LAM RESEARCH CORP
Form 10-Q
February 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 27, 2015

or

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

For the transition period from to

Commission file number 0-12933

LAM RESEARCH CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-2634797 (I.R.S. Employer Identification No.)
4650 Cushing Parkway Fremont, California (Address of principal executive offices)	94538 (Zip Code)
(510) 572-0200 (Registrant’s telephone number, including area code)	

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

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

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

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

As of January 29, 2016, the Registrant had 158,893,928 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
Revenue	$1,425,534	$1,232,241	$3,025,577	$2,384,609
Cost of goods sold	799,024	695,584	1,676,704	1,342,413
Gross margin	626,510	536,657	1,348,873	1,042,196
Research and development	220,754	196,768	454,963	385,702
Selling, general and administrative	166,922	151,148	319,648	299,455
Total operating expenses	387,676	347,916	774,611	685,157
Operating income	238,834	188,741	574,262	357,039
Other expense, net	(29,935)	(9,799)	(57,056)	(15,447)
Income before income taxes	208,899	178,942	517,206	341,592
Income tax benefit (expense)	14,081	(2,002)	(5,547)	(23,571)
Net income	$222,980	$176,940	$511,659	$318,021
Net income per share:				
Basic	$1.41	$1.11	$3.23	$1.98
Diluted	$1.28	$1.00	$2.94	$1.80
Number of shares used in per share calculations:				
Basic	158,424	159,248	158,388	160,467
Diluted	174,242	177,046	174,308	177,082
Cash dividend declared per common share	$0.30	$0.18	$0.60	$0.36

See Notes to Condensed Consolidated Financial Statements

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LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(in thousands)

	Three Months Ended		Six Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
Net income	$222,980	$176,940	$511,659	$318,021
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(1,022)	(8,843)	(8,844)	(17,802)
Cash flow hedges:				
Net unrealized gains during the period	3,703	7,604	3,159	7,902
Net gains reclassified into earnings	(3,220)	(2,622)	(2,879)	(2,724)
	483	4,982	280	5,178
Available-for-sale investments:				
Net unrealized losses during the period	(5,133)	(2,981)	(2,385)	(4,740)
Net (gains) losses reclassified into earnings	(244)	113	(224)	492
	(5,377)	(2,868)	(2,609)	(4,248)
Defined benefit plans, net change in unrealized component	93	70	188	136
Other comprehensive loss, net of tax	(5,823)	(6,659)	(10,985)	(16,736)
Comprehensive income	$217,157	$170,281	$500,674	$301,285

See Notes to Condensed Consolidated Financial Statements

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LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 27, 2015 (unaudited)	June 28, 2015 (1)
ASSETS		
Cash and cash equivalents	$1,967,873	$1,501,539
Investments	2,507,607	2,574,947
Accounts receivable, less allowance for doubtful accounts of $4,904 as of December 27, 2015 and $4,890 as of June 28, 2015	1,089,850	1,093,582
Inventories	879,821	943,346
Prepaid expenses and other current assets	225,046	157,435
Total current assets	6,670,197	6,270,849
Property and equipment, net	643,746	621,418
Restricted cash and investments	207,568	170,969
Goodwill	1,387,082	1,387,509
Intangible assets, net	652,131	728,140
Other assets	189,697	185,763
Total assets	$9,750,421	$9,364,648
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$230,974	$300,203
Accrued expenses and other current liabilities	757,260	649,438
Deferred profit	261,049	322,070
Current portion of convertible notes and capital leases	973,697	1,359,650
Total current liabilities	2,222,980	2,631,361
Senior notes, convertible notes, and capital leases, less current portion	1,404,683	1,001,382
Income taxes payable	257,502	202,930
Other long-term liabilities	135,303	184,023
Total liabilities	4,020,468	4,019,696
Commitments and contingencies		
Temporary equity, convertible notes	177,662	241,808
Stockholders' equity:		
Preferred stock, at par value of $0.001 per share; authorized - 5,000 shares, none outstanding	—	—
Common stock, at par value of $0.001 per share; authorized - 400,000 shares; issued and outstanding, 158,568 shares at December 27, 2015 and 158,531 shares at June 28, 2015	159	159
Additional paid-in capital	5,516,129	5,366,773
Treasury stock, at cost, 101,159 shares at December 27, 2015 and 99,562 shares at June 28, 2015	(4,408,777)	(4,302,847)
Accumulated other comprehensive loss	(68,781)	(57,796)
Retained earnings	4,513,561	4,096,855
Total stockholders' equity	5,552,291	5,103,144
Total liabilities and stockholders' equity	$9,750,421	$9,364,648

(1) Derived from audited financial statements

See Notes to Condensed Consolidated Financial Statements

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LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended	
	December 27, 2015	December 28, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$511,659	$318,021
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142,388	137,421
Deferred income taxes	2,613	6,506
Equity-based compensation expense	68,344	62,672
Income tax benefit on equity-based compensation plans	5,713	11,002
Excess tax benefit on equity-based compensation plans	(5,753)	(11,003)
Amortization of note discounts and issuance costs	33,480	18,299
Gain on sale of business	—	(7,431)
Other, net	20,603	7,133
Changes in operating assets and liabilities	(35,505)	(240,220)
Net cash provided by operating activities	743,542	302,400
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures and intangible assets	(77,597)	(103,234)
Business acquisitions, net of cash acquired	—	(1,137)
Purchases of available-for-sale securities	(808,292)	(1,063,863)
Sales and maturities of available-for-sale securities	819,291	751,918
Repayment of notes receivable	8,082	3,978
Proceeds from sale of business	—	41,212
Other, net	(6,246)	122
Net cash used for investing activities	(64,762)	(371,004)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt and capital lease obligations and payments for debt issuance costs	(28,470)	(781)
Excess tax benefit on equity-based compensation plans	5,753	11,003
Treasury stock purchases	(111,183)	(373,958)
Dividends paid	(95,555)	(58,621)
Re-issuance of treasury stock related to employee stock purchase plan	19,245	16,919
Proceeds from issuance of common stock	1,550	8,832
Other, net	(322)	—
Net cash used for financing activities	(208,982)	(396,606)
Effect of exchange rate changes on cash and cash equivalents	(3,464)	(6,192)
Net increase (decrease) in cash and cash equivalents	466,334	(471,402)
Cash and cash equivalents at beginning of period	1,501,539	1,452,677
Cash and cash equivalents at end of period	$1,967,873	$981,275

See Notes to Condensed Consolidated Financial Statements

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LAM RESEARCH CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 27, 2015
(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of Lam Research Corporation (“Lam Research” or the “Company”) for the fiscal year ended June 28, 2015, which are included in the Company’s Annual Report on Form 10-K as of and for the year ended June 28, 2015 (the “2015 Form 10-K”). The Company’s reports on Form 10-K, Form 10-Q and Form 8-K are available online at the Securities and Exchange Commission website on the Internet. The address of that site is www.sec.gov. The Company also posts its reports on Form 10-K, Form 10-Q and Form 8-K on its corporate website at http://investor.lamresearch.com.

The consolidated financial statements include the accounts of Lam Research and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company’s reporting period is a 52/53-week fiscal year. The Company’s current fiscal year will end June 26, 2016 and includes 52 weeks. The quarters ended December 27, 2015 (the “December 2015 quarter”) and December 28, 2014 (the “December 2014 quarter”) included 13 weeks.

NOTE 2 — RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB released Accounting Standards Update (“ASU”) 2014-9, “Revenue from Contracts with Customers” to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of the standard is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The new standard defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The Company is required to adopt this standard starting in the first quarter of fiscal year 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the standard; or (ii) retrospective with the cumulative effect of initially applying the standard recognized at the date of initial application and providing certain additional disclosures as defined per the standard. The Company has not yet selected a transition method, and is in the process of determining the impact that the new standard will have on its consolidated financial statements.

In April 2015, the FASB released ASU 2015-3, “Interest – Imputation of Interest.” The amendment requires that debt issuance costs related to recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company is required to adopt this standard starting in the first quarter of fiscal year 2017 and does not anticipate that implementation will have a material impact on its Consolidated Financial Statements.

In September 2015, the FASB released ASU 2015-16, “Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments”, which eliminates the requirement to restate prior period financial statements for measurement period adjustments. Instead, the cumulative impact of measurement period adjustments, including the impact on prior periods, is required to be recognized in the reporting period in which the adjustment is identified. The standard update will be effective for the Company beginning in its first quarter of fiscal year 2017. Early adoption is permitted; the Company is evaluating the timing of its adoption of the standard.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes.” This ASU amends existing guidance to require that deferred income tax assets and liabilities be classified as non-current in a classified balance sheet, and eliminates the prior guidance which required an entity to separate deferred tax assets and liabilities into a current amount and a non-current amount in a classified balance sheet. The amendments in this ASU are effective for the Company beginning in its first quarter of fiscal year 2018. Earlier application is permitted as of the beginning of an interim or annual period. Additionally, the new guidance may be applied either prospectively to all deferred tax assets and liabilities or

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retrospectively to all periods presented. The Company is still in the process of evaluating the timing and impact of adopting the guidance.

In January 2016, FASB released ASU 2016-1, “Financial Instruments - Overall - Recognition and Measurement of Financial Assets and Financial Liabilities.” The amendment changes the accounting for and financial statement presentation of equity investments, other than those accounted for under the equity method of accounting or those that result in consolidation of the investee. The amendment provides clarity on the measurement methodology to be used for the required disclosure of fair value of financial instruments measured at amortized cost on the balance sheet and clarifies that an entity should evaluate the need for a valuation allowance on deferred tax assets related to available-for-sale securities in combination with the entity's other deferred tax assets, among other changes. The Company is required to adopt this standard starting in the first quarter of fiscal year 2019 and does not anticipate that implementation will have a material impact on its Consolidated Financial Statements.

NOTE 3 — EQUITY-BASED COMPENSATION PLANS

The Company has stock plans that provide for grants of equity-based awards to eligible participants, including stock options, restricted stock units (“RSUs”), and market-based performance RSUs (“market-based PRSUs”) of Lam Research common stock (“Common Stock”). An option is a right to purchase Common Stock at a set price. An RSU award is an agreement to issue a set number of shares of Common Stock at the time of vesting. The Company’s market-based PRSUs contain both a market condition and a service condition. The Company’s options and RSU awards typically vest over a period of three years or less. The Company also has an employee stock purchase plan that allows employees to purchase its Common Stock at a discount through payroll deductions.

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

	Three Months Ended		Six Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Equity-based compensation expense	$32,570	$30,632	$68,344	$62,672
Income tax benefit related to equity-based compensation expense	$12,651	$6,116	$18,748	$10,840

The estimated fair value of the Company’s stock-based awards, less expected forfeitures, is amortized over the awards’ vesting term on a straight-line basis.

Stock Options and RSUs

The Lam Research Corporation 2015 Stock Incentive Plan, 2007 Stock Incentive Plan, as amended and 2011 Stock Incentive Plan, as amended (collectively the “Stock Plans”) provide for the grant of non-qualified equity-based awards to eligible employees, consultants and advisors, and non-employee directors of the Company and its subsidiaries. A summary of stock plan transactions is as follows:

	Options Outstanding		Restricted Stock Units Outstanding	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Fair Market Value at Grant
June 28, 2015	835,832	$37.44	4,954,088	$ 60.13
Granted	—	$—	151,462	$ 71.46
Exercised	(70,291)	$22.03	N/A	N/A
Canceled	—	$—	(46,193)	$ 65.08
Vested restricted stock	N/A	N/A	(1,247,240)	$ 46.19
December 27, 2015	765,541	$38.86	3,812,117	$ 65.08

As of December 27, 2015, there was $2.0 million of total unrecognized compensation cost related to unvested stock options granted and outstanding; that cost is expected to be recognized over a weighted-average remaining vesting period of 1.8 years.

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As of December 27, 2015, there was $146.5 million of total unrecognized compensation expense related to unvested RSUs granted; that expense is expected to be recognized over a weighted-average remaining period of 1.8 years.

ESPP

The 1999 Employee Stock Purchase Plan, as amended and restated (the “1999 ESPP”), allows employees to designate a portion of their base compensation to be withheld through payroll deductions and used to purchase Common Stock at a purchase price per share equal to the lower of 85% of the fair market value of Common Stock on the first or last day of the applicable purchase period. Each offering period generally lasts up to 12 months and includes up to three interim purchase dates.

Purchase rights under the 1999 ESPP were valued using the Black-Scholes option valuation model and the following weighted-average assumptions for the six months ended December 27, 2015 and December 28, 2014:

	Six Months Ended	
	December 27, 2015	December 28, 2014
Expected term (years)	0.67	0.68
Expected stock price volatility	31.86 %	29.07 %
Risk-free interest rate	0.19 %	0.07 %
Dividend Yield	0.94 %	0.29 %

There were no ESPP purchases during the quarter ended December 27, 2015. As of December 27, 2015, there was $11.7 million of unrecognized compensation expense related to the 1999 ESPP, which is expected to be recognized over a remaining period of approximately eight months.

NOTE 4 — OTHER EXPENSE, NET

The significant components of other expense, net, are as follows:

	Three Months Ended		Six Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Interest income	$6,729	$4,024	$12,489	$7,312
Interest expense	(38,577)	(15,797)	(63,238)	(31,501)
Gains (losses) on deferred compensation plan related assets, net	1,983	2,593	(3,181)	5,009
Foreign exchange gains (losses), net	512	(130)	(186)	776
Other, net	(582)	(489)	(2,940)	2,957
	$(29,935)	$(9,799)	$(57,056)	$(15,447)

Interest expense in the three and six months ended December 27, 2015 increased, as compared to the three and six months ended December 28, 2014, primarily due to interest expense associated with the $1 billion Senior Note issuance in the March 2015 and the amortization of bridge loan financing issuance costs of approximately $13.6 million (see Note 11 and Note 12 for additional information regarding the Senior Note and bridge loan financing).

NOTE 5 — INCOME TAX EXPENSE

The Company recorded an income tax (benefit) expense of $(14.1) million and $5.5 million for the three and six months ended December 27, 2015, which yielded an effective tax rate of approximately (6.7)% and 1.1%, respectively. The difference between the U.S. federal statutory tax rate of 35% and the Company’s effective tax rate for the three months ended December 27, 2015 is primarily due to estimated higher income in lower tax jurisdictions, extension of the U.S. federal research and development tax credit for part of fiscal year 2015 and all of fiscal year 2016, recognition of previously unrecognized tax benefits due to lapse of statutes of limitation and the tax effect of KLA-Tencor acquisition related expenses, offset by the tax effect of nondeductible stock based compensation and unrecognized tax benefits due to uncertain tax positions. The difference between the U.S. federal statutory tax rate of 35% and the Company’s effective tax rate for the six months ended December 27, 2015 is primarily due to estimated higher income in lower tax jurisdictions, the recognition of a discrete tax

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benefit of the Altera court case, extension of the U.S. federal research and development tax credit for part of fiscal year 2015 and all of fiscal year 2016, recognition of previously unrecognized tax benefits due to lapse of statutes of limitation and the tax effect of KLA-Tencor acquisition related expenses, offset by the tax effect of non-deductible stock-based compensation and unrecognized tax benefits due to uncertain tax positions.

In July 2015, the United States Tax Court (the “Court”) issued an opinion favorable to Altera Corporation (“Altera”) with respect to Altera’s litigation with the Internal Revenue Service (“IRS”). The litigation relates to the treatment of stock-based compensation expense in an inter-company cost-sharing arrangement with Altera’s foreign subsidiary. In its opinion, the Court accepted Altera’s position of excluding stock based compensation from its inter-company cost-sharing arrangement. The Company is including the impact of the Altera court ruling in its income tax expense calculations. However, the U.S Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. The Company will continue to monitor this matter and related potential impacts to its financial statements.

NOTE 6 — NET INCOME PER SHARE

Basic net income per share is computed by dividing net income by the weighted-average number of shares of Common Stock outstanding during the period. Diluted net income per share is computed using the treasury stock method, for dilutive stock options, RSUs, convertible notes, and warrants. Dilutive shares outstanding include the effect of the convertible notes. Refer to Note 11 for additional information regarding the Company's convertible notes.

The following table reconciles the numerators and denominators of the basic and diluted computations for net income per share.

	Three Months Ended		Six Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands, except per share data)			
Numerator:				
Net income	$222,980	$176,940	$511,659	$318,021
Denominator:				
Basic average shares outstanding	158,424	159,248	158,388	160,467
Effect of potential dilutive securities:				
Employee stock plans	2,034	3,304	2,289	3,432
Convertible notes	13,363	13,744	13,242	12,805
Warrants	421	750	389	378
Diluted average shares outstanding	174,242	177,046	174,308	177,082
Net income per share - basic	$1.41	$1.11	$3.23	$1.98
Net income per share - diluted	$1.28	$1.00	$2.94	$1.80

For purposes of computing diluted net income per share, weighted-average common shares do not include potentially dilutive securities that are anti-dilutive under the treasury stock method. The following potentially dilutive securities were excluded:

	Three Months Ended		Six Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Number of options and RSUs excluded	79	—	85	—

Diluted shares outstanding do not include any effect resulting from the note hedges associated with the Company’s 2016 or 2018 Notes as their impact would have been anti-dilutive.

NOTE 7 — FINANCIAL INSTRUMENTS

The Company maintains an investment portfolio of various holdings, types, and maturities. The Company’s mutual funds, which are related to the Company’s obligations under the deferred compensation plan, are classified as trading securities. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Differences between the cost and fair value of trading securities are recognized as other income (expense) in the Condensed Consolidated Statements of Operations. All of the Company’s other investments are classified as available-for-sale and consequently are recorded in the

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Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss), net of tax.

Fair Value

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

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

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

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

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

The Company's primary financial instruments include its cash, cash equivalents, investments, restricted cash and investments, long-term investments, accounts receivable, accounts payable, long-term debt and capital leases, and derivative instruments. The estimated fair value of cash, accounts receivable and accounts payable approximates their carrying value due to the short period of time to their maturities. The estimated fair values of capital lease obligations approximate their carrying value as the substantial majority of these obligations have interest rates that adjust to market rates on a periodic basis. Refer to Note 11 for additional information regarding the fair value of the Company's convertible notes.

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The following tables set forth the Company’s cash, cash equivalents, investments, restricted cash and investments, and other assets measured at fair value on a recurring basis as of December 27, 2015 and June 28, 2015:

December 27, 2015				
Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	(Reported Within) Cash and Cash Equivalents