development expense increased \$4.8 million, or 20.8%, to \$27.9 million, and represented 13.7% of our revenue, compared with \$23.1 million, or 12.9% of our revenue, in the corresponding period of 2010. The increase in our research and development expense was attributable to a \$3.2 million increase in personnel costs, a \$0.7 million increase in depreciation and amortization, a \$0.9 million increase in equipment costs, a \$0.5 million increase in occupancy costs and a \$0.5 million increase in travel and other costs. The increase in personnel costs was primarily due to the growth of our engineering organization, including the acquisition of Arctic Silicon Devices in January 2011. These increases were partially offset by \$0.8 million related to funding received from various foreign government research and development incentive programs and a \$0.2 million decrease in supplies and materials.

Sales and marketing expense. In the nine months ended September 30, 2011, our sales and marketing expense increased \$2.3 million, or 16.3%, to \$16.3 million, and represented 8.0% of our revenue, compared with \$14.1 million, or 7.9% of our revenue, in the corresponding period of 2010. The increase in our sales and marketing expense was primarily attributable to a \$1.4 million increase in personnel costs, a \$0.3 million increase in travel costs, a \$0.3 million increase in professional fees, a \$0.2 million increase in occupancy costs and a \$0.1 million increase in depreciation and other costs. The increase in personnel costs related primarily to the growth of our worldwide direct sales and marketing organization.

General and administrative expense. In the nine months ended September 30, 2011, our general and administrative expense increased \$0.2 million, or 2.8%, to \$8.9 million, and represented 4.3% of our revenue, compared with \$8.6 million, or 4.8% of our revenue, in the corresponding period of 2010. The increase in our general and administrative expense was primarily attributable to a \$0.5 million increase in personnel costs, partially offset by a \$0.3 million decrease in professional fees and other costs.

Interest income. In the nine months ended September 30, 2011, our interest income was \$120,000 compared with \$90,000 in the corresponding period of 2010. Interest income in both periods reflects the low effective yields that are available due to the market conditions.

Other income (expense), net. In the nine months ended September 30, 2011, our other income, net was \$406,000 compared with other expense, net of \$167,000 in the corresponding period of 2010. The change was primarily due to net foreign currency gains reflecting the appreciation of the U.S. dollar relative to most of the currencies of the countries where we operate.

Provision for income taxes. Our provision for income taxes increased \$2.8 million to \$33.6 million in the nine months ended September 30, 2011, from \$30.8 million in the corresponding period of 2010, representing an effective tax rate of 34.6% and 35.4% in 2011 and 2010, respectively. Generally, the effective tax rates differ from the federal and state statutory tax rates primarily due to the impact of federal and state tax credits and incentives provided for under the American Jobs Creation Act of 2004.

Liquidity and Capital Resources

As of September 30, 2011, we held \$351.1 million of cash and cash equivalents. Cash provided by our operations was \$73.9 million in the nine months ended September 30, 2011, of which the principal components were our net income of \$63.4 million and non-cash charges of \$18.1 million, partially offset by a net increase in operating assets and liabilities of \$4.3 million and a net increase in deferred taxes of \$3.3 million. The net increase in operating assets and liabilities includes an increase in inventory of \$6.8 million, related to the growth of our business, and a \$7.3 million decrease in deferred revenue and customer advances, due to product shipments under contracts with advanced billings. These increases were partially offset by a decrease in accounts receivable of \$1.5 million, related to the timing of customer shipments, a \$3.5 million net decrease in taxes receivable, due to the timing of tax payments and receipts, and a \$5.2 million increase in accounts payable and accrued expenses, due to the growth of our business and the timing of disbursements.

We invested \$8.2 million in the purchase of property and capital equipment in the nine months ended September 30, 2011, primarily related to building renovations, production tooling and production test equipment. On January 14, 2011, we acquired all of the outstanding stock of Arctic Silicon Devices, for \$10.4 million in cash and the assumption of a \$232,000 note payable that was repaid during the nine months ended September 30, 2011.

During the nine months ended September 30, 2011, shares issued upon vesting of restricted stock were net of 12,854 shares retained by us to cover employee tax withholdings of \$0.8 million paid by us. In addition, we received \$0.6 million from the exercise of stock options and \$0.8 million from the excess tax benefit related to our stock-based compensation plans.

We maintain a stock repurchase program that is designed to offset the dilutive impact of equity-based compensation granted to our employees. The shares may be repurchased from time to time on the open market or in privately negotiated transactions. We did not repurchase any shares during the nine months ended September 30, 2011. The timing, price and volume of any additional repurchases will be based on market conditions, relevant securities law and other factors, as appropriate, and repurchases may be suspended or discontinued at any time.

We believe that our cash, cash equivalents and cash generated from operations will be sufficient to meet our anticipated cash requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and extent of spending to support product development efforts, the expansion of our sales and marketing activities, the timing and introduction of new products, the costs to ensure access to adequate manufacturing capacity and the continuing market acceptance of our products. There is no assurance that additional financing, if required or desired, will be available in amounts or on terms acceptable to us, if at all.

Recent Accounting Pronouncements

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-17, "Milestone Method of Revenue Recognition," which amends Accounting Standards Codification (ASC) 605. ASU 2010-17 provides guidance for determining when the milestone method of revenue recognition is appropriate and how this method should be applied, and specifies related disclosure requirements. We adopted ASU 2010-17 effective January 1, 2011. Such adoption did not have a material effect on our financial position or results of operations.

In December 2010, the FASB issued ASU 2010-29, "Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the EITF)." ASU 2010-29 clarifies that when presenting comparative financial statements, an entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only, and expands the related disclosure requirements. We adopted ASU 2010-29 effective January 1, 2011 and have applied it to business combinations for which the acquisition date is subsequent to that date. Such adoption did not have a material effect on our financial position or results of operations.

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ASU 2011-04 will be effective for us on January 1, 2012. We do not believe that the adoption of ASU 2011-04 will have a material effect on our financial condition or results of operations.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income." ASU 2011-05 requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of equity. ASU 2011-05 will be effective for us on January 1, 2012. We do not believe that the adoption of ASU 2011-05 will have a material effect on our financial condition or results of operations.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment." ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. ASU 2011-08 will be effective for us on January 1, 2012. Early adoption is permitted and we expect to adopt the standard in the fourth quarter of 2011. We do not believe that the adoption of ASU 2011-08 will have a material effect on our financial condition or results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of business, which consists primarily of interest rate risk associated with our cash and cash equivalents, as well as foreign exchange rate risk.

Interest rate risk. The primary objectives of our investment activity are to preserve principal, provide liquidity and earn a market rate of return. To minimize market risk, we maintain our portfolio in cash and diversified short-term investments, which may consist of bank deposits, money market funds and highly rated, short-term government and commercial securities. The interest rates are variable and fluctuate with current market conditions. The risk associated with fluctuating interest rates is limited to this investment portfolio. We do not believe that a 10% change in interest rates would have a material impact on our financial position or results of operations.

Foreign currency risk. To date, our international customer sales agreements have been denominated primarily in United States dollars. Accordingly, we have limited exposure to foreign currency exchange rates and do not enter into foreign currency hedging transactions. The functional currency of each of our foreign operations is the local currency. Accordingly, the effects of exchange rate fluctuations on the net assets of these operations are accounted for as translation gains or losses in accumulated other comprehensive income within stockholders' equity. We do not believe that a change of 10% in such foreign currency exchange rates would have a material impact on our financial position or results of operations.

Item 4. Controls and Procedures

- (a) *Evaluation of disclosure controls and procedures.* Our management, under the supervision and with the participation of our Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide a reasonable level of assurance that we record, process, summarize and report the information we must disclose in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, within the time periods specified in the SEC's rules and forms, and

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that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding disclosure.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and the risk of fraud. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

- (b) *Changes in internal control over financial reporting.* There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1a. Risk Factors

The Private Securities Litigation Reform Act of 1995 contains certain safe harbor provisions regarding forward-looking statements. This Quarterly Report on Form 10-Q, and other information provided by us or statements made by our directors, officers or employees from time to time, may contain “forward-looking” statements and information, which involve risks and uncertainties. Actual future results may differ materially. Statements indicating that we “expect,” “estimate,” “believe,” “are planning” or “plan to” are forward-looking, as are other statements concerning future financial results, product offerings or other events that have not yet occurred. There are several important factors that could cause actual results or events to differ materially from those anticipated by the forward-looking statements. Such factors include those described below, which have not changed in any material respect as compared with the risk factors in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, except as set forth in the paragraph following immediately below. Although we have sought to identify the most significant risks to our business, we cannot predict whether, or to what extent, any of such risks may be realized. We also cannot assure that we have identified all possible issues which we might face. We undertake no obligation to update any forward-looking statements that we make.

The risk factors below, compared with the risk factors included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, reflect the removal of the separate risk factor, captioned, ***“The recent natural disaster in Japan could disrupt our operations and those of our customers and adversely affect our results of operations.”***

Uncertain prospects for the global economy could adversely affect our business, results of operations and financial condition.

We are unable to predict the future of the global economy, and there is no certainty that our business will grow in the long term. These uncertainties, including uncertainties related to the current sovereign debt crisis in certain countries in Europe, affect businesses such as ours in a number of ways, making it difficult to accurately forecast and plan our future business activities. However, we currently expect our revenue to decline sequentially in the fourth quarter of 2011. Uncertain economic conditions may lead consumers and businesses to reduce or postpone spending, which may cause our customers to cancel, decrease or delay their existing and future orders with us. The inability of customers to obtain credit could negatively affect our revenue and our ability to collect receivables. In addition, financial difficulties experienced by our suppliers, independent sales representatives or distributor could result in product delays, increased accounts receivable defaults and inventory challenges. If uncertain economic conditions continue or deteriorate, we may recognize charges relating to restructuring costs or the impairment of assets. These uncertainties could have a material adverse impact on our business, our ability to achieve targeted results of operations and our financial condition.

Our quarterly revenue and operating results are difficult to predict accurately and may fluctuate significantly from period to period. As a result, we may fail to meet the expectations of investors, which could cause our stock price to decline.

We operate in a highly dynamic industry and our future results could be subject to significant fluctuations, particularly on a quarterly basis. Our quarterly revenue and operating results have fluctuated significantly in the past and may continue to vary from quarter to quarter due to a number of factors, many of which are not within our control. Although some of our customers, such as those who serve the military and space industries, place long-term orders with us or provide us with forecasts of their future requirements for our products, a significant percentage of our revenue in each quarter is dependent on sales that are booked and shipped during that quarter, typically attributable to a large number of orders from diverse customers and markets, which we refer to as our turns business. Accurately forecasting our turns business and our total revenue in any quarter is difficult. If our operating results do not meet our publicly stated guidance, if any, or the expectations of investors, our stock price may decline. Additional factors that can contribute to fluctuations in our operating results include:

- changes in demand for our products due to global economic conditions;
- changes in our product mix or customer mix;
- the increase, reduction, rescheduling or cancellation of significant customer orders;
- the timing of customer qualification of our products and commencement of volume sales of systems that include our products;
- the rate at which our present and future customers adopt our technologies in our target markets;
- the timing and success of the introduction of new products and technologies by us and our competitors, and the acceptance of our new products by our customers;
- the gain or loss of one or more key customers;
- the availability, cost and quality of materials and components that we purchase from third-party vendors and any problems or delays in the fabrication, assembly, testing or delivery of our products;
- the quality of our products and any remediation costs; and
- changes in our effective tax rate.

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Due to these and other factors, quarter-to-quarter comparisons of our historical operating results should not be relied upon as accurate indicators of our future performance.

As a fabless company, we depend on third-party foundries to manufacture semiconductor wafers that are critical to our products, which makes us susceptible to supply shortages or loss of supply, price fluctuations and quality risks that could adversely affect our operating results.

We obtain all the semiconductor wafers used in our products from third-party wafer fabrication facilities, known as foundries. Our principal third-party foundries include Cobham in Virginia, Global Communications Semiconductors in California, IBM in Vermont, TowerJazz in California, Northrop Grumman in California, Telefunken Semiconductors in Germany, TriQuint Semiconductor in Oregon and Texas, TSMC in Washington and Taiwan, UMS in France and WIN Semiconductors in Taiwan. We typically rely on a single foundry for the production of the wafer used in a particular product. We generally do not have long term supply agreements with our foundries. Our agreements with our foundries fix the prices at which we purchase wafers from them, typically for periods of one or two years. Our reliance on third-party foundries involves a number of risks. These include uncertainties as to availability of manufacturing capacity, reduced control over our manufacturing costs, delivery times, reliability and process quality, which can adversely affect the quality of our components produced from these wafers, the possible misappropriation of our technology and the possibility that third parties may claim that our products infringe their intellectual property as a result of activities by our foundries. In addition to wafers, we also purchase a number of other key components and services from sole source suppliers or a limited number of suppliers, which exposes us to similar risks. For example, we rely on a small number of subcontractors, primarily in Asia and the United States, to package some of our products, particularly those that utilize standard plastic encapsulated packages.

The ability of our suppliers to meet our requirements could be impaired or interrupted by constraints on their manufacturing capacity or by a variety of other factors beyond their control, such as earthquakes or other natural phenomena, labor strikes or shortages or political unrest. One supplier of wafers that are used in a significant number of our products has, in the recent past, experienced financial difficulties. Financial or other difficulties faced by our suppliers, or significant changes in demand for the components, materials or services they use in the products they supply to us, could limit the availability of those products to us. Further, current or future social and environmental regulations or critical issues, such as those relating to the sourcing of conflict minerals from the Democratic Republic of the Congo or the need to eliminate environmentally sensitive materials from our products, could restrict the supply of resources used in production or increase our costs.

The number of foundries that can provide the advanced gallium arsenide, or GaAs, processes that currently account for most of our wafer purchases is limited. Growth in global demand for RF components, particularly for use in smart phones and other mobile devices, has led to higher utilization at many GaAs foundries, and at least one of our foundries has recently experienced capacity constraints that have affected its operations. Several of our foundries, including TriQuint Semiconductor, UMS and (to a lesser extent) Northrop Grumman, also compete with us in the business of developing and selling semiconductor ICs, which could affect their willingness to continue to supply us or others with foundry services or otherwise result in their having objectives that conflict with ours. As a result of these or other factors, one or more of our foundries or other suppliers could in the future be unable to, or elect not to, make available to us adequate manufacturing capacity to meet our requirements, extend their lead times or seek to increase the prices of materials we purchase from them as their contracts with us expire. If any of these events were to occur, our operations could be adversely affected.

We are in the process of transitioning away from one of our principal foundry suppliers, which creates uncertainties that could affect our business, revenues, profitability and financial condition.

We have been advised by one of our foundries, from which we source a substantial portion of our GaAs wafers, that it currently does not intend to renew its wafer supply agreement with us when it expires in June 2015. Given this change and resulting uncertainty regarding the availability of future supply, we plan to reduce our use of this foundry for new products, and, over time, to reduce or eliminate our wafer purchases from this foundry. We will seek to work with the foundry to manage this transition so that we can maintain adequate supplies of the affected products over their natural life cycles, which are typically five to ten years. We have increased, and will continue to increase our raw materials inventory sourced from this foundry in order to support the products which have the longest life cycles, which will consume cash and could expose us to increased risk of inventory write-offs. During this transition, we could also experience adverse reactions from customers and the productivity of our new product development efforts could suffer as we seek to translate certain existing products to other foundries. Further, products translated to other foundries could have inferior performance, production yields or costs. If any of these events were to occur to a significant degree, our business, revenues, profitability and financial condition could be adversely affected.

Our financial results are exposed to the cyclical nature of the semiconductor industry.

The recent global recession reduced demand in the semiconductor industry as well as numerous other industries. In addition to being subject to such broad, macroeconomic conditions, the semiconductor industry is particularly cyclical and has historically experienced significant fluctuations in supply and demand, resulting in product overcapacity, high inventory levels and accelerated erosion of average selling prices, which may occur even during periods of growth in the broader economy. These conditions have sometimes lasted for extended periods of time. Downturns in many sectors of the electronic systems industry have in the past contributed to weak demand for semiconductor products and there are some indications that we, and the semiconductor industry generally, are in a period of weak demand. We experienced negative growth during periods of weak demand in the past, and our business may be adversely impacted by any downturns in the future. We currently expect our revenue to decline sequentially by 10% to 15% in the fourth quarter of 2011. Future downturns in the electronic systems industry could further adversely impact our revenue and harm our business, financial condition and results of operations.

If we fail to develop new products that achieve market acceptance or fail to introduce new products that enable us to address additional markets, our operating results could be adversely affected.

The markets for our products are characterized by frequent new product introductions and changes in product and process technologies. The future success of our business and continued growth in our revenue will depend on our ability to develop new products for existing and new markets, introduce these products in a cost-effective and timely manner and have our products designed into the products of OEMs. The development of new high performance semiconductor ICs, modules, subsystems and instrumentation is highly complex, and from time to time we may experience delays in completing the development and introduction of new products or fail to efficiently manufacture such products in the early production phase. As the complexity and degree of integration of our products increases, maintaining or increasing our historical rate of new product introductions will become increasingly challenging. Our ability to successfully develop, manufacture, introduce and deliver new types of high performance semiconductor ICs, modules, subsystems and instrumentation will depend on various factors, including our ability to:

- attract and retain skilled engineering personnel;
- accurately understand market requirements;
- complete and introduce new products;
- achieve design wins with our customers;
- obtain adequate supplies of materials and components that meet our quality requirements; and
- achieve adequate manufacturing yields.

Furthermore, a newly introduced standard product generally has little immediate impact on our revenue. A new standard product may not generate meaningful revenue for two or more years, if ever. In the meantime, we will have incurred expenses to design and produce the product, and we may not recover these expenses if demand for the product fails to reach forecasted levels.

Our gross margin fluctuates from period to period, which affects our results of operations.

Our gross margin has fluctuated on a quarterly basis. For example, our quarterly gross margin since the first quarter of 2008 has ranged from a low of 70.1% to a high of 74.8%, including sequential, quarterly variations as high as 2.8 percentage points. A number of factors can cause our gross margin to fluctuate from period to period. Our gross margin in any period is significantly affected by industry demand and the intensity of competition in the markets into which we sell our products. Our gross margin is also significantly affected by product mix, that is, the percentage of our revenue in that period that is attributable to higher or lower margin products, and by pricing, including fluctuations in the relative proportion of high volume orders, on which we offer higher discounts. Additional factors affecting our gross margin include changes in the cost of wafers and materials, the timing of indirect costs for pre-production masks and evaluation materials, project cost variations on customer-funded contracts, changes in overhead absorption rates and other manufacturing efficiencies, and other factors, some of which are not under our control. Our margin also can be substantially affected by changes in our manufacturing yields. Our yields depend on many factors that we control, such as product design and the effectiveness of our own assembly and test operations, but they are also affected by the activities of third parties, such as the foundries and packaging subcontractors that supply us with critical materials and services, that are beyond our control. Our margins may also be adversely affected by the change in foundry suppliers discussed above. As a result of these or other factors, we may be unable to maintain or increase our gross margin in future periods. A significant decrease in our gross margin would affect our profitability and likely have an adverse effect on our stock price.

We are subject to claims that we are infringing third-party intellectual property rights, which could result in costly and lengthy litigation that could harm our business.

In recent years there has been significant litigation involving intellectual property rights in many technology-based industries, including our own. Since patent applications often are not disclosed until a patent issues, it is not always possible for us to know whether patent applications are pending that might be infringed by our products, and there could be issued patents that are pertinent to our business of which we are not aware. Our products may also be claimed to infringe intellectual property rights of others as a result of activities by our foundries or other suppliers with respect to which we have no control or knowledge. In connection with the sale of our products, we often make representations affirming, among other things, that our products do not infringe on the intellectual property rights of others, and we agree to indemnify customers against third-party claims of such infringement.

We have from time to time been the subject of litigation alleging that sales by us of our products infringe patents held by such third parties. We settled two such actions against us in 2010. We have also from time to time received letters asserting that we infringe patents held by third parties that have not resulted in litigation. We have incurred significant costs in investigating and defending these actions and claims, and there can be no assurance that these or any other pending or future litigation or claims relating to infringement of third-party intellectual property rights can be resolved in a manner favorable to us. Any claims relating to the alleged infringement by us of third-party proprietary rights, whether meritorious or not, could be time-consuming to defend and could harm our working relationships with our foundries and customers, damage our reputation, result in substantial and unanticipated costs associated with litigation, require us to enter into royalty or licensing agreements, which may not be available on acceptable terms or at all, or result in the payment by us of substantial damages. If we were found to infringe the intellectual property rights of any third party and if a license were not available on reasonable terms, we could be required to redesign the infringing product so as not to infringe, which could be time consuming and costly, or if this is not feasible, we could be required to withdraw the infringing product from the market.

Operations at our Chelmsford, Massachusetts facilities that are critical to our business are subject to disruption from a variety of causes, including those that may be beyond our control.

Our executive management, sales, marketing and administrative functions, as well as most of our research and development and product design activities, are carried out at our headquarters facility in Chelmsford, Massachusetts, while final assembly of our module and subsystem-level products, and final testing for all of our products, are carried out at our separate manufacturing facility, also located nearby in Chelmsford, Massachusetts. These activities are critical to our business, and could be affected by disruptions such as electrical power outages, fire, earthquake, flooding, acts of terrorism, health advisories or risks, or other natural or man-made disasters that could damage these facilities. Although we seek to mitigate these risks by maintaining business interruption insurance, this insurance would not be adequate to protect against all the consequences of such occurrences. A major disruption affecting our Chelmsford assembly and test operations, in particular, could cause significant delays in shipments until we are able to procure and outfit another suitable facility or to qualify and contract with alternative third party suppliers, processes which could take many months. Even if alternative assembly and test capacity is available, we may not be able to obtain it on a timely basis, or favorable terms, which could result in higher costs and/or a loss of customers.

We may not be able to effectively manage the challenges associated with global business expansion, including the need to make improvements in our infrastructure and systems, and any failure by us to manage these challenges could harm our business and operating results.

Our recent expansion of our headcount and operations have placed additional demands on our management and other resources. To accommodate any future growth, we must continue to expand our operational and financial

systems, procedures and controls, and improve our enterprise resource planning (ERP) and other internal management systems. We have purchased an additional facility in Chelmsford, Massachusetts, to which we relocated a portion of our managerial, engineering, sales and administrative functions in January 2011. In addition, we are upgrading our ERP system to a newer version with greater functionality. These projects and other planned improvements to our facilities and our operational, financial and management information systems require substantial managerial and financial resources, and our efforts in this regard may not be successful. The implementation of new or upgraded management information systems is a complex and costly process that involves numerous risks, and there can be no assurance that the upgrade of our ERP system that is currently underway can be completed in a timely manner or at the expected cost, that the new system will operate free of errors, or that the upgrade will provide the expected benefits. Any failure of the new system to function as expected that is not detected by our system of internal control over financial reporting could result in errors in our financial reporting, which could be material, or cause delays in reporting results in accordance with our regulatory requirements. We are expanding internationally, including our recent acquisition of Arctic Silicon Devices in Norway and the opening of our new design center in Egypt, which requires significant attention and resources to effectively manage geographically dispersed operations. In general, if we fail to adequately manage our global business expansion, or to improve our operational, financial and management information systems in a timely and effective manner, our business and results of operations could be materially adversely affected.

We design and manufacture products in our standard product line based upon our internal assessment and forecasts of market requirements, and our results of operations will be adversely affected if we fail to assess market requirements accurately.

A majority of our revenue is typically derived from sales of our standard products. We order components and materials, such as semiconductor wafers, used in the manufacture of our standard products 12-14 weeks in advance, while our customers typically place orders for those products one to eight weeks in advance, exposing us to inventory and manufacturing costs in advance of anticipated revenue. If we or our customers fail to predict market demand accurately for new and existing standard products, we may experience a delay or reduction of anticipated revenue without having sufficient time to adjust our inventory and operating expenses. As the number of products we offer increases, we may be exposed to increased inventory risk.

Lead times for our manufacturing materials can vary significantly and depend on factors such as specific supplier requirements, the size of the order, contract terms and current market demand. As a result, we make financial commitments in the form of purchase commitments. Furthermore, we generally lack visibility into the finished goods inventories of our customers, which makes it more difficult for us to accurately forecast their requirements. If we overestimate our customers' requirements, we may have excess inventory, which would increase our costs. If we underestimate our customers' requirements, we may have inadequate inventory, which could prevent us from delivering our products to our customers on a timely basis, which could disrupt our customers' production schedules. Any of these occurrences could negatively impact our operating results and our business.

We design custom products to meet specific requirements of our customers. The amount and timing of revenue from such products can cause fluctuations in our quarterly operating results.

The design and sales cycle for our custom products, from initial contact by our sales force to the commencement of shipments of those products in commercial quantities, is lengthy and can range from three months to as long as two years or more. In this process, our sales and application engineers work closely with the OEM customer to analyze the customer's system requirements and establish a technical specification for the custom product. We then select a semiconductor process and foundry, evaluate test wafers and components, and establish assembly and test procedures before manufacturing in commercial quantities can begin. The length of this cycle is influenced by many factors, including the difficulty of the technical specification, the novelty and complexity of the design and the customer's procurement processes. OEMs typically do not commit to purchase significant quantities of the custom product until they are ready to commence volume shipment of their own systems, and volume purchases of our products by an OEM customer or its contract manufacturer generally do not occur until the OEM customer has successfully introduced the system incorporating our product. Our receipt of substantial revenue from sales of a custom product depends on that customer's commercial success in manufacturing and selling its system incorporating our product. As a result, a significant period may elapse between our investment of time and resources in a custom product and our receipt of substantial revenue from sales of that product.

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The length of this process increases the risk that a customer will decide to cancel or change its product plans. Such a cancellation or change in plans by a customer could cause us to lose anticipated sales. In addition, our business, financial condition and results of operations could be adversely affected if a significant customer curtails, reduces or delays orders during our sales cycle, chooses not to release equipment that contains our products, or is not successful in the sale and marketing of its products that incorporate our custom products.

Finally, if we fail to achieve initial design wins in the customer's qualification process, we may lose the opportunity for significant sales to that customer for a lengthy period of time because the customer may be unlikely to change its source for those products in the future due to the significant costs associated with qualifying a new supplier and potentially redesigning its product.

We rely on a small number of customers for a significant percentage of our revenue, and the loss of, or a reduction in, orders from these customers could result in a decline in revenue.

We have historically depended on a small number of customers for a large percentage of our annual revenue. Revenue derived from our 10 largest customers as a percentage of our annual revenue was 36.5% in 2010, 31.9% in 2009 and 34.6% in 2008, and was 44.5% of our revenue during the nine months ended September 30, 2011. In 2010, one customer accounted for 11% of our total sales. No single customer accounted for more than 10% of our total revenue in 2009 or 2008. We include in these calculations revenue from products sold to these customers directly by us or through sales representatives and our distributor, as well as from products sold to contract manufacturers for use in a system manufactured by the contract manufacturer for that customer. Our major customers often use our products in multiple systems or programs, sometimes developed by different business units within the customer's organization, each having differing product life cycles, end customers and market dynamics. While the composition of our top 10 customers varies from year to year, we expect that sales to a limited number of customers will continue to account for a significant percentage of our revenue for the foreseeable future. Additionally, we have noted consolidation among OEMs in some of our markets, which could result in an increased concentration in our sources of revenue. It is possible that any of our major customers could terminate its purchasing arrangements with us or significantly reduce or delay the amount of our products that it orders, purchase products from our competitors or develop its own products internally. The loss of, or a reduction in, orders from any major customer could cause a decline in revenue and adversely affect our results of operations.

Our failure to continue to keep pace with new or improved semiconductor process technologies could impair our competitive position.

Semiconductor manufacturers constantly seek to develop new and improved semiconductor process technologies. Our future success depends in part upon our ability to continue to gain access to these semiconductor process technologies in order to adapt to emerging customer requirements and competitive market conditions. Our access to advanced semiconductor process technologies for new product development may be adversely affected by the transition in our foundry supply arrangements disclosed above. If we fail for any reason to remain abreast of new and improved semiconductor process technologies as they emerge, we may lose market share which could adversely affect our operating results.

Our business depends on international customers, suppliers and operations, and as a result we are subject to regulatory, operational, financial and political risks which could adversely affect our financial results.

The percentage of our revenue attributable to sales to customers outside the United States, based on the customer location, was 55.1%, 57.3% and 59.3% in 2010, 2009 and 2008, respectively. We expect that revenue from customers outside the United States will continue to account for the majority of our revenue. Currently, we maintain international sales offices in Europe and Asia, and we rely on a network of independent sales representatives to sell our products internationally. We also have design centers in Turkey, Canada, Norway and Egypt. We have in the past relied on, and expect to continue to rely on, suppliers, manufacturers and subcontractors located in countries other than the United States, including France, Germany, Malaysia, the Philippines, Korea and Taiwan. Accordingly, we will be subject to several risks and challenges, any of which could adversely affect our business and financial results. These risks and challenges include:

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- difficulties and costs of staffing and managing international operations across different geographic areas and cultures;
- compliance with a wide variety of domestic and foreign laws and regulations, including those relating to the import or export of semiconductor products;
- legal uncertainties regarding taxes, tariffs, quotas, export controls, export licenses and other trade barriers;
- seasonal reductions in business activities;
- our ability to receive timely payment and collect our accounts receivable;
- political, legal and economic instability, foreign conflicts, and the impact of regional and global infectious illnesses in the countries in which we and our customers, suppliers, manufacturers and subcontractors are located;
- legal uncertainties regarding protection for intellectual property rights in some countries; and
- fluctuations in freight rates and transportation disruptions.

Political and economic instability and changes in governmental regulations could adversely affect our ability to effectively operate our foreign sales offices and foreign design centers, as well as the ability of our foreign suppliers to supply us with required materials or services. Any interruption or delay in the supply of our required components, products, materials or services, or our inability to obtain these components, materials, products or services from alternate sources at acceptable prices and within a reasonable amount of time, could impair our ability to meet scheduled product deliveries to our customers and could cause customers to cancel orders.

Additionally, most of our foreign sales, as well as our purchases of material from international suppliers, are denominated in U.S. dollars. An increase in the value of the U.S. dollar relative to foreign currencies could make our products more expensive for our international customers to purchase, thus rendering the prices of our products less competitive. Conversely, a reduction in the value of the U.S. dollar relative to foreign currencies could increase our supply costs.

The segment of the semiconductor industry in which we participate is intensely competitive, and our inability to compete effectively would harm our business.

The markets for our products are extremely competitive, and are characterized by rapid technological change and continuously evolving customer requirements. We compete primarily with other suppliers of high performance analog and mixed-signal semiconductor components used in RF, microwave and millimeterwave applications. These competitors include large, diversified semiconductor manufacturers with broad product lines, such as Avago and Analog Devices, with whom we compete in a number of our markets. We also compete in specific markets or product categories with a large number of semiconductor manufacturers such as Eudyna, Linear Technology, NEC, RFMD, Skyworks, TriQuint Semiconductor and UMS. We also encounter competition from manufacturers of advanced electronic systems that also manufacture semiconductor components internally. Some of these competitors, such as NEC, are also our customers. Additionally, in certain product categories we compete with semiconductor manufacturers from which we also obtain foundry services, such as TriQuint Semiconductor and UMS. Our competitors may develop new technologies, enhancements of existing products or new products that offer price or performance features superior to ours. Many of our competitors have significantly greater financial, technical, manufacturing, sales and marketing resources than we do, and might be perceived by prospective customers to offer financial and operational stability superior to ours. This is particularly true of competitors in the markets for silicon-based products. We expect competition in our markets to intensify, as new competitors enter the RF, microwave and millimeterwave component market, existing competitors merge or form alliances, and new technologies emerge. If we are not able to compete effectively, our market share and revenue could be adversely affected, and our business and results of operations could be harmed.

We rely on the significant experience and specialized expertise of our senior management and engineering staff and must attract and retain qualified engineers and other highly skilled personnel in order to grow our business successfully.

Our performance is substantially dependent on the continued services and performance of our senior management and our highly qualified team of engineers, many of whom have numerous years of experience and specialized expertise in our business. Highly skilled analog and mixed-signal IC engineers, in particular, are in short

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supply. We expect to continue to hire additional engineering personnel as we expand our IC design and system-level engineering capabilities. If we are not successful in hiring and retaining highly qualified engineers, we may not be able to extend or maintain our engineering expertise, and our future product development efforts could be adversely affected.

Our future success also depends on our ability to identify, attract, hire, train, retain and motivate highly skilled managerial, operations, sales, marketing and customer service personnel. If we fail to attract, integrate and retain the necessary personnel, our ability to maintain and grow our business could suffer significantly. Further, stock price volatility could impact our ability to retain key personnel.

Our business could be adversely affected if we experience product returns, product liability and defects claims.

We introduce a significant number of new products every year, and we may not be able to anticipate all of the possible performance or reliability problems that could arise with these products. If such problems occur or become significant, we could experience a reduction in our revenue and increased costs related to inventory write-offs, warranty claims and other expenses which could have an adverse effect on our financial condition.

The materials used to manufacture our products are complex and are provided by a significant number of vendors in our supply chain. While we perform extensive testing and inspections during the manufacturing process, some defects may escape detection in our manufacturing process and subsequently pass through to our customers. These matters have arisen from time to time and may reasonably be expected to occur again in the future. The occurrence of defects such as these could result in product returns from, and reduced product shipments to, our customers. Such defects also could result in the loss of or delay in market acceptance of our products or harm our reputation.

Our purchase agreements with our customers typically contain provisions designed to limit our exposure to potential product liability claims. However, the limitation of liability provisions contained in these agreements may not be effective as a result of federal, state or local laws, or ordinances or unfavorable judicial decisions in the United States or other countries. The insurance we maintain to protect against claims associated with the use of our products may not adequately cover all claims asserted against us. In addition, even if ultimately unsuccessful, such claims could result in costly litigation, divert our management's time and resources, and damage our customer relationships.

Our signal generator instrument products are more complex than our core IC products, and as a result, present quality, regulatory and product liability risks that differ from those we have faced in our core IC business.

Our signal generators are complex microwave test instruments and could be subject to multiple internal component failures and manufacturing and software defects which could result in product failure. Defects in the hardware or software incorporated in these products could cause us to incur significant warranty, support and repair costs, divert the attention of our engineering personnel from our product development efforts and harm our relationship with our customers. Our test and measurement instrument products operate using line voltages of 100 volts or more and certain products require AC-to-DC power transformers which we purchase from a third party and supply to our customers. The failure of these products or their power transformers could cause safety problems for the operator, including the risk of electrical shock, injury or death in the event of a short circuit or other malfunction, and a product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. We may be required to comply with various domestic and international legal directives governing the manufacture of our test and measurement instrument products. Failure of our test and measurement system products to meet domestic and international safety and other regulatory requirements for electromagnetic radiation, power consumption or workmanship standards could result in a loss of revenue, loss of market share or failure to achieve market acceptance. We generally seek certification of these products by various third parties such as Underwriters Laboratories (UL) in the United States or Conformité Européenne (CE) in Europe.

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We cannot ensure that we will be able to obtain, or if obtained, maintain any such certifications for our test and measurement instrument products. Our failure to obtain or maintain such certifications could adversely affect the market acceptance of the products.

We use specialized technologies and know-how to design, develop and manufacture our products. Our inability to protect our intellectual property could hurt our competitive position, harm our reputation and adversely affect our results of operations.

We seek to protect our proprietary technology under United States and foreign laws affording protection for trade secrets, and seek United States and foreign patent, copyright and trademark protection of our products and developments where appropriate. We rely primarily on trade secrets, technical know-how and other unpatented proprietary information relating to our product development and manufacturing activities. While we own a small number of patents, we have not historically emphasized patents as a source of significant competitive advantage. We believe that while the protection afforded by trade secret, patent, copyright and trademark laws may provide some advantages, the competitive position of participants in our industry is largely determined by such factors as the technical and creative skills of their personnel, the frequency of their new product developments and their ability to anticipate and rapidly respond to evolving market requirements. To the extent that a competitor effectively uses its intellectual property portfolio, including patents, to prevent us from selling products that allegedly infringe such competitor's products, our operating results would be adversely affected.

We seek to protect our trade secrets and proprietary information, in part, by requiring our employees to enter into agreements providing for the maintenance of confidentiality and the assignment of rights to inventions made by them while employed by us. We also enter into non-disclosure agreements with our consultants, semiconductor foundries and other suppliers to protect our confidential information delivered to them. There can be no assurance that our confidentiality agreements with employees, consultants and other parties will not be breached, that we will have adequate remedies for any breach or that our trade secrets and other proprietary information will not otherwise become known. There also can be no assurance that others will not independently develop technologies that are similar or superior to our technology or reverse engineer our products. Additionally, the laws of countries in which we operate may afford little or no protection to our intellectual property rights. If we are unable to prevent misappropriation of our technology or to deter independent development of similar technologies, our competitive position and reputation could suffer.

We generate a portion of our revenue from sales made by third parties, including our independent sales representatives and our distributor, and the failure to manage successfully our relationships with these third parties could cause our revenue to decline and harm our business.

We rely in part upon third parties, including our independent sales representatives and our distributor, Future Electronics, to promote our products, generate demand and sales leads, and obtain orders for our products. In addition, these parties provide technical sales support to our customers. The activities of these third parties are not within our direct control. Our failure to manage our relationships with these third parties effectively could impair the effectiveness of our sales, marketing and support activities. A reduction in the sales efforts, technical capabilities or financial viability of these parties, a misalignment of interest between us and them, or a termination of our relationship with a major sales representative or our distributor could have a negative effect on our sales, financial results and ability to support our customers. These parties are engaged under short-term contracts, which typically may be terminated by either party on 30 to 60 days notice. It generally takes approximately three to six months for a third party such as a sales representative to become educated about our products and capable of providing quality sales and technical support to our customers. If we were to terminate our relationship with our distributor or one of our larger sales representatives, or if one of them decided to discontinue its relationship with us, sales to current and prospective customers could be disrupted or delayed, and we could experience a diversion of substantial time and resources as we seek to identify, contract with and train a replacement.

We may pursue acquisitions and investments in new businesses, products or technologies that involve numerous risks, which could disrupt our business and may harm our financial results.

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We have previously made, and may in the future pursue, acquisitions of and investments in new businesses, products and technologies, or we may acquire other operations that expand our current capabilities. Acquisitions and investments present a number of potential risks and challenges that could, if not met, disrupt our business operations, increase our operating costs and reduce the value to us of the acquired business, product or technology. For example, if we identify an acquisition or investment candidate, we may not be able to successfully negotiate or finance the transaction on favorable terms. Even if we are successful, we may not be able to integrate the acquired businesses, products or technologies into our existing business and products. Further, there can be no assurance that we will be successful in retaining key employees or customers of the acquired business. In some cases, the consent of a customer may be required before contracts between that customer and a company that we acquire may be assumed by us, and it may not be feasible to obtain all such consents prior to closing. As a result of the rapid pace of technological change, we may misgauge the long-term potential of the acquired business or technology, or be unable to commercialize the acquired technology in time to capitalize on available market opportunities, or may find that the acquisition is not complementary to our existing business. Potential acquisitions and investments, whether or not consummated, may divert our management's attention and require considerable cash outlays at the expense of our existing operations. In addition, to complete future acquisitions and investments, we may issue equity securities, incur debt or assume contingent liabilities. Additionally, acquisitions could result in increased amortization expenses and, to the extent such acquisitions are not successful, write-downs of acquired assets, which could adversely affect our profitability.

If our principal markets fail to grow or experience declines, our revenue may suffer.

Although our products are used in a variety of markets, our future growth depends to a significant extent on the success of our principal markets, which are automotive, broadband, cellular infrastructure, fiber optics, microwave and millimeterwave communications, military, space and test and measurement systems. Revenue derived from our three largest markets, cellular infrastructure, microwave and millimeterwave communications and military, represented 81.1%, 79.3% and 75.9% of our annual revenue in 2010, 2009 and 2008, respectively. Given the current economic climate, the rate at which our principal markets will grow or decline is difficult to predict. These markets may fail to grow or may decline for many reasons, including insufficient consumer demand, lack of access to capital, changes in the United States defense budget and procurement processes and changes in regulatory environments. If demand for electronic systems in which our products are incorporated declines, fails to grow, or grows more slowly than we anticipate, our revenue could decline.

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

As a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region. We are subject to income taxes in both the United States and various foreign jurisdictions, and significant judgment is required to determine worldwide tax liabilities. Our effective tax rate as well as the actual tax ultimately payable could be adversely affected by changes in the split of earnings between countries with differing statutory tax rates, in the valuation of deferred tax assets, in tax laws or by material audit assessments, which could affect our profitability. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect our profitability.

If we fail to comply with export control regulations we could be subject to substantial fines or other sanctions.

Certain of our products are subject to the Export Administration Regulations, administered by the Department of Commerce, Bureau of Industry Security, which require that we obtain an export license before we can export products or technology to specified countries. Additionally, some of our products are subject to the International Traffic in Arms Regulations, which restrict the export of information and material that may be used for military or intelligence applications by a foreign person. Our export compliance procedures and classification of our products are subject to review from time to time by the relevant government authorities. Our failure to comply with these laws, or failure to properly classify our products for purposes of these laws, could result in sanctions by the government, including substantial monetary penalties, denial of export privileges and debarment from government contracts.

If we fail to comply with government contracting regulations, we could suffer a loss of revenue or incur price adjustments or other penalties.

Some of our revenue is derived from contracts with agencies of the United States government and subcontracts with its prime contractors. As a United States government contractor or subcontractor, we are subject to federal contracting regulations, including the Federal Acquisition Regulations, which govern the allowability of costs incurred by us in the performance of United States government contracts. Certain contract pricing is based on estimated direct and indirect costs, which are subject to change. Additionally, the United States government is entitled after final payment on certain negotiated contracts to examine all of our cost records with respect to such contracts and to seek a downward adjustment to the price of the contract if it determines that we failed to furnish complete, accurate and current cost or pricing data in connection with the negotiation of the price of the contract.

In connection with our United States government business, we are also subject to government audits and to review and approval of our policies, procedures, and internal controls for compliance with procurement regulations and applicable laws. In certain circumstances, if we do not comply with the terms of a contract or with regulations or statutes, we could be subject to downward contract price adjustments or refund obligations or could in extreme circumstances be assessed civil and criminal penalties or be debarred or suspended from obtaining future contracts for a specified period of time. Any such suspension or debarment or other sanction could have an adverse effect on our business.

Under some of our government subcontracts, we are required to maintain secure facilities and to obtain security clearances for personnel involved in performance of the contract, in compliance with applicable federal standards. If we were unable to comply with these requirements, or if personnel critical to our performance of these contracts were to lose their security clearances, we might be unable to perform these contracts or compete for other projects of this nature, which could adversely affect our revenue.

Some of our long-term contracts may be terminated for the convenience of the customer and may involve significant expenditures on our part that, if the contract is terminated early, we may be unable to recover.

Our United States government contracts and subcontracts may be funded in increments over a number of government budget periods and typically can be terminated by the government for its convenience. Some of these contracts are long-term agreements for the manufacture of complex subsystems for which we are required to expand our production facilities, hire additional personnel, incur costs to meet customer qualification requirements and make other substantial investments in advance of our receipt of significant revenue. If such a contract is terminated, in addition to the loss of anticipated revenue, we may be unable to recover all of our costs incurred or committed.

In order to comply with current and pending environmental and climate change laws and regulations, we may need to modify our activities or incur substantial costs, and if we fail to comply with environmental regulations we could be subject to substantial fines or be required to suspend production, alter manufacturing processes or cease operations.

We are subject to a variety of international, federal, state and local governmental regulations directed at preventing or mitigating climate change and other environmental harms, as well as to the storage, discharge, handling, generation, disposal and labeling of toxic or other hazardous substances used to manufacture our products. If we fail to comply with these regulations, substantial fines could be imposed on us, and we could be required to suspend production, alter manufacturing processes or cease operations, any of which could have a negative effect on our sales, income and business operations. Failure to comply with environmental regulations could subject us to civil or criminal sanctions and property damage or personal injury claims. Compliance with current or future environmental laws and regulations could restrict our ability to expand our facilities or build new facilities or require us to acquire additional expensive equipment, modify our manufacturing processes, or incur other substantial expenses which could harm our business, financial condition and results of operations. In response to environmental concerns, some customers and government agencies impose requirements for the elimination of hazardous substances, such as lead (which is widely used in soldering connections in the process of semiconductor packaging and assembly), from electronic equipment. For example, in 2003, the EU adopted its RoHS Directive. Effective

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July 1, 2006, the RoHS Directive prohibits, with specified exceptions, the sale in the EU market of new electrical and electronic equipment containing more than agreed levels of lead or other hazardous materials. We have a program in place to meet these customer and governmental requirements, including the RoHS Directive, where applicable to us, by making available versions of our products that do not include lead or other hazardous substances. The European Parliament has also adopted the Waste Electrical and Electronic Equipment Directive, or WEEE Directive, which makes producers of electrical and electronic equipment financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. Environmental laws and regulations such as these could become more stringent over time, imposing even greater compliance costs and increasing risks and penalties associated with violations, which could seriously harm our business, financial condition and results of operations.

We are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish annually a report by our management, and an opinion of our independent registered public accounting firm, on the effectiveness of our internal control over financial reporting. Our management report is required to contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management.

If our management identifies one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control is effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

We could be the subject of securities class action litigation due to stock price volatility, which could divert management's attention and adversely affect our financial position or results of operations.

The stock market in general, and market prices for the securities of technology companies like ours in particular, have experienced volatility that often has been unrelated to the operating performance of the underlying companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance. In several recent situations where the market price of a stock has been volatile, holders of that stock have initiated securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and harm our business.

Anti-takeover provisions in our charter documents and Delaware law could prevent or delay a change in control of our Company that stockholders may consider beneficial and may adversely affect the price of our stock.

Provisions of our certificate of incorporation and by-laws may discourage, delay or prevent a merger, acquisition or change of control that a stockholder may consider favorable. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include authorizing the issuance of "blank check" preferred stock and establishing advance notice requirements for nominations for election to the board of directors and for proposing matters to be submitted to a stockholder vote.

Provisions of Delaware law may also discourage, delay or prevent someone from acquiring or merging with our Company or obtaining control of our Company. Specifically, Section 203 of the Delaware General Corporate Law

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may prohibit business combinations with stockholders owning 15% or more of our outstanding voting stock and could reduce the value of our Company.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

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Item 4. (Reserved)

Item 5. Other Information

(a) Amendments to the Registrant’s Code of Ethics, or Waiver of a Provision of the Code of Ethics

Effective on November 2, 2011, our Board of Directors amended our Code of Business Conduct and Ethics to provide for a telephone hotline operated by an independent third party as a new means of reporting suspected violations of the Code or other concerns.

The Code of Business Conduct and Ethics, as amended, may be found through the Investors page of our website at www.hittite.com.

Item 6. Exhibits

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on August 2, 2005)
3.2	Amended and Restated By-laws (incorporated by reference to Exhibit 3.2 to our Form 10-Q for the quarter ended June 30, 2008)
4.1	Specimen certificate for common stock of Hittite Microwave Corporation (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-1, File No. 333-124664)
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a)
32.1	Certification of Chief Executive Officer pursuant to Section 1350
32.2	Certification of Chief Financial Officer pursuant to Section 1350
101	The following materials from the Hittite Microwave Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010; (ii) Condensed Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2011 and September 30, 2010; (iii) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and September 30, 2010; and (iv) Notes to Condensed Consolidated Financial Statements

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.

Date: November 4, 2011

HITTITE MICROWAVE CORPORATION
(Registrant)

By: /s/ William W. Boecke
William W. Boecke
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Stephen G. Daly, certify that:

1. I have reviewed this report on Form 10-Q of Hittite Microwave Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 4, 2011

/s/ STEPHEN G. DALY

Stephen G. Daly

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William W. Boecke, certify that:

1. I have reviewed this report on Form 10-Q of Hittite Microwave Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 4, 2011

/s/ WILLIAM W. BOECKE

William W. Boecke

Vice President, Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U. S. C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hittite Microwave Corporation (the "Company") on Form 10-Q for the period ended September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen G. Daly, Chief Executive Officer of the Company, certify, to my best knowledge and belief, pursuant to 18 U.S.C. §1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2011

/s/ STEPHEN G. DALY

Stephen G. Daly
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Hittite Microwave Corporation and will be retained by Hittite Microwave Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U. S. C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hittite Microwave Corporation (the "Company") on Form 10-Q for the period ended September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William W. Boecke, Chief Financial Officer of the Company, certify, to my best knowledge and belief, pursuant to 18 U.S.C. §1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2011

/s/ WILLIAM W. BOECKE

William W. Boecke

Vice President, Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Hittite Microwave Corporation and will be retained by Hittite Microwave Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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