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 October 31, 2009

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: 0-30877

Marvell Technology Group Ltd.

(Exact name of registrant as specified in its charter)

Bermuda	**77-0481679**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

Canon s Court, 22 Victoria Street, Hamilton HM 12, Bermuda

(441) 296-6395

(Address, including Zip Code, of principal executive offices and

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. x 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). x Yes ¨ No

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

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 x No

The number of common shares of the registrant outstanding as of November 30, 2009 was 624,839,852 shares.

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PART I: FINANCIAL INFORMATION

Item 1. ***Financial Statements***

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	October 31, 2009	January 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,047,395	$ 927,409
Restricted cash		24,500
Short-term investments	416,792	
Accounts receivable, net	394,319	222,101
Inventories	239,209	310,654
Prepaids and other current assets	58,413	61,268
Deferred income taxes	14,383	14,383
Total current assets	2,170,511	1,560,315
Property and equipment, net	349,276	390,853
Long-term investments	39,274	40,541
Goodwill	1,997,662	1,997,630
Acquired intangible assets, net	203,354	286,534
Other non-current assets	127,643	138,327
Total assets	$ 4,887,720	$ 4,414,200
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 317,233	$ 139,028
Accrued liabilities	73,862	83,113
Accrued employee compensation	127,171	92,022
Income taxes payable	14,671	35,803
Deferred income	71,273	57,895
Current portion of capital lease obligations	1,901	1,787
Total current liabilities	606,111	409,648
Capital lease obligations, net of current portion	1,011	2,451
Non-current income taxes payable	115,451	123,379
Other long-term liabilities	58,847	49,655
Total liabilities	781,420	585,133
Commitments and contingencies (Note 9)		
Shareholders equity:		
Common shares	1,249	1,233
Additional paid-in capital	4,501,258	4,372,265

Accumulated other comprehensive loss	(1,129)	(718)
Accumulated deficit	(395,078)	(543,713)
Total shareholders equity	4,106,300	3,829,067
Total liabilities and shareholders equity	$ 4,887,720	$ 4,414,200

See accompanying notes to unaudited condensed consolidated financial statements.

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MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Net revenue	$ 803,098	$ 791,046	$ 1,965,152	$ 2,437,696
Operating costs and expenses:				
Cost of goods sold	341,617	379,137	887,306	1,173,892
Research and development	212,873	234,222	615,152	722,411
Selling and marketing	35,442	41,158	102,260	129,080
General and administrative	16,660	28,869	148,856	72,809
Amortization of acquired intangible assets	26,450	34,814	83,252	105,049
Total operating costs and expenses	633,042	718,200	1,836,826	2,203,241
Operating income	170,056	72,846	128,326	234,455
Interest and other income (expense), net	(1,303)	15,109	418	21,973
Interest expense	(70)	(3,566)	(1,672)	(15,876)
Income before income taxes	168,683	84,389	127,072	240,552
Provision (benefit) for income taxes	(32,916)	13,443	(21,563)	28,300
Net income	$ 201,599	$ 70,946	$ 148,635	$ 212,252
Net income per share:				
Basic	$ 0.32	$ 0.12	$ 0.24	$ 0.35
Diluted	$ 0.31	$ 0.11	$ 0.23	$ 0.34
Weighted average shares:				
Basic	623,613	611,945	621,057	606,676
Diluted	659,739	630,810	647,863	630,997

See accompanying notes to unaudited condensed consolidated financial statements.

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MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended	
	October 31, 2009	November 1, 2008
Cash flows from operating activities:		
Net income	$ 148,635	$ 212,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,976	85,786
Stock-based compensation	96,040	132,431
Amortization of acquired intangible assets	83,252	105,049
Fair market value adjustment to Intel inventory sold	(13,883)	(14,163)
Excess tax benefits from stock-based compensation	(205)	(356)
Deferred income taxes	6,131	
Changes in assets and liabilities:		
Restricted cash	24,500	(24,500)
Accounts receivable	(172,218)	(65,816)
Inventories	83,548	95,850
Prepaids and other assets	7,559	61,847
Accounts payable	172,062	(6,004)
Accrued liabilities and other	(13,628)	(23,693)
Accrued employee compensation	35,149	17,659
Income taxes payable	(29,060)	(100)
Deferred income	27,538	(4,700)
Net cash provided by operating activities	530,396	571,542
Cash flows from investing activities:		
Purchases of investments	(426,998)	(10,172)
Sales and maturities of investments	10,318	29,181
Purchases of technology licenses	(12,550)	(2,650)
Purchases of property and equipment	(14,808)	(59,312)
Net cash used in investing activities	(444,038)	(42,953)
Cash flows from financing activities:		
Proceeds from the issuance of common shares	34,749	80,453
Principal payments on capital lease and debt obligations	(1,326)	(205,039)
Excess tax benefits from stock-based compensation	205	356
Net cash provided by (used in) financing activities	33,628	(124,230)
Net increase in cash and cash equivalents	119,986	404,359
Cash and cash equivalents at beginning of period	927,409	615,648
Cash and cash equivalents at end of period	$ 1,047,395	$ 1,020,007

See accompanying notes to unaudited condensed consolidated financial statements.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and its Significant Accounting Policies

The Company

Marvell Technology Group Ltd., a Bermuda company (the Company), is a leading global semiconductor provider of high-performance application specific standard products. The Company s core strength of expertise is the development of complex System-on-a-Chip devices leveraging its extensive technology portfolio of intellectual property in the areas of analog, mixed-signal, digital signal processing and embedded ARM-based microprocessor integrated circuits. The Company s broad product portfolio includes devices for data storage, enterprise-class Ethernet data switching, Ethernet physical-layer transceiver handheld cellular, Ethernet-based wireless networking, personal area networking, Ethernet-based PC connectivity, control plane communications controllers, video-image processing and power management solutions.

Basis of presentation

The Company s fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal 2010 and fiscal 2009 are comprised of a 52-week period.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments consisting of normal and recurring entries considered necessary for a fair statement of the results for the interim periods have been included in the Company s financial position as of October 31, 2009, the results of its operations for the three and nine months ended October 31, 2009 and November 1, 2008, and its cash flows for the nine months ended October 31, 2009 and November 1, 2008. The January 31, 2009 condensed consolidated balance sheet data was derived from audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended January 31, 2009 but does not include all disclosures required by GAAP. Certain reclassifications have been made to conform to the current period s presentation.

These condensed consolidated financial statements and related notes are unaudited and should be read in conjunction with the Company s audited financial statements and related notes for the year ended January 31, 2009 included in the Company s Annual Report on Form 10-K for the year ended January 31, 2009 as filed on March 28, 2009 with the Securities and Exchange Commission (SEC). The results of operations for the three and nine months ended October 31, 2009 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to performance-based compensation, uncollectible receivables, inventory excess and obsolescence, the useful lives of long-lived assets including property and equipment, investment fair values, goodwill and other intangible assets, income taxes and contingencies. In addition, the Company uses assumptions when employing the Black-Scholes option valuation model to calculate the fair value of stock-based awards granted. The Company bases its estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, when these carrying values are not readily available from other sources. Actual results could differ from these estimates, and such differences could affect the results of operations reported in future periods.

Subsequent events

The Company has evaluated subsequent events through December 9, 2009, the date of this Quarterly Report on Form 10-Q.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Principles of consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. The functional currency of the Company and its subsidiaries is the United States dollar.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks and money market funds.

Investments

The Company s marketable investments are classified as available-for-sale and trading securities and are reported at fair value. Unrealized gains and losses are reported, net of tax, if any, in accumulated other comprehensive income (loss), a component of shareholders equity. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in interest and other income, net.

The Company also has equity investments in privately-held companies. These investments are recorded at cost and are included in other non-current assets. The Company accounts for these investments under the cost method because its ownership is less than 20% and it does not have the ability to exercise significant influence over the operations of these companies. The Company monitors these investments for impairment and makes appropriate reductions in carrying value when impairment is deemed to be other than temporary.

Impairment of investments

In April 2009, the Financial Accounting Standards Board (FASB) amended an existing guidance on determining whether impairment for investments in debt securities is other-than-temporary, FASB Accounting Standards Codification (ASC) 320-10-65, Investments Debt and Equity Securities Overall Transition and Open Effective Date Information. If the debt security s market value is below amortized cost and the Company either intends to sell the security or it is more likely than not that the Company will be required to sell the security before it anticipated recovery, the Company records an other-than-temporary impairment charge to investment income (loss) for the entire amount of impairment. However, for the remaining debt securities, if a significant decline in value exists, the Company will consider credit and other factors as included in the guidance to account for the impairment loss.

Derivative financial instruments

The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value. Derivatives that are not defined as hedges must be adjusted to fair value through earnings. For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in shareholders equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in current earnings. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. For options designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in earnings.

For derivative instruments that hedge the exposure to changes in the fair value of an asset or a liability and that are designated as fair value hedges and for other derivatives not designated as hedging instruments that the Company uses to hedge monetary assets or liabilities denominated in currencies other than the U.S. dollar, the net gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in earnings in the current period.

Concentration of credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist principally of cash equivalents, short-term investments and accounts receivable. The Company places its cash primarily in checking and money market accounts. Cash equivalents and short-term investment balances are maintained with high quality financial institutions, the composition and maturities of which are regularly monitored by management. The Company believes that the concentration of credit risk in its trade receivables with respect to its served markets, as well as the limited customer base located primarily in the Asia Pacific Region, are substantially mitigated by the Company s credit evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing credit evaluations of its customers financial conditions and limits the amount of credit extended when deemed necessary based upon payment history and the customer s current credit worthiness, but generally requires no collateral. The Company regularly reviews the allowance for bad debt and doubtful accounts by considering factors such as historical experience, credit quality, age of the account receivable balances and current economic conditions that may affect a customer s ability to pay.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inventories

Inventories are stated at the lower of cost or market, determined under the first-in, first-out method. The Company records inventory excess and obsolescence provisions for estimated obsolete or unmarketable inventory equal to the difference between the cost of inventory and estimated net realizable value based upon assumptions about future demand and market conditions. Shipping and handling costs are classified as a component of cost of goods sold in the unaudited condensed consolidated statements of operations.

Property and equipment, net

Property and equipment, net, including capital leases and leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation for property and equipment other than buildings is computed using the straight-line method over the estimated useful lives of the assets, which ranges from three to five years. Buildings are depreciated on a straight-line method over an estimated useful life of 30 years and building improvements are depreciated over estimated useful lives of 15 years. Land is not depreciated. Assets held under capital leases and leasehold improvements are amortized over the shorter of term of lease or their estimated useful lives.

Goodwill and acquired intangible assets, net

Goodwill is recorded when the consideration paid for a business acquisition exceeds the fair value of net tangible and intangible assets acquired. Acquisition-related identified intangible assets are amortized on a straight-line basis over their estimated economic lives of one to seven years for purchased technology, one to eight years for core technology, one to five years for trade name, four to seven years for customer contracts and three years for non-compete agreements.

Goodwill is measured and tested for impairment on an annual basis during the fourth fiscal quarter or more frequently if the Company believes indicators of impairment exist. The performance of the test involves a two-step process. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. As the Company has only one reporting unit, the fair value of the reporting unit is determined by taking the market capitalization of the reporting unit as determined through quoted market prices and adjusted for control premiums and other relevant factors. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair value of the reporting unit s net assets other than goodwill and the fair value of the reporting unit. If the difference is less than the net book value of goodwill, impairment exists and is recorded. In the event that the Company determines that the value of goodwill has become impaired, the Company will record an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made. The Company has not been required to perform this second step of the process because the fair value of the reporting unit has exceeded its net book value at every measurement date.

Impairment of long-lived assets

Long-lived assets include equipment, furniture and fixtures, privately-held equity investments and intangible assets. Whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the Company estimates the future cash flows, undiscounted and without interest charges, expected to result from the use of those assets and their eventual cash position. If the sum of the expected future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets.

Revenue recognition

The Company recognizes revenues when there is persuasive evidence of an arrangement, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured.

Product revenue is generally recognized upon shipment of product to customers, net of accruals for estimated sales returns. However, some of the Company s sales are made through distributors under agreements allowing for price protection, shipped from stock pricing adjustment rights and limited rights of return on products unsold by the distributors. Although title passes to the distributor upon shipment terms and payment by the Company s distributors is not contingent on resale of the product, product revenue on sales made through distributors with price protection, shipped from stock pricing adjustment rights and stock rotation rights is deferred until the distributors sell the product to end customers because the Company s selling price is not fixed and

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

determinable and the Company is not able to reliably estimate future returns. Deferred revenue less the related cost of the inventories is reported as deferred income. The Company does not believe that there is any significant exposure related to impairment of deferred cost of sales, as its historical returns have been minimal and inventory turnover for its distributors generally ranges from 60 to 90 days. The Company s sales to direct customers are made primarily pursuant to standard purchase orders for delivery of products. The Company generally allows customers to cancel or change purchase orders with limited notice prior to the scheduled shipment dates and from time to time it also may request a customer to accept a shipment of product before its original requested delivery date, in which case, revenue is not recognized until there is written confirmation from the customer accepting early shipment, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured. Additionally, collection is not deemed to be reasonably assured, and fees are not fixed or determinable if customers receive extended payment terms. As a result, revenue on sales to customers with payment terms substantially greater than the Company s normal payment terms is deferred and is recognized as revenue as the payments become due. Revenue related to the sale of consignment inventory is not recognized until the product is pulled from inventory stock by the customer.

The provision for estimated sales returns on product sales is recorded in the same period the related revenues are recorded. These estimates are based on historical sales returns and other known factors. Actual returns could differ from these estimates.

The Company accounts for rebates by recording reductions to revenue for rebates in the same period that the related revenue is recorded. The amount of these reductions is based upon the terms included in the Company s various rebate agreements.

Research and development expenses

Research and development expenses are expensed as incurred. Research and development funding from customers for development work is recognized as a credit to research and development expense under the proportionate performance method as the underlying work is performed.

Accounting for income taxes

The Company determines deferred tax assets and liabilities based upon the difference between the income tax basis of assets and liabilities and their respective financial reporting amounts at enacted tax rates in effect for the periods in which the differences are expected to reverse. The tax consequences of most events recognized in the current year s financial statements are included in determining income taxes currently payable. However, because tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities, equity, revenues, expenses, and gains and losses, differences arise between the amount of taxable income and pretax financial income for a year and between the tax basis of assets or liabilities and their reported amounts in the financial statements. Because it is assumed that the reported amounts of assets and liabilities will be recovered or settled, a difference between the tax basis of an asset or liability and its reported amount on the balance sheet will result in a taxable or a deductible amount in some future years when the related liabilities are settled or assets are recovered, hence giving rise to a deferred tax liability or asset, respectively. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income and to the extent the Company believes that recovery is not more likely than not, the Company would establish a valuation allowance. The Company classifies accrued interest and penalties as part of the accrued liability and records the expense within the provision for income taxes. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement.

The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding its income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations are subject to change over time. As such, changes in its subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 12 Income Taxes of the notes to unaudited condensed consolidated financial statements for additional detail on the Company s uncertain tax positions.

Warranty

The Company s products are generally subject to warranty, which provides for the estimated future costs of repair, replacement or customer accommodation upon shipment of the product. The Company s products typically carry a standard 90-day warranty, with certain exceptions in which the warranty period can range from one to five years. The warranty accrual is primarily estimated based on

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

historical claims compared to historical revenues and assumes that the Company will have to replace products subject to a claim. For new products, the Company uses a historical percentage for the appropriate class of product. From time to time, the Company becomes aware of specific warranty situations, which are relatively large and it records specific amounts to cover these exposures in addition to the standard run rate provisions.

Note 2. Recent Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105-10, Generally Accepted Accounting Principles Overall (ASC 105-10). ASC 105-10 establishes the FASB Accounting Standards Codification (the Codification), the authoritative guidance for U.S. GAAP. The Codification, which changes the referencing of financial standards, became effective for interim and annual periods ending on or after September 15, 2009. The Codification is now the single source of authoritative U.S. GAAP (other than guidance issued by the SEC) superseding all existing all non-SEC accounting and reporting standards. All other non-SEC accounting literature not included in the Codification is considered non-authoritative. The Codification does not change U.S. GAAP. The Company adopted the Codification during the quarter ended October 31, 2009. Adoption of the Codification did not have any substantive impact on the Company s financial position or results of operations. References made to FASB guidance throughout the document have been updated for the Codification.

In September 2009, the FASB issued new accounting guidance related to the revenue recognition of multiple element arrangements. The new guidance states that if vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, companies will be required to develop a best estimate of the selling price to separate deliverables and allocate arrangement consideration using the relative selling price method. The accounting guidance will be applied prospectively and will become effective during the first quarter of fiscal year 2011. Early adoption is allowed. The Company is currently evaluating the impact of this accounting guidance on its financial position and results of operations.

Note 3. Investments

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

	As of October 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Short-term investments:				
Available-for-sale:				
Corporate debt securities	$ 163,571	$ 162	$ (139)	$ 163,594
U.S. government	$ 253,267	$ 41	$ (110)	$ 253,198
Total short-term investments	$ 416,838	$ 203	$ (249)	$ 416,792
Long-term investments:				
Available-for-sale:				
Auction rate securities	$ 36,700	$	$ (2,426)	$ 34,274
Trading securities:				
Auction rate securities and settlement option	$ 5,000			$ 5,000
Total long-term investments	$ 41,700	$	$ (2,426)	$ 39,274

Total investments	$ 458,538	$ 203	$ (2,675)	$ 456,066

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	As of January 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Loss)	Estimated Fair Value
Long-term investments:				
Available-for-sale:				
Auction rate securities	$ 36,850	$	$ (1,309)	$ 35,541
Trading securities:				
Auction rate securities and settlement option	$ 5,000			$ 5,000
Total long-term investments	$ 41,850	$	$ (1,309)	$ 40,541
Total investments	$ 41,850	$	$ (1,309)	$ 40,541

As of October 31, 2009 and January 31, 2009, the Company s investment portfolio included $41.7 million and $41.9 million, respectively, in par value of auction rate securities. Auction rate securities are usually found in the form of municipal bonds, preferred stock, pools of student loans or collateralized debt obligations with contractual maturities generally between 20 and 30 years and whose interest rates are reset every seven to 35 days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par. The Company s auction rate securities are all backed by student loans originated under the Federal Family Education Loan Program and are over-collateralized, insured and guaranteed by the U.S. Federal Department of Education. All auction rate securities held by the Company are rated by the major independent rating agencies as either AAA or Aaa at the time of purchase. The Company believes the mark-to-market losses for its auction rate securities are all non-credit losses.

In the fourth quarter ended January 31, 2009, UBS, one of the brokers who the Company purchased auction rate securities from, offered a settlement where UBS has the right to call and sell one of the auction rate securities the Company purchased from them at par value of $5 million at a future date. As a result of the Company s participation in this settlement, the Company included the put option from the settlement in long-term investments and elected the fair value option to measure the put option at fair value. The Company also elected to transfer this auction rate security to trading securities from available-for-sale as the Company s intent is to exercise the put option in fiscal 2011.

As of October 31, 2009, the estimated fair values of the auction rate securities were $2.4 million less than their par value. The Company has less than 2.8% of its total cash invested in these auction rate securities. The Company has a balance of approximately $1.5 billion in cash, cash equivalents and short-term investments other than auction rate securities, and the Company continues to generate positive cash flow on a quarterly basis. The Company has no intent to sell and it is more likely than not that the Company will not be required to sell the auction rate securities prior to recovery. The Company concluded the decline in fair values was temporary and recorded the unrealized loss to accumulated other comprehensive loss, a component of shareholders equity as of October 31, 2009. The Company also has an additional $0.2 million of unrealized losses in available-for-sale securities that it also considers to be temporary.

The final contractual maturities of available-for-sale and trading debt securities at October 31, 2009 and January 31, 2009 are presented in the following table (in thousands):

	October 31, 2009		January 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 253,393	$ 253,321	$	$
Due between one and five years	168,445	168,471	5,000	5,000
Due over five years	36,700	34,274	36,850	35,541

$ 458,538	$ 456,066	$ 41,850	$ 40,541

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table shows the investments gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	October 31, 2009					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
U.S. government	$ 155,706	$ (110)	$	$	$ 155,706	$ (110)
Corporate debt securities	72,785	(139)			72,785	(139)
Auction rate securities and settlement option			39,274	(2,426)	39,274	(2,426)
Total securities	$ 228,491	$ (249)	$ 39,274	$ (2,426)	$ 267,765	$ (2,675)

	January 31, 2009					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)	Fair Value	Unrealized (Losses)
Auction rate securities and settlement option	$	$	$ 40,451	$ (1,309)	$ 40,451	$ (1,309)
Total securities	$	$	$ 40,451	$ (1,309)	$ 40,451	$ (1,309)

Note 4. Supplemental Financial Information (in thousands):

Inventories

	October 31, 2009	January 31, 2009
Work-in-process	$ 151,018	$ 188,830
Finished goods	88,191	121,824
	$ 239,209	$ 310,654

Property and equipment, net

	October 31, 2009	January 31, 2009
Machinery and equipment	$ 363,038	$ 343,772
Computer software	78,594	75,986
Furniture and fixtures	23,510	23,490
Leasehold improvements	39,471	38,872

Buildings	146,294	146,294
Building improvements	45,586	45,329
Land	71,198	71,198
Construction in progress	2,928	2,483
	770,619	747,424
Less: Accumulated depreciation and amortization	(421,343)	(356,571)
	$ 349,276	$ 390,853

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other non-current assets

	October 31, 2009	January 31, 2009
Long term prepayments for foundry capacity	$ 1,600	$ 8,800
Equity investments in privately held companies	7,058	7,058
Severance fund	50,462	43,121
Technology licenses	21,830	24,108
Deferred tax assets, non-current	35,444	41,575
Other	11,249	13,665
	$ 127,643	$ 138,327

Accrued liabilities

	October 31, 2009	January 31, 2009
Accrued royalties	13,270	5,660
Accrued rebates	16,407	28,925
Accrued legal and professional services	13,808	9,719
Accrued legal settlement		16,000
Other	30,377	22,809
	$ 73,862	$ 83,113

Other long-term liabilities

	October 31, 2009	January 31, 2009
Accrued severance obligations	$ 51,994	$ 46,716
Long-term facilities consolidation charge	2,626	2,246
Other	4,227	693
	$ 58,847	$ 49,655

Net income per share

The Company reports both basic net income per share, which is based upon the weighted average number of common shares outstanding excluding contingently issuable or returnable shares, and diluted net income per share, which is based on the weighted average number of common shares outstanding and dilutive potential common shares. The computations of basic and diluted net income per share are presented in the following table (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Numerator:				
Net income	$ 201,599	$ 70,946	$ 148,635	$ 212,252
Denominator:				
Weighted average shares of common shares outstanding				
Weighted average shares basic	623,613	611,945	621,057	606,676
Effect of dilutive securities:				
Warrants				420
Common share options and other	36,126	18,865	26,806	23,901
Weighted average shares diluted	659,739	630,810	647,863	630,997
Net income per share				
Basic	$ 0.32	$ 0.12	$ 0.24	$ 0.35
Diluted	$ 0.31	$ 0.11	$ 0.23	$ 0.34

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Options to purchase 1.0 million common shares at a weighted average exercise price of $13.47 have been excluded from the computation of diluted net income per share for the three months ended October 31, 2009 because their exercise price was greater than the share price of the Company s common shares and therefore, the effect would have been anti-dilutive. Options to purchase 66.1 million common shares at a weighted average exercise price of $19.34 have been excluded from the computation of diluted net income per share for the three months ended November 1, 2008 because their exercise price was greater than the share price of the Company s common shares and therefore, the effect would have been anti-dilutive.

Options to purchase 27.4 million common shares at a weighted average exercise price of $17.09 have been excluded from the computation of diluted net income per share for the nine months ended October 31, 2009 because their exercise price was greater than the share price of the Company s common shares and therefore, the effect would have been anti-dilutive. Options to purchase 60.5 million common shares at a weighted average exercise price of $20.25 have been excluded from the computation of diluted net income per share for the nine months ended November 1, 2008 because their exercise price was greater than the share price of the Company s common shares and therefore, the effect would have been anti-dilutive.

Comprehensive income (in thousands)

The changes in the components of other comprehensive income were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Net income	$ 201,599	$ 70,946	$ 148,635	$ 212,252
Other comprehensive income:				
Change in unrealized gain (loss) on marketable securities	3	316	(1,157)	(1,563)
Change in unrealized gain (loss) on cash flow hedges	(459)		1,330	
Change in other			(584)	
Total comprehensive income	$ 201,143	$ 71,262	$ 148,224	$ 210,689

The components of accumulated other comprehensive loss were as follows (in thousands):

	October 31, 2009	January 31, 2009
Unrealized loss on marketable securities	$ (2,466)	$ (1,309)
Unrealized gain on cash flow hedges	1,330	
Other	7	591
Accumulated other comprehensive loss	$ (1,129)	$ (718)

Note 5. Derivative Financial Instruments

The Company manages some its foreign currency exchange rate risk through the purchase of foreign currency exchange contracts that hedge against the short-term impact of currency fluctuations. The Company s policy is to enter into foreign currency forward contracts with maturities generally less than 12 months that mitigate the impact of rate fluctuations on certain local currency denominated operating expenses. All derivatives are recorded at fair value in either prepaid and other current assets or accrued liabilities. The Company reports cash flows from derivative instruments in cash flows from operating activities. The Company uses quoted prices to value its derivative instruments.

As of October 31, 2009, the notional amounts of outstanding hedge contracts were as follows (in thousands):

	Buy Contracts	Sell Contracts
Israeli shekel	$ 32,575	$ 6,143
Total	$ 32,575	$ 6,143

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash Flow Hedges. The Company designates and documents its foreign currency forward exchange contracts as cash flow hedges for certain operating expenses denominated in Israeli shekels. The Company evaluates and calculates the effectiveness of each hedge at least quarterly. The effective change is recorded in other comprehensive income (OCI) and is subsequently reclassified to operating expense when the hedged expense is recognized. Ineffectiveness is recorded in interest and other income, net.

Other Foreign Currency Forward Contracts. The Company enters into foreign currency forward exchange contracts to hedge certain payments denominated in Israeli shekels that it does not designate and document as cash flow or other hedges for accounting purposes. The maturities of these contracts are generally less than 12 months. Gains or losses arising from the remeasurement of these contracts to fair value each period are recorded in interest and other income (expense), net.

The fair value and balance sheet classification of foreign exchange contract derivatives are as follows (in thousands):

	October 31, 2009
Prepaids and other current assets:	
Derivative assets designated as hedging instruments:	
Cash flow hedges	$ 1,662
Derivative assets not designated as hedging instruments:	
Other forward contracts	(31)
Total derivative assets	$ 1,631

The following tables summarize the pre-tax effect of foreign exchange contract derivatives by (a) cash flow hedges and (b) other foreign currency hedges on OCI and the unaudited condensed consolidated statements of operations for the three and nine months ended October 31, 2009.

(a) Cash Flow Hedges (in thousands):

	Three Months Ended October 31, 2009	Nine Months Ended October 31, 2009
Accumulated gain in OCI, beginning of period	$ 1,790	$
Gains recorded in OCI (effective portion)	938	3,518
Gains reclassified from OCI to operating expense (effective portion)	(1,398)	(2,188)
Accumulated gain in OCI, end of period	$ 1,330	$ 1,330

The Company anticipates reclassifying the accumulated gain recorded as of October 31, 2009 from OCI to operating expense within 12 months.

(b) Other forward contracts (in thousands):

	Three Months Ended October 31, 2009	Nine months Ended October 31, 2009
Gains recognized in other expenses, net	$ 85	$ 122

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6. Fair Value Measurements

Effective February 3, 2008, the Company adopted the authoritative guidance for fair value measurements and disclosures for all assets and liabilities within the scope of this guidance, except as it applies to the non-financial assets and non-financial liabilities subject to additional authoritative guidance, which the Company adopted during the first quarter ended May 2, 2009. The guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company measures its cash equivalents and marketable securities at fair value. The Company s cash equivalents and marketable securities are primarily classified within Level 1 with the exception of its investments in auction rate securities, which are classified within Level 3. Cash equivalents and marketable securities are valued primarily using quoted market prices utilizing market observable inputs. The Company s investments in auction rate securities are classified within Level 3 because there are no active markets for the auction rate securities and therefore the Company is unable to obtain independent valuations from market sources. Therefore, the auction rate securities were valued using a discounted cash flow model. Some of the inputs to the cash flow model are unobservable in the market. The total amount of assets measured using Level 3 valuation methodologies represented 0.8% of total assets as of October 31, 2009.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The table below sets forth, by level, the Company s financial assets that were accounted for at fair value as of October 31, 2009. The table does not include assets and liabilities that are measured at historical cost or any basis other than fair value (in thousands):

	Fair Value Measurements as of October 31, 2009			
	Total	**Level 1**	**Level 2**	**Level 3**
Items measured at fair value on a recurring basis:				
Assets				
Cash equivalents:				
Money market funds	$ 341,199	$ 341,199	$	$
Short-term investments	416,792	253,198	163,594	
Prepaids and other current assets:				
Derivative assets	1,631		1,631	
Long-term investments:				
Auction rate securities and settlement option	39,274			39,274
Total assets	$ 798,896	$ 594,397	$ 165,225	$ 39,274

The following table summarizes the change in fair value for Level 3 items during the nine months ended October 31, 2009 (in thousands):

	Level 3
Changes in fair value during the nine months ended October 31, 2009 (pre-tax):	
Beginning balance at February 1, 2009	$ 40,541
Purchases	
Sales and redemption	(150)
Unrealized loss included in other comprehensive income (loss)	(1,117)
Ending balance at October 31, 2009	$ 39,274

Note 7. Acquired Intangible Assets, Net

		As of October 31, 2009			As of January 31, 2009		
	Range of Useful Lives	**Gross Carrying Amount**	**Accumulated Amortization and Write-Offs**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization and Write-Offs**	**Net Carrying Amount**
Purchased technology	1 7 years	$ 714,640	$ (652,746)	$ 61,894	$ 714,640	$ (615,206)	$ 99,434
Core technology	1 8 years	212,650	(122,679)	89,971	212,650	(101,990)	110,660
Trade name	1 5 years	350	(249)	101	350	(219)	131
Customer contracts	4 7 years	183,300	(132,041)	51,259	183,300	(107,294)	76,006
Non-compete agreements	3 years	700	(571)	129	700	(397)	303
Total acquired intangible assets, net		$ 1,111,640	$ (908,286)	$ 203,354	$ 1,111,640	$ (825,106)	$ 286,534

Based on the identified intangible assets recorded at October 31, 2009, the future amortization expense of identified intangibles for the next five fiscal years is as follows (in thousands):

Fiscal year	**Amount**
Remainder of fiscal 2010	$ 23,298
2011	79,913
2012	41,951
2013	35,217
2014	22,093
Thereafter	882
	$ 203,354

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Restructuring and Related Charges

During the three months ended October 31, 2009, the Company continued to implement certain cost reduction measures that included reductions in workforce that were announced in the first quarter ended May 2, 2009. In addition, the Company also impaired some facilities due to vacating certain locations. As a result, during the three months ended October 31, 2009, the Company recorded a restructuring charge of $1.9 million consisting of $0.1 million of severance and related employee benefits to the terminated employees and $1.8 million for equipment and other related charges which included $1.0 million for leasehold improvements, furniture and equipment related to the closure of a lease in a foreign subsidiary. For the nine months ended October 31, 2009, the Company recorded a restructuring charge $15.2 million consisting of $8.6 million for of severance and related employee benefits to terminated employees, $4.2 million for equipment and other related charges and $2.3 million of additional facilities impairment charges.

The following table sets forth an analysis of the components of the restructuring charges and the payments made (in thousands):

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Restructuring liabilities, beginning of period	$ 5,234	$ 1,486	$ 7,685	$ 2,731
Severance and related charges	117		8,641	
Equipment and other related charges	1,802		4,234	
Facilities and related charges			2,336	
Non-cash adjustment	(1,015)		(1,254)	
Net cash payments	(1,501)	(226)	(17,005)	(1,471)
Restructuring liabilities, end of period	$ 4,637	$ 1,260	$ 4,637	$ 1,260

The following table presents details of restructuring charges by functional line item (in thousands):

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Research and development	$ 1,338	$	$ 10,704	$
Selling and marketing	51		1,839	
General and administrative	530		2,668	
	$ 1,919	$	$ 15,211	$

The Company anticipates that $0.1 million will be paid out in cash for severance and related charges during the three months ending January 30, 2010. The remaining facility lease charges included in the restructuring liabilities will be paid out through fiscal 2018.

Note 9. Commitments and Contingencies

Warranty obligations

The following table presents changes in the warranty accrual included in accrued liabilities during the three and nine months ended October 31, 2009 and November 1, 2008 (in thousands):

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Warranty accrual:				
Beginning balance	$ 3,421	$ 2,521	$ 2,094	$ 2,532
Accruals	(169)	286	2,799	1,106
Settlements	(1,308)	(367)	(2,949)	(1,198)
Ending balance	$ 1,944	$ 2,440	$ 1,944	$ 2,440

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Intellectual property indemnification

The Company has agreed to indemnify certain customers for claims made against the Company s products, where such claims allege infringement of third party intellectual property rights, including, but not limited to, patents, registered trademarks and/or copyrights. Under the aforementioned indemnification clauses, the Company may be obligated to defend the customer and pay for the damages awarded against the customer under an infringement claim, including paying for the customer s attorneys fees and costs. The Company s indemnification obligations generally do not expire after termination or expiration of the agreement containing the indemnification obligation. In certain cases, there are limits on and exceptions to the Company s potential liability for indemnification. Although historically the Company has not made significant payments under these indemnification obligations, the Company cannot estimate the amount of potential future payments, if any, that it might be required to make as a result of these agreements. However, the maximum potential amount of any future payments that the Company could be required to make under these indemnification obligations could be significant.

Purchase commitments

On February 28, 2005 and as amended on March 31, 2005, the Company entered into an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and a half years beginning on October 1, 2005. In return, the Company agreed to pay the foundry $174.2 million over a period of 18 months. The amendment extended the term of the agreement and the agreed upon pricing terms until December 31, 2015. As of October 31, 2009, payments totaling $174.2 million (included in prepaids and other current assets and other non-current assets) had been made and approximately $162.2 million of the prepayment had been utilized as of October 31, 2009. At October 31, 2009, there were no outstanding commitments under the agreement.

Under the Company s manufacturing relationships with foundries, cancellation of all outstanding purchase orders are allowed but require repayment of all expenses incurred through the date of cancellation. As of October 31, 2009, the amount of open purchase orders to these foundries was approximately $139.7 million.

As of October 31, 2009, the Company had approximately $21.2 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

Contingencies

IPO Securities Litigation. On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of the Company s initial public offering (the IPO) on June 29, 2000. That lawsuit, which did not name the Company or any of its officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received excessive and undisclosed commissions and entered into unlawful tie-in agreements with certain of their clients in violation of Section 10(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to the Company s IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants the Company and two of its officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint, plaintiffs allege that the defendants violated various provisions of the Securities Act of 1933, as amended, and the Exchange Act. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys and experts fees. These two actions have been consolidated and coordinated with hundreds of other lawsuits filed by plaintiffs against approximately 40 underwriters and approximately 300 issuers across the United States. Defendants in the coordinated proceedings moved to dismiss the actions. In February 2003, the trial court granted the motions in part and denied them in part, thus allowing the case to proceed against the Company and the underwriters. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including the Company, was submitted to the Court for approval. On August 31, 2005, the Court preliminarily approved the settlement. In December 2006, the appellate court overturned the certification of classes in the six focus cases that were selected by the underwriter defendants and plaintiffs in the coordinated proceedings (the action involving the Company is not one of the six cases). Because class certification was a condition of the settlement, it was unlikely that the settlement would receive final Court approval. On June 25, 2007, the Court entered an order terminating the proposed settlement based upon a stipulation among the parties to the settlement. Plaintiffs filed amended master allegations and amended complaints in the six focus cases. Defendants motions to dismiss those new complaints were denied in part and granted in part.

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The parties have reached a global settlement of the coordinated litigation. Under the settlement, the insurers will pay the full amount of settlement share allocated to the Company, and the Company will bear no financial liability. The Company, as well as the officer and director defendants who were previously dismissed from the action pursuant to tolling agreements, will receive complete dismissals from the case. On October 5, 2009, the Court issued an order of final approval of the settlement. Certain objectors are seeking to appeal. If for any reason the settlement does not become effective, the Company believes it has meritorious defenses to the claims against it and intends to defend the action vigorously.

Section 16(b) Litigation. On October 9, 2007, a purported shareholder of the Company filed a complaint for violation of Section 16(b) of the Exchange Act, which prohibits short swing trading, against the Company s IPO underwriters. The complaint *Vanessa Simmonds v. The Goldman Sachs Group, et al.*, Case No. C07-1632 filed in District Court for the Western District of Washington, seeks the recovery of short-swing profits. The Company is named as a nominal defendant. No recovery is sought from the Company. Numerous similar suits were filed by the same plaintiff against other underwriters relating to other issuers. The underwriter defendants and some of the issuer defendants (excluding the Company) filed a motion to dismiss, and on March 12, 2009, the district court ordered dismissal of all claims against the moving issuer defendants without prejudice. The court also ordered dismissal of all claims against the underwriter defendants with prejudice. On April 10, 2009, the plaintiffs filed their notice of appeal to those dismissal orders. In accordance with the briefing schedule set by the Ninth Circuit Court of Appeals on August 18, 2009, plaintiff filed her opening brief on August 26, 2009. On October 2, 2009, the underwriter defendants/appellees/cross-appellants filed their answering brief, and the moving issuers/appellees filed their principal brief as well. Plaintiff/appellant/cross-appellee filed her response and reply briefs on November 2, 2009. The underwriter defendants/appellees/cross-appellants filed their reply brief on November 17, 2009. The Ninth Circuit Court of Appeals has not set a hearing date. No discovery has taken place.

Jasmine Networks Litigation. On September 12, 2001, Jasmine Networks, Inc. (Jasmine) filed a lawsuit in the Santa Clara County Superior Court alleging claims against the Company and three of its officers for allegedly improperly obtaining and using information and technologies during the course of the negotiations with its personnel regarding the potential acquisition of certain Jasmine assets by the Company. The lawsuit claims that the Company s officers used such information and technologies after the Company signed a nondisclosure agreement with Jasmine. The Company believes the claims asserted against its officers and the Company are without merit and the Company intends to defend all claims vigorously.

On June 21, 2005, the Company filed a cross complaint in the above disclosed action in the Santa Clara County Superior Court asserting claims against Jasmine and unnamed Jasmine officers and employees. The cross complaint was later amended to name two individual officers of Jasmine and a second amended cross complaint was filed in May 2007 adding additional causes of action for declaratory relief against Jasmine. The second amended cross complaint alleges that Jasmine and its personnel engaged in fraud in connection with their effort to sell the Company technology that Jasmine and its personnel wrongfully obtained from a third party in violation of such third party s rights, and that such technology does not constitute trade secrets or property of Jasmine. The cross complaint seeks a declaratory judgment that the Company s technology does not incorporate any of Jasmine s alleged technology. The cross complaint seeks further a declaratory judgment that Jasmine and its personnel misappropriated certain aspects of Jasmine s allegedly proprietary technology. The Company defeated Jasmine s demurrer to certain of the causes of action in the cross complaint and Jasmine filed its answer. The Company thereafter filed its motion for summary adjudication on its fifth and sixth causes of action for declaratory relief seeking, among other things, a determination that Jasmine held no proprietary interest in the JSLIP algorithm, which was one of the core technologies Jasmine asserts was misappropriated by the Company. The motion was denied on November 14, 2007. However, in its opposition, Jasmine admitted that JSLIP had been taken from the work of a third party and is embodied in patents held by the University of California and Cisco Systems. These admissions are significant with respect to both Jasmine s assertion of trade secret rights and any damages claimed by Jasmine.

In addition, on December 28, 2001 and January 7, 2002, the trial court issued a preliminary injunction precluding Jasmine from using, disclosing or disseminating the contents of a privileged communication between certain officers of the Company and its counsel. The order granting injunctive relief was reversed by the California Court of Appeal, but review was granted by the California Supreme Court on a grant and hold basis pending the Court s decision on a case involving closely related issues, *Rico v. Mitsubishi Motors Corp*. (2004) 116 Cal.App.4th 51. The effect of the California Supreme Court s grant of review was to depublish the Court of Appeal s decision. On December 13, 2007, the California Supreme Court ruled in the *Rico v. Mitsubishi* case in a manner consistent with the position asserted by the Company that attorney work product and attorney-client privileges are not waived by inadvertent disclosure of a privileged communication, and that any party receiving such information (i) is required to notify opposing counsel immediately; and (ii) may not read such document more closely than is necessary to determine it is privileged. *Rico v. Mitsubishi Motors Corp.* (2007) 42 Cal.4th 807. Following its decision in *Rico v. Mitsubishi*, on April 23, 2008, the California Supreme Court issued an order dismissing the Company s petition for review. As a result the decision of the Court of Appeal, which remains unpublished, became final.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The case then proceeded in the trial court. On January 13, 2009, the Court granted a motion disqualifying the Company s counsel and the Company engaged new counsel. The trial date was continued from March 2, 2009 to May 4, 2009. The claims against the three Company officers were dropped. The parties engaged in extensive discovery. Motions for summary judgment and/or summary adjudication filed by the parties were heard on February 3, 2009 and were all denied except for Jasmine s motions directed to the Company s declaratory judgment claims, which were granted. On June 3, 2009, the Court granted the Company s motion to dismiss Jasmine s Second Amended Complaint with prejudice, for lack of standing. The Court also entered a 60-day stay of the cross claims to allow Jasmine to seek appellate review. The matter was fully briefed before the Court of Appeal, Sixth Appellate District and oral argument was heard on December 1, 2009. There is no deadline for when a decision will issue.

CSIRO Litigation. As of January 2007, Australia s Commonwealth Scientific and Industrial Research Organisation (CSIRO) was involved in several patent litigations in the Eastern District of Texas, in which it has accused a number of wireless LAN system manufacturers, including some of the Company s customers, of infringing CSIRO s patent, U.S. Patent No. 5,487,069 (the 069 Patent). CSIRO s claims of infringement relate to wireless standards known as IEEE 802.11a, 802.11g and 802.11n. As a result of CSIRO s claims for patent infringement, a number of the Company s customers have sought indemnification from the Company. In response to these demands for indemnification, the Company has acknowledged certain of the demands and incurred costs in response to them.

On May 4, 2007, Marvell Semiconductor, Inc., (MSI), Marvell Asia Pte., Ltd. (MAPL), and Marvell International Ltd. (MIL) (collectively, the Company s Subsidiaries) filed an action in the United States District Court for the Eastern District of Texas (the Marvell CSIRO Litigation) seeking a declaratory judgment against CSIRO that the 069 Patent is invalid and unenforceable and that the Company s Subsidiaries and the Company s customers do not infringe the 069 Patent. The complaint also seeks damages and a license that also covers the Company s customers on reasonable and non-discriminatory terms in the event the Company s 802.11a/g/n wireless LAN products are found to infringe and the 069 Patent is found to be valid and enforceable.

On December 5, 2007, CSIRO filed its answer to the complaint filed by the Company s Subsidiaries, as well as counterclaims for willful and deliberate infringement of the 069 Patent. CSIRO s counterclaims included a claim for monetary damages, including treble damages based on its allegation of willful and deliberate infringement, attorneys fees and injunctive relief. On April 10, 2008, the Company s Subsidiaries filed a First Amended Complaint and First Amended Reply to CSIRO s Answer and Counterclaims. On April 23, 2008, CSIRO filed its Answer and Counterclaims to the First Amended Complaint. On May 12, 2008, the Company s Subsidiaries filed a Reply and Affirmative Defenses to CSIRO s amended counterclaims.

On May 22, 2008, the Company s Subsidiaries filed a motion for summary judgment seeking to invalidate the 069 Patent on indefiniteness grounds. The motion was denied on August 14, 2008. The claim construction hearing was held on June 26, 2008 and the claim construction order was issued on August 14, 2008. On September 25, 2009, the Company s subsidiaries filed a motion to stay pending reexamination of the 069 Patent, and the issue has been fully briefed. The trial for the Marvell CSIRO Litigation is scheduled to commence on May 10, 2010. The Company s Subsidiaries believe that they do not infringe any valid and enforceable claims of the 069 Patent and intend to litigate this action vigorously.

Shareholder Derivative Litigation. Between June 22, 2006 and August 2, 2006, three purported shareholder derivative actions were filed in the United States District Court for the Northern District of California. Each of these lawsuits named the Company as a nominal defendant and a number of the Company s current and former directors and officers as defendants. Each lawsuit sought to recover damages purportedly sustained by the Company in connection with its option granting processes, and sought certain corporate governance and internal control changes. Pursuant to orders of the court dated August 17, 2006 and October 17, 2006, the three actions were consolidated as a single action, entitled *In re Marvell Technology Group Ltd. Derivative Litigation*. The plaintiffs filed an amended and consolidated complaint on November 1, 2006. On or about March 5, 2008, the parties entered into a memorandum of understanding to resolve the lawsuit. The terms of the settlement included certain corporate governance enhancements and an agreement by the Company to pay up to $16 million in plaintiffs attorneys fees. The Company accrued the $16 million settlement amount in the fourth quarter of fiscal 2008. On March 20, 2009, the parties submitted formal settlement documentation to the Court seeking preliminary and thereafter final approval for the settlement. After a hearing held on May 8, 2009, the Court granted preliminary approval of the settlement by written order on May 21, 2009. The hearing for the final court approval was held on July 17, 2009, and the Court granted final approval of the settlement by written order on August 12, 2009, and the settlement amount was paid shortly thereafter.

Class Action Securities Litigation. Between October 5, 2006 and November 13, 2006, four putative class actions were filed in the United States District Court for the Northern District of California against the Company and certain of its current and former officers and directors. The complaints allege that the Company and certain of its current and former officers and directors violated the federal securities laws by making false and misleading statements and omissions relating to the grants of stock options. On February 2,

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2007, these four putative class actions were consolidated as a single action entitled *In re Marvell Technology Group Ltd. Securities Litigation*. On August 16, 2007, plaintiffs filed a consolidated class action complaint. The consolidated complaint seeks, on behalf of persons who purchased the Company s common shares during the period from February 27, 2003 to October 2, 2006, inclusive, unspecified damages, interest, costs and expenses, including attorneys fees and disbursements. The Company filed its answer to the complaint on January 12, 2009. On June 9, 2009, the parties entered into a stipulation of settlement to resolve the lawsuit. The settlement provides for a payment by the Company to the class of $72 million. On July 31, 2009, the Court granted preliminary approval of the proposed settlement. The hearing for the final Court approval was held on November 6, 2009, and the Court granted final approval of the settlement by written order on November 13, 2009. The Company accrued $72 million in the first quarter of fiscal 2010 and paid the amount into escrow in August 2009.

Wi-LAN Litigation. On December 21, 2006, MSI received a letter from Wi-LAN, Inc. (Wi-LAN) accusing MSI of infringing five United States patents and one Canadian patent allegedly owned by Wi-LAN. On October 31, 2007, Wi-LAN sued two groups of system and chip manufacturers in the United States District Court for the Eastern District of Texas, in both cases naming MSI as a defendant and alleging patent infringement. The complaints seek unspecified damages and an injunction. In the first case, Wi-LAN alleges that defendants infringe U.S. Patent Nos. 5,282,222 and RE 37,802 (the 222 and 802 patents) that allegedly relate to the 802.11 wireless standards. In the second case, Wi-LAN alleges that defendants infringe the same 222 and 802 patents, and in addition Wi-LAN alleges that some of the defendants in the second case infringe a third patent that allegedly relates to Asymmetric Digital Subscriber Line (ADSL) technology. In the second case, MSI is not accused of infringing the ADSL patent.

On May 27, 2008, defendants in both cases jointly moved to consolidate the co-pending related cases and permit claims involving suppliers of the products to be litigated first. Wi-LAN filed its opposition on June 18, 2008. On September 10, 2008, the Court granted the defendant s motion to consolidate both actions but denied as premature having the defendant suppliers case proceed first. On December 12, 2008, Wi-LAN filed a motion for leave to file a supplemental first amended complaint to add a fourth patent, U.S. Pat. No. 6,549,759 (the 759 Patent) allegedly relating to the Bluetooth standard. Defendants opposed this motion on January 23, 2009. The Court issued an order on February 3, 2009, granting Wi-LAN s motion to add the 759 Patent. The Claim Construction Hearing is scheduled for March 11, 2010, for the 222 and 802 patents, and September 1, 2010, for the 759 patent, and the trial for all three patents is set to begin on January 4, 2011. MSI believes it does not infringe any valid and enforceable claims of the asserted Wi-LAN patents and will vigorously defend itself in these matters.

On November 5, 2007, MSI filed a complaint against Wi-LAN in the United States District Court for the Northern District of California asking the Court to find that it does not infringe three patents that Wi-LAN asserted against MSI in its December 21, 2006 letter. Two of these patents were not asserted against MSI in either of the two Texas litigations. These patents allegedly relate to Wideband Code Division Multiple Access technology. MSI also asked in the alternative that the Court find the patents invalid. Wi-LAN has filed a motion to dismiss, and the Company filed its opposition to that motion on June 9, 2008. On June 19, 2008, Marvell settled this declaratory judgment action. This settlement does not affect or in any way involve the ongoing litigations brought by Wi-LAN in the Eastern District of Texas.

On December 10, 2008, MSI and MAPL filed a complaint against Wi-LAN in the United States District Court for the Northern District of California asking the Court to find that MSI and MAPL do not infringe the 759 Patent that Wi-LAN asserted against the Company s products. The 759 Patent allegedly relates to products compliant with IEEE 802.11, 802.16 and/or Bluetooth standards. MSI and MAPL also asked, in the alternative, that the Court find the patents are invalid and unenforceable. On January 15, 2009, Wi-LAN filed a motion to dismiss a related complaint by Intel Corporation for lack of personal jurisdiction, subject matter jurisdiction and improper venue and to transfer to first filed forum (E.D. of Texas). On May 4, 2009, the Court held a hearing on Wi-LAN s motion. On June 4, 2009, the Court denied the motion to dismiss and granted in-part Wi-LAN s request to transfer the Intel action, ordering that the part of the action relating to the 759 Patent be transferred to the Eastern District of Texas. On September 1, 2009, Wi-LAN filed a motion to transfer MSI and MAPL s complaint to the Eastern District of Texas. On September 28, 2009, the Court held a hearing on Wi-LAN s motion to transfer MSI and MAPL s complaint to the Eastern District of Texas. On October 15, 2009, the Court granted the motion to transfer.

Carnegie Mellon Litigation. On March 6, 2009, Carnegie Mellon University (CMU) filed a complaint in the United States District Court for the Western District of Pennsylvania naming MSI and the Company as defendants and alleging patent infringement. CMU has asserted two patents (U.S. Patent Nos. 6,201,839 and 6,438,180) purportedly relating to read-channel integrated circuit devices and the hard disk drive products incorporating such devices. The complaint seeks unspecified damages and an injunction. On June 1, 2009, MSI and the Company filed their answers and MSI filed counterclaims to the complaint seeking declaratory judgments of non-infringement and invalidity as to both of the asserted patents. The Court has scheduled a claim construction hearing for April 12, 2010. The Court has not yet scheduled a trial date. MSI and the Company believe that they do not infringe any valid and enforceable claims of the asserted CMU patents and intend to contest this action vigorously. Because this action is in the early stages, the Company is unable to predict the outcome of this litigation at this time.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

PACid Patent Litigation. On March 30, 2009, The PACid Group, LLC filed a complaint in the United States District Court for the Eastern District of Texas, case no. 6:09-cv-00143 LED, which named MSI, Marvell Technology, Inc. (MTI), Marvell Semiconductor, Ltd. (MSL), the Company and 15 other companies as defendants. The complaint alleged infringement of two patents purportedly relating to encryption: U.S. Patent Nos. 5,963,646 and 6,049,612. The complaint seeks unspecified damages and an injunction. On May 22, 2009, MSI filed its answer and counterclaims to the complaint. On June 1, 2009, MTI, MSL and the Company were dismissed without prejudice. MSI believes that it does not infringe any valid and enforceable claims of the asserted PACid patents and intends to contest this action vigorously. Because this action is in the early stages, the Company is unable to predict the outcome of this litigation at this time. The Court has scheduled a Markman hearing (to interpret the claims of the patents-in-suit) for March 25, 2010 and has scheduled trial for February 14, 2011.

Xpoint Patent Litigation. On August 21, 2009, Xpoint Technologies, Inc. filed a complaint in the United States District of Delaware, which names the Company, MSI and thirty-six other companies as defendants. The complaint alleged infringement of U.S. Patent No. 5,913,028 which purportedly relates to data traffic delivery. The complaint seeks unspecified damages and an injunction. On September 18, 2009 an amended complaint was filed. On October 28, 2009, the Company was dismissed from the lawsuit, although MSI remains a defendant. An answer to the complaint is due December 18, 2009. MSI intends to contest this action vigorously. Because this action is in the very early stages, the Company is unable to predict the outcome of this litigation at this time.

General. The Company is also party to other legal proceedings and claims arising in the normal course of business. The legal proceedings and claims described above could result in substantial costs and could divert the attention and resources of the Company s management. Although the legal responsibility and financial impact with respect to these proceedings and claims cannot currently be ascertained, an unfavorable outcome in such actions could have a material adverse effect on the Company s cash flows. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling in litigation could require the Company to pay damages or one-time license fees or royalty payments, which could adversely impact gross margins in future periods, or could prevent the Company from manufacturing or selling some of its products or limit or restrict the type of work that employees involved in such litigation may perform for the Company. There can be no assurance that these matters will be resolved in a manner that is not adverse to the Company s business, financial condition, results of operations or cash flows.

Note 10. Stock-Based Compensation

The following table presents details of stock-based compensation expenses by functional line item (in thousands):

	Three Months Ended		Nine Months Ended	
	October 31, 2009	**November 1, 2008**	**October 31, 2009**	**November 1, 2008**
Cost of goods sold	$ 2,389	$ 1,795	$ 8,315	$ 8,623
Research and development	24,134	30,607	68,064	93,537
Selling and marketing	4,087	6,896	11,457	20,403
General and administrative	3,767	280	8,204	9,868
	$ 34,377	$ 39,578	$ 96,040	$ 132,431

Stock-based compensation of $1.8 million and $3.6 million was capitalized in inventory as of October 31, 2009 and January 31, 2009, respectively.

The following assumptions were used for each respective period to calculate the weighted average fair value of each option award on the date of grant using the Black-Scholes option pricing model:

	Stock Option Plans Three Months Ended		Employee Stock Purchase Plan Three Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Volatility	53%	44%	51%	45%
Expected life (in years)	4.6	5.3	1.3	1.3
Risk-free interest rate	2.5%	3.3%	0.7%	4.3%
Dividend yield				
Weighted average fair value	$ 6.98	$ 4.99	$ 4.14	$ 6.05

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Stock Option Plans Nine Months Ended		Employee Stock Purchase Plan Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Volatility	53%	44%	51%	45%
Expected life (in years)	4.6	5.2	1.3	1.3
Risk-free interest rate	2.1%	3.3%	0.7%	4.3%
Dividend yield				
Weighted average fair value	$ 5.82	$ 5.23	$ 4.14	$ 6.05

The Company established the expected term for employee options and awards, as well as expected forfeiture rates, based on the historical settlement experience and after giving consideration to vesting schedules. Expected volatility was developed based on the average of the Company s historical daily stock price volatility. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected terms of the Company s stock options. Forfeitures were estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates.

Note 11. Shareholders Equity

Stock plans

In April 1995, the Company adopted the 1995 Stock Option Plan (the Option Plan). The Option Plan, as amended, had 383.4 million common shares reserved for issuance thereunder as of October 31, 2009. Options granted under the Option Plan generally have a term of ten years and generally must be issued at prices not less than 100% and 85% for incentive and nonqualified stock options, respectively, of the fair market value of the stock on the date of grant. Incentive stock options granted to shareholders who own greater than 10% of the outstanding stock are for periods not to exceed five years and must be issued at prices not less than 110% of the fair market value of the stock on the date of grant. The options generally vest 20% one year after the vesting commencement date, and the remaining shares vest one-sixtieth per month over the remaining 48 months. Options granted under the Option Plan subsequent to March 1, 2000 may only be exercised upon or after vesting.

In August 1997, the Company adopted the 1997 Directors Stock Option Plan (the 1997 Directors Plan). Under the 1997 Directors Plan, an outside director was granted an option to purchase 30,000 common shares upon appointment to the Company s Board of Directors. These options vested 20% one year after the vesting commencement date and remaining shares vest one-sixtieth per month over the remaining 48 months. An outside director was also granted an option to purchase 6,000 common shares on the date of each annual meeting of the shareholders. These options vested one-twelfth per month over 12 months after the fourth anniversary of the vesting commencement date. Options granted under the 1997 Directors Plan could be exercised prior to vesting. The 1997 Directors Plan was terminated in October 2007.

In October 2007, the Company adopted the 2007 Directors Stock Incentive Plan (the 2007 Directors Plan). The 2007 Directors Plan had 750,000 common shares reserved for issuance thereunder as of October 31, 2009. Under the 2007 Directors Plan, an outside director is granted an option to purchase 50,000 common shares upon appointment to the Company s Board of Directors. These options vest one-third on the one year anniversary of the date of grant and one-third of the shares on each anniversary thereafter. An outside director who has served on the Company s Board of Directors for the prior six months is also granted an option to purchase 12,000 common shares on the date of each annual meeting of the Company s shareholders. These options vest 100% on the earlier of the date of the next annual general meeting of shareholders or the one year anniversary of the date of grant.

Under the Option Plan and the 2007 Directors Plan, the Company may also grant restricted stock awards, which may be subject to vesting, and stock unit awards, which are denominated in shares of stock, but may be settled in cash or tradable shares of the Company s common shares upon vesting, as determined by the Company at the time of grant.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Employee stock purchase plan

In June 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the Purchase Plan), and on October 22, 2009, the Purchase Plan was amended and restated (the Restated Purchase Plan). The Restated Purchase Plan had 57.9 million common shares reserved for issuance thereunder as of October 31, 2009. Pursuant to the terms of the Restated Purchase Plan, the look-back period for the stock purchase price was changed from 24 months to six months. This change will be effective for new participants who enroll in the Restated Purchase Plan in December 2009 and for each successive offering period thereafter. Offering and purchase periods will continue to begin on December 8 and June 8 of each year. New participants will be granted the right to purchase common shares at a price per share that is 85% of the lesser of the fair market value of the Company s common shares at the beginning or the end of each six-month period. The existing two-year offering periods will be phased out so any currently enrolled participant in a current 24-month offering period will continue in the current offering period until the earlier of the end of the offering period or in the event the current offering period is reset. A reset occurs if the fair market value of Marvell common shares on any purchase date is less than it was on the first day of the offering period. Currently enrolled participants were granted the right to purchase common shares at a price per share that is 85% of the lesser of the fair market value of the shares at (i) the participant s entry date into the two-year offering period or (ii) the end of each six-month purchase period within the offering period.

The Purchase Plan included a limitation on the number of shares that may be purchased in the event that the market price of the Company s common shares decreases by more than 25% from one purchase date to the next. In the event the share limitation is triggered, the number of shares an employee may purchase on the subsequent purchase date may not exceed 75% of the number the employee could have purchased at 85% of the market price on the earlier purchase date. This share limitation was triggered in connection with the June 2008 purchase period, which ended in December 2008, and remained in effect as of October 31, 2009 under the terms of the Restated Purchase Plan.

Participants who will enroll under the Restated Purchase Plan will no longer be subject to a share limitation on the number of shares that may be purchased in the event that the market price of Company s common shares decreases by more than 25% from one purchase date to the next. Participants may purchase no more than 7,500 shares per six-month offering period. Participants purchase stock using payroll deductions, which may not exceed 15% of their total cash compensation.

For the three and nine months ended October 31, 2009, the Company recognized $8.4 million and $23.9 million of stock-based compensation expense related to the activity under the Restated Purchase Plan, respectively. The Company did not issue any shares under the Restated Purchase Plan in the three months ended October 31, 2009. The Company issued 2.2 million shares during the nine months ended October 31, 2009 at a price of $4.87. As of October 31, 2009, there was $15.9 million of unrecognized compensation cost related to the Restated Purchase Plan.

Stock option activity under the Company s stock option plans for the nine months ended October 31, 2009 is summarized below (in thousands, except per share amounts):

	Options Outstanding	Weighted Average Exercise Price
Balance at January 31, 2009	85,054	$ 10.81
Options granted	1,407	$ 12.82
Options forfeited/canceled/expired	(3,446)	$ 15.67
Options exercised	(4,517)	$ 6.24
Balance at October 31, 2009	78,498	$ 10.90
Vested or expected to vest at October 31, 2009	75,589	$ 10.92

Exercisable at October 31, 2009	50,228	$ 10.47

Included in the preceding table are options for 2.1 million common shares granted to certain officers at exercise prices ranging between $6.84 and $24.80 that will become exercisable only upon the achievement of specified annual earnings per share targets or achievement of certain operating performance criteria through fiscal 2014.

The aggregate intrinsic value and weighted average remaining contractual term of options vested and expected to vest at October 31, 2009 was $319.8 million and 5.5 years, respectively. The aggregate intrinsic value and weighted average remaining contractual term of options exercisable at October 31, 2009 was $228.2 million and 4.0 years, respectively. The aggregate intrinsic value is calculated based on the Company s closing stock price for all in-the-money options as of October 31, 2009.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate intrinsic value and weighted average remaining contractual term of restricted stock units vested and expected to vest as of October 31, 2009 was $51.4 million and 1.0 years, respectively.

Included in the table below is activity related to restricted stock units (in thousands, except per share amounts):

	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Balance at January 31, 2009	6,499	$ 9.58
Granted	74	$ 13.47
Vested	(2,120)	$ 12.16
Canceled/Forfeited	(367)	$ 9.17
Balance at October 31, 2009	4,086	$ 8.51

The Company s current practice is to issue new shares to satisfy share option exercises. As of October 31, 2009, compensation costs related to nonvested awards not yet recognized amounted to $183.3 million. The unamortized compensation expense for stock options and restricted stock will be amortized on a straight-line basis and is expected to be recognized over a weighted-average period of 2.8 years and 1.8 years, respectively.

The total tax benefit attributable to options exercised for the nine months ended October 31, 2009 was $205,000 as reported on the unaudited condensed consolidated statements of cash flows in financing activities. Such excess tax benefits represent the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised in current and prior periods.

Note 12. Income Taxes

For the three months ended October 31, 2009 and November 1, 2008, the Company s effective tax rate was an income tax benefit of 19.5% and an income tax expense 15.9%, respectively. The income tax provision for these periods was affected by non-tax-deductible expenses such as stock-based compensation expense, amortization of acquired intangibles and accrual of unrecognized tax benefits, interest and penalties associated with unrecognized tax positions. For the three months ended October 31, 2009, the effective tax rate was impacted by a reduction of unrecognized tax benefits of approximately $27.4 million due to the expiration of the statute of limitation in multiple jurisdictions. Additionally, there was a reduction of unrecognized tax benefits for $2.4 million due to a settlement of an audit in a non-US jurisdiction. Also there was an adjustment of taxes payable related to periods in 2002 through 2006 of a non-US entity which resulted in a tax benefit of $5.3 million.

The Company s total unrecognized tax benefits as of October 31, 2009 and November 1, 2008 were $93.4 million and $112.8 million, respectively. The Company also recorded a liability for potential interest and penalties of $20.5 million and $7.7 million, respectively, as of October 31, 2009. For the three months ended October 31, 2009, the provision for income taxes in several foreign jurisdictions was reduced by $29.9 million because of several factors including the statute of limitations lapsed for uncertain tax positions, the favorable settlement of an audit in a non-U.S. jurisdiction, and the impact of a revaluation of certain unrecognized tax benefits due to tax rate change in a non-U.S. jurisdiction effective during the quarter. If recognized, all of the liabilities recorded to date, except the portion attributable to the foreign exchange gains and losses, will impact the effective tax rate.

The Company conducts business globally and, as a result, one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is subject to examination by tax authorities throughout the world, including such major jurisdictions as Singapore, Japan, Taiwan, China, India, Germany, Israel, Netherlands, Switzerland, the United Kingdom, Canada, Malaysia and the United States. The Company is subject to non-U.S. income tax examinations for years beginning with fiscal year 2002 and for U.S. income tax examinations beginning with fiscal year 2007.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Related Party Transactions

On August 19, 2005, through its subsidiaries MSI and MIL, the Company entered into a License and Manufacturing Services Agreement with C2 Microsystems, Inc. (C2Micro License Agreement). The C2Micro License Agreement has substantially similar terms as other license and manufacturing services agreements of the Company with other third parties for similar technology. The Company recognized $0.9 million and none of revenue under the C2Micro License Agreement during the three months ended October 31, 2009 and November 1, 2008, respectively. The Company recognized $0.9 million and $2.6 million of revenue under the C2Micro License Agreement during the nine months ended October 31, 2009 and November 1, 2008, respectively. As of October 31, 2009, the Company had received a prepayment of $0.6 million from C2 Microsystems for the manufacturing of certain products. Dr. Sehat Sutardja, the Company s President and Chief Executive Officer, and Weili Dai, the Vice President of Sales for Communications and Consumer Business of MSI and Vice President and General Manager of Communications and Computing Business Unit of MSI, through their ownership and control of Estopia LLC, are indirect shareholders of C2 Microsystems. Dr. Sehat Sutardja and Weili Dai are husband and wife. Kuo Wei (Herbert) Chang, a member of the Company s Board of Directors, is a member of the board of directors of C2 Microsystems and, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of C2 Microsystems. Dr. Pantas Sutardja, the Company s Vice President, Chief Technology Officer and Chief Research and Development Officer, is also a shareholder of C2 Microsystems.

On January 8, 2007, the Company, through MIL, entered into a Library/IP/Software Evaluation License Agreement (the Evaluation License Agreement) with VeriSilicon Holdings Co., Ltd. (VeriSilicon). The Evaluation License Agreement has no consideration. The Company also incurred $50 and $31,000 of royalty expense from VeriSilicon under a core license agreement assumed from its acquisition of the semiconductor design business of UTStarcom, Inc. during the three months ended October 31, 2009 and November 1, 2008, respectively. The Company incurred $6,000 and $140,000 of royalty expense under the same license agreement during the nine months ended October 31, 2009 and November 1, 2008, respectively. This core license agreement had been assumed by VeriSilicon after its acquisition of certain assets from LSI Corporation. On March 30, 2009, the Company entered into an addendum to this core license agreement with VeriSilicon. The Company recorded a license fee of $0.5 million and maintenance fees of $80,000 during the first quarter ended May 2, 2009. On June 30, 2009, the Company entered into a second addendum to this technology license agreement with VeriSilicon for VeriSilicon to perform services for a fee of $40,000. Weili Dai s brother (and Dr. Sehat Sutardja s brother-in-law) is the Chairman, President and Chief Executive Officer of VeriSilicon. Ms. Dai is also a shareholder of VeriSilicon.

On September 28, 2007, the Company, through MIL, entered into a Master Technology Agreement (the Technology Agreement) with Sonics, Inc. (Sonics), pursuant to which the Company licensed technology from Sonics. The Technology Agreement has substantially similar terms as other license agreements of the Company with other third parties for similar technology. The Company paid $0.1 million under the Technology Agreement for the license and related maintenance during fiscal 2009. Kuo Wei (Herbert) Chang, a member of the Company s Board of Directors, serves as a member of the board of directors of Sonics and has a direct and/or indirect ownership interest in the equity of Sonics. There was no expense incurred related to the Technology Agreement during the three and nine months ended October 31, 2009 and November 1, 2008.

On October 31, 2007, the Company entered into a License Agreement with Vivante Corporation (the Vivante Agreement). The Vivante Agreement has substantially similar terms as the Company would expect to obtain for license agreements with other third parties for similar technology. The Company recorded none and $0.2 million of expense during the three and nine months ended November 1, 2008, respectively, in connection with the Vivante Agreement. In August 2008, the Company entered into a Technology License Agreement with Vivante. This Technology License Agreement, as amended, also has substantially similar terms as the Company would expect to obtain for license agreements with other third parties for similar technology. The Company recorded $2.0 million for the license fee and $0.2 million of maintenance during fiscal 2009 in connection with this Technology License Agreement. In January 2009, the Company entered into an agreement with Vivante to disclose certain cell libraries to Vivante at no additional cost. In April 2009, the Company entered into an amendment to the Technology License Agreement with Vivante. The Company recorded $1.0 million for the license fee and $70,000 of maintenance during the first quarter ended May 2, 2009 in connection with the amendment to the Technology License Agreement. In June 2009, the Company entered into the second amendment to the Technology License Agreement with Vivante. The Company recorded $0.5 million for the license fee and $50,000 of maintenance during the three months ended August 1, 2009. Dr. Sehat Sutardja and Weili Dai, through their ownership and control of Estopia LLC, are indirect shareholders of Vivante. In addition, Dr. Sehat Sutardja is also a direct shareholder and Chairman of the board of directors of Vivante. Weili Dai s brother (and Dr. Sehat Sutardja s brother-in-law) is the Chief Executive Officer of Vivante. Kuo Wei (Herbert) Chang, a member of the Company s Board of Directors, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of

Vivante.

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

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. These statements include, without limitation, statements regarding our expectations, beliefs, intentions or strategies regarding the future. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results to differ materially from those implied by the forward-looking statements. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, can, and similar expressions identify such forward-looking statements. These are statements that relate to future periods and include statements relating to our anticipation that the rate of new orders and shipments will vary significantly from quarter to quarter; our expectations regarding industry trends; our anticipation that the total amount of sales through distributors will increase in future periods; our expectation that a significant percentage of our sales will continue to come from direct sales to key customers; our expectations regarding our inventory levels; our expectations regarding competition; our expectations relating to the protection of our intellectual property; our expectations regarding the amount of customer concentration in the future; our expectations regarding the amount of our future sales in Asia; our expectation regarding the effect of auction rate securities on our working capital needs or other requirements; our intention to make acquisitions, investments, strategic alliances and joint ventures; our expectations regarding results, cash flows and expense in the fourth quarter of fiscal 2010 compared with the third quarter of fiscal 2010; our expectations regarding the impact of legal proceedings and claims; our expectations regarding the adequacy of our capital resources, capital expenditures, investment requirements and commitments to meet our capital needs for the next 12 months; our ability to attract and retain highly skilled personnel; our expectations regarding the growth in business and operations; our plan regarding forward exchange contracts; the effect of recent accounting pronouncements and changes in taxation rules; and our expectations regarding unrecognized tax benefits. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Factors that could cause actual results to differ materially from those predicted, include but are not limited to, the impact of the recent worldwide financial crisis; the impact of international conflict and continued economic volatility in either domestic or foreign markets; our dependence upon the hard disk drive and wireless and cellular industry which is highly cyclical; our ability to scale our operations in response to changes in demand for existing or new products and services; our maintenance of an effective system of internal controls; our dependence on a small number of customers; our ability and our customers ability to develop new and enhanced products; our success in integrating businesses we acquire and the impact such acquisitions may have on our operating results; our ability to estimate customer demand and future sales accurately; the success of our strategic relationships; our reliance on independent foundries and subcontractors for the manufacture, assembly and testing of our products; our ability to manage future growth; the development and evolution of markets for our integrated circuits; our ability to protect our intellectual property; the impact of any change in our application of the United States federal income tax laws and the loss of any beneficial tax treatment that we currently enjoy; the impact of changes in international financial and regulatory conditions; the impact of changes in management; the impact of lengthy and expensive product sales cycles; and the outcome of pending or future litigation and legal proceedings. Additional factors which could cause actual results to differ materially include those set forth in the following discussion, as well as the risks discussed in Part II, Item 1A, Risk Factors, and other sections of this Quarterly Report on Form 10-Q. These forward-looking statements speak only as of the date hereof. Unless required by law, we undertake no obligation to update any forward-looking statements.

Overview

We are a leading global semiconductor provider of high-performance application-specific standard products. Our core strength of expertise is the development of complex System-on-a-Chip devices leveraging our extensive technology portfolio of intellectual property in the areas of analog, mixed-signal, digital signal processing and embedded ARM-based microprocessor integrated circuits. Our broad product portfolio includes devices for data storage, enterprise-class Ethernet data switching, Ethernet physical-layer transceiver, handheld cellular, Ethernet-based wireless networking, personal area networking, Ethernet-based PC connectivity, control plane communications controllers, video-image processing and power management solutions. Our products serve diverse applications used in carrier, metropolitan, enterprise and PC-client data communications and storage systems. Additionally, we serve the consumer electronics market for the convergence of voice, video and data applications. We are a fabless integrated circuit company, which means that we rely on independent, third party contractors to perform manufacturing, assembly and test functions. This approach allows us to focus on designing, developing and marketing our products and significantly reduces the amount of capital we need to invest in manufacturing products.

Our sales have historically been made on the basis of purchase orders rather than long-term agreements. In addition, the sales cycle for our products is long, which may cause us to experience a delay between the time we incur expenses and the time revenue is generated from these expenditures. We anticipate that the rate of new orders may vary significantly from quarter to quarter. Consequently, if anticipated sales and shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and future quarters may be adversely affected.

Our fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal 2010 and fiscal 2009 are comprised of a 52-week period. In this Quarterly Report on Form 10-Q, we refer to the fiscal year ended February 2, 2008 as fiscal 2008, the fiscal year ended January 31, 2009 as fiscal 2009, and the fiscal year ending January 30, 2010 as fiscal 2010.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results could differ from these estimates, and such differences could affect the results of operations reported in future periods. For a description of our critical accounting policies and estimates, please refer to the Critical Accounting Policies and Estimates section of our Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 31, 2009. There have been no material changes in any of our critical accounting policies during fiscal 2010.

Results of Operations

Starting in the third quarter of fiscal 2009, when we began to see the early signs of a potential economic downturn, we began taking actions to reduce our cost and expense structure. Several of those actions had a significant impact on the results in both the three and nine months ended October 31, 2009 as follows:

Headcount reductions Starting in the fourth quarter of fiscal 2009, we began a reduction of force that impacted all of our worldwide operations including the closure of the design center in Canada and the test operations in Malaysia. These reductions have lowered our salary related expenses significantly.

Facilities consolidations We have also taken actions to readjust our real estate footprint to more closely match our current business needs. This included vacating certain facilities, downsizing certain facilities, and renegotiating many of our existing and expiring leases. These measures have begun to also benefit our on-going results.

Manufacturing cost reductions At the beginning of the downturn, we took the opportunity to renegotiate the pricing arrangements with our key manufacturing partners including foundries, assembly and test subcontractors. As we have substantially sold through our inventory built in prior periods at higher costs, we are beginning to see significant benefits as a result of these efforts.

Discretionary spending controls During the second half of fiscal 2009, we implemented very strict guidelines with regards to discretionary spending including restrictions on travel and limitations on use of outside professional services to name a few. Although we have begun to ease some of the restrictions, we expect to continue the spending discipline to help ensure our expense levels remain competitive.

Stock-based compensation In the fourth quarter of fiscal 2009, we implemented a stock option exchange program for our employees to allow them to exchange options with higher prices for restricted stock units. The exchange program allowed employees to receive some value while also reducing our stock option expense levels. The expense in the periods of fiscal 2010 has been lower partially due to differences in the vesting schedule of replacement grants versus exchanged options. In addition, we took the opportunity while the stock price was lower to provide our annual grants to employees earlier in the cycle in order to provide some additional retention value but also limit the amount of stock-based compensation associated with those awards.

After a few very challenging quarters, during the second quarter of fiscal 2010, we started to see some improvement in the overall worldwide economic conditions. This trend continued during the third quarter of fiscal 2010 as is evidenced by the improved revenues and overall significantly improved financial results compared to the prior quarter. Improvement in our cost of manufacturing and operational execution over the past year has significantly benefited our gross margins. Reductions in our cost structure along with operational discipline have lowered our operating expenses. These changes have allowed a significant portion of our increases in revenues in recent periods to benefit our net income.

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The following table sets forth information derived from our unaudited condensed consolidated statements of operations expressed as a percentage of net revenue:

	Three Months Ended		Nine Months Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Net revenue	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Cost of goods sold	42.5	47.9	45.2	48.2
Research and development	26.5	29.6	31.3	29.6
Selling and marketing	4.4	5.2	5.2	5.3
General and administrative	2.1	3.6	7.6	3.0
Amortization of acquired intangible assets	3.3	4.4	4.2	4.3
Total operating costs and expenses	78.8	90.7	93.5	90.4
Operating income	21.2	9.3	6.5	9.6
Interest and other income, net	(0.2)	1.9	0.0	0.9
Interest expense	0.0	(0.5)	(0.1)	(0.7)
Income before income taxes	21.0	10.7	6.5	9.8
Provision for income taxes	(4.1)	1.7	(1.1)	1.1
Net income	25.1%	9.0%	7.6%	8.7%

Three and Nine Months Ended October 31, 2009 and November 1, 2008

Net Revenue

	Three Months Ended			Nine Months Ended		
	October 31, 2009	November 1, 2008	% Change	October 31, 2009	November 1, 2008	% Change
	(in thousands, except percentage)					
Net revenue	$ 803,098	$ 791,046	1.5%	$ 1,965,152	$ 2,437,696	(19.4)%

The increase in net revenue for the three months ended October 31, 2009 compared to the three months ended November 1, 2008 was primarily due to new hard disk drive programs at key customers in our storage business, growth in our networking business as customers continue to adopt our solutions and growth in our embedded wireless business as a result of strength in several gaming platforms. Partially offsetting the increases was a decrease in revenue in the cellular handheld business and printer semiconductor solution offerings due to lower consumer spending and alternative technology solutions compared to the prior year. The decrease in net revenue for the nine months ended October 31, 2009 compared to the net revenue for the nine months ended November 1, 2008 reflects the negative impacts of the global economic slowdown, which we experienced across each of our product families. Within our storage business, a reduction in consumer spending on PCs resulted in lower demand from our hard disk drive customers. Within cellular handheld, wireless and printer semiconductor solution offerings, our products for applications such as mobile phones, gaming devices and printers were adversely impacted by lower consumer spending as compared to the previous year. We currently expect that revenue in the fourth quarter of fiscal 2010 will increase moderately from the level of revenue that we reported in the third quarter of fiscal 2010 as we continue to see signs of recovery in the economic environment and the ramp of some new design wins.

Historically, a relatively small number of customers have accounted for a significant portion of our revenue. For the three months ended October 31, 2009, two customers each represented more than 10% of our net revenue, and totaled 39% of our net revenue. For the nine months ended October 31, 2009, two customers represented more than 10% of our net revenue, and totaled 39% of our net revenue. For the three months ended November 1, 2008, two customers represented more than 10% of our net revenue, with a total of 36% of our net revenue. For the nine months ended November 1, 2008, two customers represented more than 10% of our net revenue, with a total of 37% of our net revenue. No distributors accounted for more than 10% of our net revenue in the three and nine months ended October 31, 2009 and November 1, 2008.

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Because we sell our products to many OEM manufacturers who have manufacturing operations located in Asia, a significant percentage of our sales are made to customers located outside of the United States. Sales to customers located in Asia represented 89% and 88% of our net revenue for the three months ended October 31, 2009 and November 1, 2008, respectively, and represented 90% and 86% of our net revenue for the nine months ended October 31, 2009 and November 1, 2008, respectively. The rest of our sales are to customers located in the United States and other geographic regions. We expect that a significant portion of our revenue will continue to be represented by sales to our customers in Asia. Substantially all of our sales to date have been denominated in U.S. dollars.

Cost of Goods Sold

	Three Months Ended			Nine Months Ended		
	October 31, 2009	November 1, 2008	% Change	October 31, 2009	November 1, 2008	% Change
	(in thousands, except percentage)					
Cost of Goods Sold	$ 341,617	$ 379,137	(9.9)%	$ 887,306	$ 1,173,892	(24.4)%
% of net revenue	42.5%	47.9%		45.2%	48.2%	

The decrease in cost of goods sold as a percentage of revenue for the three and nine months ended October 31, 2009 compared to the three and nine months ended November 1, 2008 was partially due to lower material and manufacturing costs as a result of cost reduction efforts with our foundry, assembly and test subcontractors discussed above as well as the on-going focus on yield improvements. Cost of goods sold as a percentage of revenue also decreased due to an improved mix of products sold, sales of previously written down inventory and lower excess and obsolescence provisions. Our cost of goods sold as a percentage of revenue may fluctuate in future periods due to, among other things, changes in the mix of products sold, the timing of production ramps of new products, increased pricing pressures from our customers and competitors, particularly in the consumer product markets that we are targeting, charges for obsolete or potentially excess inventory, changes in the costs charged by our foundry, assembly and test subcontractors, the introduction of new products with lower margins and product warranty costs.

Research and Development

	Three Months Ended			Nine Months Ended		
	October 31, 2009	November 1, 2008	% Change	October 31, 2009	November 1, 2008	% Change
	(in thousands, except percentage)					
Research and development	$ 212,873	$ 234,222	(9.1)%	$ 615,152	$ 722,411	(14.8)%
% of net revenue	26.5%	29.6%		31.3%	29.6%	

The decrease in research and development expense for the three months ended October 31, 2009 compared to the three months ended November 1, 2008 of $21.3 million was partially due to the benefit of $4.6 million of research and development funding from customers for development work in the three months ended October 31, 2009. In addition, stock-based compensation decreased $6.5 million due to older options with relatively higher valuations becoming fully vested along with the impact of our stock option exchange program. Mask, wafer and pre-production related costs decreased $3.8 million due to lower pricing and timing of tape outs. Other decreases in research and development expenses of approximately $7.7 million related to lower discretionary spending due to tight cost controls including travel, consulting, and supplies. Partially offsetting the decrease in expense was an increase in restructuring related costs of $1.3 million mainly due to the write-off equipment in one of our foreign locations.

The decrease in research and development expense for the nine months ended October 31, 2009 compared to the nine months ended November 1, 2008 of $107.3 million was partially due to lower salary and related expenses of $21.9 million as a result of lower headcount while stock-based compensation decreased $25.5 million. In addition, we received the benefit of $19.1 million of research and development funding from customers for development work in the nine months ended October 31, 2009. Mask, wafer and product related costs decreased $15.3 million due to lower pricing and volume of tape outs. Other decreases in research and development expenses of approximately $27.3 million related to lower discretionary spending due to tight cost controls. Partially offsetting the decrease in expense was an increase in restructuring related costs of $10.7 million.

We currently expect research and development expense during the fourth quarter ending January 30, 2010 will moderately increase from the level of expense reported during the third quarter ended October 31, 2009 in connection with a higher volume of tapeouts.

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Selling and Marketing

	Three Months Ended			Nine Months Ended		
	October 31, 2009	**November 1, 2008**	**% Change**	**October 31, 2009**	**November 1, 2008**	**% Change**
			(in thousands, except percentage)			
Selling and marketing	$ 35,442	$ 41,158	(13.9)%	$ 102,260	$ 129,080	(20.8)%
% of net revenue	4.4%	5.2%		5.2%	5.3%	

The decrease in selling and marketing expense for the three months ended October 31, 2009 compared to the three months ended November 1, 2008 of $5.7 million was primarily due to lower sales commissions of $1.1 million as a result of the mix of revenue. Stock-based compensation decreased $2.8 million. Additionally, various other selling and marketing costs including travel declined $1.2 million due to cost control efforts.

The decrease in selling and marketing expense for the nine months ended October 31, 2009 compared to the nine months ended November 1, 2008 of $26.8 million was primarily due to lower salary and related expenses of $7.2 million due to lower headcount. Stock-based compensation decreased $8.9 million. Additionally, sales rep commissions decreased $4.9 million due to lower revenue and various other selling and marketing costs decreased $5.2 million due to cost control efforts.

We currently expect that selling and marketing expense during the fourth quarter ending January 30, 2010 will increase moderately from the level of expense reported during the third quarter ended October 31, 2009.

General and Administrative

	Three Months Ended			Nine Months Ended		
	October 31, 2009	**November 1, 2008**	**% Change**	**October 31, 2009**	**November 1, 2008**	**% Change**
			(in thousands, except percentage)			
General and administrative	$ 16,660	$ 28,869	(42.3)%	$ 148,856	$ 72,809	104.4%
% of net revenue	2.1%	3.6%		7.6%	3.0%	

The decrease in general and administrative expense for the three months ended October 31, 2009 compared to the three months ended November 1, 2008 of $12.2 million was primarily due to lower legal fees as a result of insurance recoveries on previous litigation and the stage of litigation in the quarter. Various other general and administrative expenses such as outside services, consulting and temporary services decreased $1.3 million due to cost control efforts. Partially offsetting the decreases was an increase in stock-based compensation of $3.5 million due primarily to stock-based compensation recorded for performance based grants in which the achievement of the specified performance targets were determined to be attainable in the current year while the prior year included the reversal of costs for certain grants. In addition, restructuring related costs increased $0.5 million.

The increase in general and administrative expense for the nine months ended October 31, 2009 compared to the nine months ended November 1, 2008 of $76.0 million was primarily the result of a $72.0 million legal settlement in connection with the class action securities litigation related to our historical stock option granting practices recorded in the three months ended May 2, 2009. Legal fees, on a net basis, increased by $16.5 million primarily due to $24.5 million of insurance recoveries related to certain litigation activity received in the first quarter ended May 3, 2008. This was partially offset by a $10.0 million settlement with the Securities and Exchange Commission (the SEC) investigation regarding our historical stock option granting practices and related accounting matters also recorded in the first quarter ended May 3, 2008. In addition to the settlements, the remaining increase in legal fees of approximately $2.0 million was due to increased hours spent on litigation matters, including one of our cases ramping up for trial. Restructuring related costs increased $2.7 million in connection with actions implemented in response to the economic downturn. Partially offsetting the increase in general and administrative expense was a decrease of $1.7 million in stock-based compensation and $2.2 million of lower salary and related costs due to lower headcount. Finally, various other general and administrative expenses such as outside services, consulting, temporary services and other decreased $9.7 million due to cost control efforts.

We currently expect that general and administrative expense during the fourth quarter ending January 30, 2010 will increase moderately from the level of expense reported during the third quarter ended October 31, 2009.

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Amortization of Acquired Intangible Assets

	Three Months Ended			Nine Months Ended		
	October 31, 2009	November 1, 2008	% Change	October 31, 2009	November 1, 2008	% Change
	(in thousands, except percentage)					
Amortization of acquired intangible assets	$ 26,450	$ 34,814	(24.0)%	$ 83,252	$ 105,049	(20.7)%
% of net revenue	3.3%	4.4%		4.2%	4.3%	

The decrease in amortization of acquired intangible assets for the three and nine months ended October 31, 2009 compared to the three and nine months ended November 1, 2008 was due to intangible assets from certain acquisitions becoming fully amortized and the effects of the write-off of certain purchased intangibles during the fourth quarter ended January 31, 2009.

Interest and Other Income (Expense), Net

	Three Months Ended			Nine Months Ended		
	October 31, 2009	November 1, 2008	% Change	October 31, 2009	November 1, 2008	% Change
	(in thousands, except percentage)					
Interest and other income (expense), net	$ (1,303)	$ 15,109	(108.6)%	$ 418	$ 21,973	(98.1)%
% of net revenue	0.2%	1.9%		0.0%	0.9%	

The decrease in interest and other income (expense), net, for the three and nine months ended October 31, 2009 compared to the three and nine months ended November 1, 2008 was primarily due to a decrease in market interest rates and an increase in foreign exchange losses as a result of fluctuations in currencies, which was partially offset by an increase in cash and cash equivalent balances throughout the last two fiscal quarters and a gain on the severance fund in a foreign jurisdiction.

Interest Expense

	Three Months Ended			Nine months Ended		
	October 31, 2009	November 1, 2008	% Change	October 31, 2009	November 1, 2008	% Change
	(in thousands, except percentage)					
Interest expense	$ 70	$ 3,566	(98.0)%	$ 1,672	$ 15,876	(89.5)%
% of net revenue	0.0%	0.5%		0.1%	0.7%	

The decrease in interest expense for the three and nine months ended October 31, 2009 compared to the three and nine months ended November 1, 2008 was due to the repayment of outstanding debt during the fourth quarter ended January 31, 2009. Interest expense for the nine months ended October 31, 2009 includes interest expense from the settlement of a payroll tax penalty recorded in connection with our historical stock option granting practices.

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Provision (Benefit) for Income Taxes

	Three Months Ended			Nine Months Ended		
	October 31, 2009	November 1, 2008	% Change	October 31, 2009	November 1, 2008	% Change
	(in thousands, except percentage)					
Provision (benefit) for income taxes	$ (32,916)	$ 13,443	(344.9)%	$ (21,563)	$ 28,300	(176.2)%
% of pre-tax income	19.5%	15.9%		17.0%	11.8%	

The effective tax rates in any given quarter are influenced by non-tax-deductible expenses, such as stock-based compensation expense, amortization of acquired intangibles, and accounting for uncertain tax positions in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Tax (ASC 740). In addition to the quarterly income tax provision, the effective tax rate for the three months ended October 31, 2009 was impacted due to the expiration of statute of limitations in multiple jurisdictions, which reduced our uncertain tax benefits by approximately $27.4 million, along with the adjustment of taxes payable of $5.3 million related to periods in 2002 through 2006 of a non-U.S. entity, and by a reduction of $2.4 million in an unrecognized tax benefits due to a settlement of an audit in a non-U.S. jurisdiction. For the nine months ended October 31, 2009, the provision includes a reduction of $33.2 million due to the statute of limitations lapsing for uncertain tax positions, an increase in our provision due to the impact of a non-U.S. corporate tax rate change of $6.2 million, favorable audit settlements in non-U.S. jurisdictions decreasing the provision by $5.0 million and the adjustment of taxes payable by $5.3 million related to a non-U.S. entity.

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Liquidity and Capital Resources

Our principal source of liquidity as of October 31, 2009 consisted of approximately $1.0 billion of cash and cash equivalents and $416.8 million of short-term investments. Since our inception, we have financed our operations through a combination of sales of equity securities, debt financing and cash generated by operations.

Net Cash Provided by Operating Activities

Net cash provided by operating activities of $530.4 million for the nine months ended October 31, 2009 included $394.9 million from net income adjusted for non-cash items and $135.5 million of net cash provided by changes in working capital items. Improvements in working capital included a decrease in inventories of $83.5 million as we decreased our inventory levels earlier in the year in light of the economic downturn and have experienced capacity constraints as we have attempted to restore the levels. In addition, accounts payable increased by $172.1 million due to our on-going efforts to manage payment periods with vendors. Accrued employee compensation also increased by $35.1 million due primarily to an increase in accrued bonuses. Finally, deferred income increased due to our distributors increasing inventory levels in anticipation of increased sales as the overall economic environment improves. Significant working capital changes offsetting positive cash flows for the nine months ended October 31, 2009 related to an increase in accounts receivable of $172.2 million due to the higher revenue during the three months ended October 31, 2009. In addition, income taxes payable decreased by $29.1 million due to the reversal of tax contingency reserves during the current fiscal year as a result of the expiration of the statute of limitations related to certain items and favorable outcomes on audit closures in foreign jurisdictions during fiscal 2010.

Net cash provided by operating activities of $571.5 million for the nine months ended November 1, 2008 included $521.0 million from net income adjusted for non-cash items and $50.5 million of net cash provided by changes in working capital. Improvements in working capital included a decrease in inventories of $95.9 million related to the completion of contractual obligations under the original supply agreement with Intel as well as concentrated efforts to reduce inventory levels. Prepaid and other assets decreased $61.8 million due primarily to the utilization of prepaid foundry capacity and receipt of prepaid wafers. Significant working capital changes offsetting positive cash flows included an increase in accounts receivable of $65.8 million due primarily to the timing of revenue recorded toward the end of the quarter as well as timing of payments received from customers. In addition, accrued liabilities decreased by $23.7 million attributable to a decrease in accrued contingent consideration as milestones were achieved. Finally, accrued employee compensation increased $17.6 million due primarily to an increase in accrued vacation, accrued salaries due to timing of the payroll cycle and accrued bonuses.

Net Cash Used in Investing Activities

Net cash used in investing activities was $444.0 million for the nine months ended October 31, 2009 compared to $43.0 million for the nine months ended November 1, 2008. The cash flows for the nine months ended October 31, 2009 was due primarily to the net purchase of investments of $416.7 million as we began to implement our new investment strategy, purchases of property and equipment of $14.8 million and purchases of technology licenses for $12.6 million. The cash flows for the nine months ended November 1, 2008 was due to purchases of property and equipment of $59.3 million, purchases of investments of $10.2 million, partially offset by sales and maturities of investments of $29.2 million.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $33.6 million for the nine months ended October 31, 2009 compared to net cash used in financing activities of $124.2 million for the nine months ended November 1, 2008. For the nine months ended October 31, 2009, cash flows were attributable to proceeds from the issuance of common shares under our stock options plans and employee stock purchase plan. For the nine months ended November 1, 2008, cash flows were attributable to principal payments on debt obligations and capital leases partially offset by proceeds from the issuance of common shares under our stock option plans and employee stock purchase plan.

Contractual Obligations and Commitments

In February 2005 and as amended in March 2005, we entered into an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and a half years beginning on October 1, 2005. In return, we agreed to pay the foundry $174.2 million over a period of 18 months. The amendment extended the term of the agreement and the agreed upon pricing terms until December 31, 2015. As of October 31, 2009, all payments (included in prepaids and other current assets and other non-current assets) had been made and approximately $162.2 million of the prepayment had been utilized. At October 31, 2009, there were no outstanding commitments under the agreement.

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Under our manufacturing relationships with foundries, cancellation of all outstanding purchase orders are allowed but require repayment of all expenses incurred through the date of cancellation. As of October 31, 2009, the amount of open purchase orders to these foundries was approximately $139.7 million.

As of October 31, 2009, we had approximately $21.2 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

The following table summarizes our contractual obligations as of October 31, 2009 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments Due by Period						
	Fiscal 2010 (remaining three months)	**Fiscal 2011**	**Fiscal 2012**	**Fiscal 2013**	**Fiscal 2014**	**There-after**	**Total**
Contractual obligations:							
Operating leases	$ 9,154	$ 33,445	$ 22,909	$ 15,515	$ 2,999	$ 9,720	$ 93,742
Capital lease obligations	521	2,084	522				3,127
Purchase commitments to foundries	139,740						139,740
Capital purchase obligations	21,156						21,156
Total contractual cash obligations	$ 170,571	$ 35,529	$ 23,431	$ 15,515	$ 2,999	$ 9,720	$ 257,765

Included in operating lease commitments are lease payments for computer-aided-design software license agreements and airplane lease commitments.

In addition to the above commitments and contingencies, as of October 31, 2009, we recorded $93.4 million of unrecognized tax benefits as liabilities in accordance with ASC 740. We also recorded a liability for potential interest and penalties of $20.5 million and $7.7 million, respectively, as of October 31, 2009. During the next 12 months, we believe that audit resolutions and the expiration of statute of limitations could potentially reduce our unrecognized tax benefit by approximately $12.6 million. However, this amount can change because we continue to have ongoing negotiations with various tax authorities throughout the year. At this time, we are unable to make a reasonably reliable estimate of the amount of payments in each year beyond 12 months due to uncertainties in the timing of tax audit outcomes.

Prospective capital needs: We believe that our existing cash, cash equivalents and marketable securities, together with cash generated from operations and from exercise of employee stock options, will be sufficient to cover our working capital needs, capital expenditures, investment requirements and commitments for at least the next 12 months. Our capital requirements will depend on many factors, including our rate of sales growth, market acceptance of our products, costs of securing access to adequate manufacturing capacity, the timing and extent of research and development projects, costs of making improvements to facilities and increases in operating expenses, which are all subject to uncertainty. However, we are named as defendants to several litigation actions and an unfavorable outcome in such actions could have a material adverse effect on our cash flows. To the extent that our existing cash, cash equivalents and investment balances and cash generated by operations are insufficient to fund our future activities, we may need to raise additional funds through public or private debt or equity financing. We may enter into additional acquisitions of businesses, assets, products, technologies or other strategic arrangements in the future, which could also require us to seek debt or equity financing. Additional equity financing or convertible debt financing may be dilutive to our current shareholders. If we elect to raise additional funds, we may not be able to obtain such funds on a timely basis or on acceptable terms, if at all. If we raise additional funds by issuing additional equity or convertible debt securities, the ownership percentages of existing shareholders would be reduced. In addition, the equity or debt securities that we issue may have rights, preferences or privileges senior to our common shares.

Off-Balance Sheet Arrangements

As of October 31, 2009, we did not have any material off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

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Recent Accounting Pronouncements

In June 2009, the FASB issued the FASB ASC 105-10, Generally Accepted Accounting Principles Overall (ASC 105-10). ASC105-10 establishes the FASB Accounting Standards Codification (the Codification), the authoritative guidance for U.S. GAAP. The Codification, which changes the referencing of financial standards, became effective for interim and annual periods ending on or after September 15, 2009. The Codification is now the single source of authoritative U.S. GAAP (other than guidance issued by the SEC) superseding all existing all non-SEC accounting and reporting standards. All other non-SEC accounting literature not included in the Codification is considered non-authoritative. The Codification does not change U.S. GAAP. We adopted the Codification during the quarter ended October 31, 2009. Adoption of the Codification did not have any substantive impact on our financial position or results of operations. References made to FASB guidance throughout the document have been updated for the Codification.

In September 2009, the FASB issued new accounting guidance related to the revenue recognition of multiple element arrangements. The new guidance states that if vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, companies will be required to develop a best estimate of the selling price to separate deliverables and allocate arrangement consideration using the relative selling price method. The accounting guidance will be applied prospectively and will become effective during the first quarter of fiscal year 2011. Early adoption is allowed. We are currently evaluating the impact of this accounting guidance on our financial position and results of operations.

Related Party Transactions

On August 19, 2005, through our subsidiaries Marvell Semiconductor, Inc. (MSI) and Marvell International Ltd. (MIL), we entered into a License and Manufacturing Services Agreement with C2 Microsystems, Inc. (the C2Micro License Agreement). The C2Micro License Agreement has substantially similar terms as our other license and manufacturing services agreements with other third parties for similar technology. We recognized $0.9 million and none of revenue under the C2Micro License Agreement during the three months ended October 31, 2009 and November 1, 2008, respectively. We recognized $0.9 million and $2.6 million of revenue under the C2Micro License Agreement during the nine months ended October 31, 2009 and November 1, 2008, respectively. As of October 31, 2009, we had received a prepayment of $0.6 million from C2 Microsystems for the manufacturing of certain products. Dr. Sehat Sutardja, our President and Chief Executive Officer, and Weili Dai, the Vice President of Sales for Communications and Consumer Business of MSI and Vice President and General Manager of Communications and Computing Business Unit of MSI, through their ownership and control of Estopia LLC, are indirect shareholders of C2 Microsystems. Dr. Sehat Sutardja and Weili Dai are husband and wife. Kuo Wei (Herbert) Chang, a member of our Board of Directors, is a member of the board of directors of C2 Microsystems and through his ownership, and control of C-Squared venture entities, is also an indirect shareholder of C2 Microsystems. Dr. Pantas Sutardja, our Vice President, Chief Technology Officer and Chief Research and Development Officer, is also a shareholder of C2 Microsystems.

On January 8, 2007, through our subsidiary MIL, we entered into a Library/IP/Software Evaluation License Agreement (the Evaluation License Agreement), with VeriSilicon Holdings Co., Ltd. (VeriSilicon). The Evaluation License Agreement has no consideration. We incurred $50 and $31,000 of royalty expense from VeriSilicon under a core license agreement assumed from our acquisition of the semiconductor design business of UTStarcom, Inc. during the three months ended October 31, 2009 and November 1, 2008, respectively. We incurred $6,000 and $140,000 of royalty expense under the same license agreement during the nine months ended October 31, 2009 and November 1, 2008, respectively. This core license agreement had been assumed by VeriSilicon after its acquisition of certain assets from LSI Corporation. On March 30, 2009, we entered into an addendum to this core license agreement with VeriSilicon. We recorded a license fee of $0.5 million and maintenance fees of $80,000 during the first quarter ended May 2, 2009. On June 30, 2009, we entered into the second addendum to the technology license agreement with VeriSilicon for VeriSilicon to perform services for a fee of $40,000. Weili Dai s brother (and Dr. Sehat Sutardja s brother-in-law) is the Chairman, President and Chief Executive Officer of VeriSilicon. Ms. Dai is also a shareholder of VeriSilicon.

On September 28, 2007, through our subsidiary MIL, we entered into a Master Technology Agreement (the Technology Agreement) with Sonics, Inc. (Sonics), pursuant to which we have licensed technology from Sonics. The Technology Agreement has substantially similar terms as our other license agreements with other third parties for similar technology. We paid $0.1 million under the Technology Agreement for the license and related maintenance during fiscal 2009. Kuo Wei (Herbert) Chang, a member of our Board of Directors, serves as a member of the board of directors of Sonics and has a direct and/or indirect ownership interest in the equity of Sonics. There was no expense incurred related to the Technology Agreement during the three and nine months ended October 31, 2009 and November 1, 2008.

On October 31, 2007, we entered into a License Agreement with Vivante Corporation (the Vivante Agreement). The Vivante Agreement has substantially similar terms as we would expect to obtain for license agreements with other third parties for similar technology. We recorded none and $0.2 million of expense during the three and nine months ended November 1, 2008, respectively, in connection with the Vivante Agreement. In August 2008, we entered into a Technology License Agreement with Vivante. This Technology License Agreement, as amended, also has substantially similar terms as we would expect to obtain for license agreements with other third parties for similar technology. We recorded $2.0 million for the license fee and $0.2 million of maintenance during fiscal 2009 in connection with this Technology License Agreement. In January 2009, we entered into an agreement with Vivante to disclose certain cell libraries to Vivante at no additional cost. In April 2009, we entered into an amendment to the Technology License Agreement with Vivante. We recorded $1.0 million for the license fee and $70,000 of maintenance during the first quarter ended May 2, 2009 in connection with the amendment to the Technology License Agreement. In June 2009, we entered into the second amendment to the Technology License Agreement with Vivante and recorded $0.5 million for the license fee and $50,000 of maintenance during the three months ended August 1, 2009. Dr. Sehat Sutardja and Weili Dai, through their ownership and control of Estopia LLC, are indirect shareholders of Vivante. In addition, Dr. Sehat Sutardja is also a direct shareholder and Chairman of the board of directors of Vivante. Weili Dai s brother (and Dr. Sehat Sutardja s brother-in-law) is the Chief Executive Officer of Vivante. Kuo Wei (Herbert) Chang, a member of our Board of Directors, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of Vivante.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. We invest our excess cash primarily in highly liquid debt instruments of the U.S. government and its agencies, time deposits, money market mutual funds and corporate securities. These investments are generally classified as available-for-sale and, consequently, are recorded on our balance sheets at fair market value with their related unrealized gain or loss reflected as a component of accumulated other comprehensive income in stockholders equity. Investments in both fixed rate and floating rate interest earning securities carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall. Due to the strength of our balance sheet, the relatively short-term nature of our investment portfolio and our ability to hold investments to maturity, we do not believe that an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio or on our operating results or cash flows.

As of October 31, 2009 and January 31, 2009, our investment portfolio included $41.7 million and $41.9 million, respectively, in par value of auction rate securities. Auction rate securities are usually found in the form of municipal bonds, preferred stock, pools of student loans or collateralized debt obligations with contractual maturities generally between 20 and 30 years and whose interest rates are reset every seven to 35 days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par. Our auction rate securities are all backed by student loans originated under the Federal Family Education Loan Program (the FFELP) and are over-collateralized, insured and guaranteed by the U.S. Federal Department of Education (the DOE). All auction rate securities held by us are rated by the major independent rating agencies as either AAA or Aaa at the time of purchase.

In the fourth quarter ended January 31, 2009, UBS, one of the brokers in which we purchase auction rates securities from, offered a settlement where UBS has the right to call and sell one of the auction securities we purchased from them at par value of $5 million at a future date. As a result of our participation in this settlement, we included the put option from the settlement in the long term investments and elected to the fair value option to measure the put option at fair value. We also elected to transfer this auction rate security to trading securities from available-for-sale as our intent is to exercise the put option at a future date.

As of October 31, 2009, the estimated fair values of the auction rate securities were $2.4 million less than their par value. We have less than 2.8% of our total cash invested in these auction rate securities, a balance of approximately $1.5 billion in cash, cash equivalents and short-term investments other than auction rate securities, and we continue to generate positive cash flow on a quarterly basis. As we have no intent to sell and it is more likely than not that we will not be required to sell the auction rate securities prior to recovery, we concluded the decline in fair values was temporary and recorded the unrealized loss to accumulated other comprehensive loss, a component of shareholders equity as of October 31, 2009.

To the extent we determine that any impairment is other-than-temporary, the impairment would be recorded to earnings. In addition, we have concluded that the auctions for these securities may continue to fail for at least the next 12 months and as a result, these auction rate securities have been classified as long-term investments as of October 31, 2009.

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At any time, fluctuations in interest rates could affect interest earnings on our cash and cash equivalents, or the fair value of our investment portfolio.

Investment Risk. We invest in equity instruments of privately held companies for business and strategic purposes. These investments, which totaled $7.1 million at October 31, 2009, are included in other non-current assets in the accompanying balance sheets and are accounted for under the cost method because our ownership is less than 20% and we do not have the ability to exercise significant influence over the operations of these companies. We monitor these investments for impairment and make appropriate reductions in carrying value when an impairment is deemed to be other than temporary.

Foreign Currency Exchange Risk. Substantially all of our sales and the majority of our expenses are denominated in U.S. dollars. As a result, we have limited exposure to foreign currency exchange risk. Since we operate in many countries, we pay certain payroll and other operating expenses in local currencies. We also hold certain assets and liabilities, including potential local tax liabilities, in local currency on our balance sheet. We record the related effects of foreign exchange fluctuations on local currency expenses, assets and liabilities to other income and expense. Significant fluctuations in exchange rates in countries where we incur expenses or record assets or liabilities in local currency could affect our business and operating results in the future. Thus, we may experience both realized and unrealized foreign currency gains and losses due to these local currency exposures. There is also a risk that our customers may be negatively impacted in their ability to purchase our products priced in U.S. dollars when there has been significant volatility in foreign currency exchange rates.

Occasionally, we will enter into short-term forward exchange contracts to hedge exposures for purchases denominated in foreign currencies, such as the Israeli Shekel. We do not enter into derivative financial instruments for trading or speculative purposes. Generally, our practice is to hedge only the most significant of our foreign exchange exposures, typically for one to 12 months. We may choose not to hedge certain foreign exchange exposures due to immateriality, offsetting exposures, prohibitive economic cost of hedging particular exposures, and limited availability of appropriate hedging instruments. As of October 31, 2009, we had $26.4 million of notional value in forward contracts designated as cash flow hedges with an unrealized gain of $1.6 million and $12.3 million of notional value in forward contracts not designated as hedges with a realized loss of $31,000. We had no forward contracts as of January 31, 2009. For more information see Note 5 Derivative Financial Instruments in our notes to unaudited condensed consolidated financial statements. If foreign currency rates were to fluctuate by 10% from rates as of October 31, 2009, our consolidated financial position, operating results and cash flows could be materially affected.

Item 4. Controls and Procedures

Management s Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Disclosure controls and procedures are designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of October 31, 2009, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended October 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitation on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. The design of any control system is based, in part, upon the benefits of the control system relative to its costs. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies and procedures may deteriorate. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under Note 9 Commitments and Contingencies (Contingencies) of our notes to unaudited condensed consolidated financial statements, included in Part I, Item 1, is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see Part II, Item 1A, Risk Factors, immediately below.

Item 1A. Risk Factors

Before deciding to purchase, hold or sell our common shares, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere and the other information contained in this Quarterly Report on Form 10-Q and in our other filings with the SEC, including our Annual Report on Form 10-K for the year ended January 31, 2009 and subsequent reports on Forms 10-Q and 8-K. Many of these risks and uncertainties are beyond our control, including business cycles and seasonal trends of the computing, semiconductor and related industries.

Our financial condition and results of operations may vary, which may cause the price of our common shares to decline.

Our quarterly operating results have fluctuated in the past and could do so in the future. Because our operating results are difficult to predict, you should not rely on quarterly comparisons of our results of operations as an indication of our future performance.

Fluctuations in our operating results may be due to a number of factors, including, but not limited to, those listed below and those identified throughout this Risk Factors section:

- general economic and political conditions and specific conditions in the markets we address, including the continuing volatility in the technology sector and semiconductor industry, and current general economic volatility;
- order or shipment cancellations, rescheduling or deferrals of significant customer orders;
- our ability to scale our operations in response to changes in demand for our existing products and services or demand for new products requested by our customers;
- gain or loss of a key customer, design win or order;
- our ability to maintain a competitive cost structure for our manufacturing and assembly and test processes;
- failure to qualify our products or our suppliers manufacturing lines;
- our ability to exercise stringent quality control measures to obtain high yields;
- effective and timely update of equipment and facilities as required for leading edge production capabilities; and

any litigation related to our intellectual property that could result in substantial costs and a diversion of management s attention and resources that are needed to successfully maintain and grow our business.

Due to fluctuations in our quarterly operating results and other factors, the price at which our common shares will trade is likely to continue to be highly volatile. In future periods, if our revenues or operating results are below our estimates or the estimates or expectations of public market analysts and investors, our stock price could decline. On average, technology companies have been subject to a greater number of securities class action claims than companies in many other industries as a result of stock price volatility. If our stock price is volatile, we may become involved in this type of litigation. Any litigation could result in substantial costs and a diversion of management s attention and resources that are needed to successfully maintain and grow our business.

Our business, financial condition and results of operations may be adversely impacted by the recent global financial crisis. As a result, our financial results and the market price of our common shares may decline.

We operate primarily in the semiconductor industry, which is cyclical and subject to rapid change and evolving industry standards. From time to time, this industry has experienced significant demand downturns. These downturns are characterized by decreases in product demand, excess customer inventories and sometimes accelerated erosion of prices. These factors could cause substantial fluctuations in our revenue and results of operations. In addition, during these downturns some competitors may become more aggressive in their pricing practices, which would adversely impact our gross margin. Furthermore, our foundry partners often require significant amounts of financing in order to build wafer fabrication facilities. If they are unable to obtain financing and anticipated capacity is not completed, we may experience a shortage of capacity, which could increase our costs or reduce our ability to meet customer demand. Any downturns in the current environment may be severe and prolonged, and any failure of the markets in which we operate to fully recover from downturns could seriously impact our revenue and harm our business, financial condition and results of operations.

The global credit and financial markets over the past year experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, decreased consumer confidence, lower economic growth, volatile energy costs, increased unemployment rates, and uncertainty about economic stability. As a result, we experienced cancellations, deferrals and a significant slowdown in orders, which resulted in lower revenue levels that could continue for the foreseeable future. These conditions make it difficult for our customers, our vendors and us to accurately forecast and plan future business activities, and could cause global businesses to further slow spending on our products and services, which would delay and lengthen sales cycles. During challenging economic times our customers and distributors may face issues gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our days sales outstanding would increase. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery, globally, or in the hard disk drive or in the semiconductor industry. If the economy or markets in which we operate deteriorate from current levels, our business, financial condition and results of operations will likely be materially and adversely affected. Additionally, the combination of our lengthy sales cycle coupled with challenging macroeconomic conditions could adversely impact our results of operations.

Changes in our management may cause uncertainty in, or be disruptive to, our business.

We have experienced significant changes in our management and our board of directors in recent years. For example, in 2008, we hired a new chief financial officer and a new general counsel. Since October 2008, our chief financial officer has also served as our interim chief operating officer, and we have reassigned many of the duties that had previously been allocated to the chief operating officer to other employees. In light of our current operating structure and effectiveness, our board of directors has reevaluated whether we need a chief operating officer and determined that appointing a permanent chief operating officer at this time is not necessary. Thus, we have suspended our search for a permanent chief operating officer. In addition, three of the independent directors currently on our board of directors joined the board in or subsequent to October 2007, and in April 2009, an independent director was appointed to a new position of lead independent director. Although we will endeavor to implement any director and management transition in as non-disruptive a manner as possible, any such transition might impact our business, and give rise to uncertainty among customers, investors, vendors, employees and others concerning our future direction and performance. This could adversely affect our business, financial condition, results of operations and cash flows, and our ability to execute our business model could be impaired.

We have made and may continue to make acquisitions and investments, which could divert management s attention, cause ownership dilution to our shareholders, be difficult to integrate and adversely affect our results of operations and share price.

We expect to continue to make acquisitions of, and investments in, businesses that offer complementary products, services and technologies, augment our market segment coverage, or enhance our technological capabilities. In the past three fiscal years, we have completed the acquisition of the communications and applications processor business of Intel and other small acquisitions. We may also enter into strategic alliances or joint ventures to achieve these goals. We cannot assure you that we will be able to identify suitable acquisition, investment, alliance or joint venture opportunities in the future, or that we will be able to consummate any such transactions or relationships on terms and conditions acceptable to us, or that such transactions or relationships will be successful.

Integrating newly acquired businesses or technologies typically entail many risks that could put a strain on our resources, could be costly and time consuming, and might not be successful. In addition, any acquisitions could materially harm our results of operations or liquidity as a result of either the issuance of dilutive equity securities or payment of cash. Moreover, such acquisitions could divert our management s attention from other business concerns and also result in customer dissatisfaction. In addition, we might lose key employees of the newly acquired organizations during the acquisition process. The acquisition of another company or its products and technologies may also require us to enter into a geographic or business market in which we have little or no prior experience.

In addition, the purchase price of any acquired businesses may exceed the current fair values of the net tangible assets of the acquired businesses. As a result, we would be required to record material amounts of goodwill, acquired in-process research and development, charges and other intangible assets, which could result in significant impairment and acquired in-process research and development charges and amortization expense in future periods. It may also be necessary for us to take other financial charges and reserves as a result of acquisitions, such as inventory write-downs. These charges, in addition to the results of operations of such acquired businesses, could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to potential impairment charges on certain assets.

Over the past several years, we have made several acquisitions. As a result of these acquisitions, we had approximately $2.0 billion of goodwill and $203.4 million of intangible assets on our balance sheet as of October 31, 2009. Under GAAP, we are required to review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. If the businesses acquired fail to meet our expectations set out at the time of the acquisition or if our market capitalization adjusted for control premiums and other factors declines to below our carrying value, we could incur significant impairment charges, which could negatively impact our financial results. For example, as a result of our analysis related to acquired intangible assets, we recorded an impairment charge of $15.6 million in the fourth quarter ended January 31, 2009. In addition, from time to time, we have made investments in other private companies. If the companies that we invest in are unable to execute their plans and succeed in their respective markets, we may not benefit from such investments, and we could potentially lose the amounts we invest. In addition, we evaluate our investment portfolio on a regular basis to determine if impairments have occurred. Impairment charges could have a material impact on our results of operations in any period.

A significant portion of our business is dependent on the hard disk drive industry, which is highly cyclical, experiences rapid technological change, and is facing increased competition from alternative technologies.

The hard disk drive industry is intensely competitive, and the technology changes rapidly. As a result, this industry is highly cyclical, with periods of increased demand and rapid growth followed by periods of oversupply and subsequent contraction. These cycles may affect us because some of our customers are participants in this industry. Hard disk drive manufacturers tend to order more components than they may need during growth periods, and sharply reduce orders for components during periods of contraction. In addition, advances in existing technologies and the introduction of new technologies may result in lower demand for disk drive storage devices, thereby reducing demand for our products. Rapid technological changes in the hard disk drive industry often result in significant and rapid shifts in market share among the industry s participants. If the hard disk drive manufacturers using our products do not retain or increase their market share, our sales may decrease.

Future changes in the nature of information storage products may reduce demand for traditional hard disk drives. For instance, products using alternative technologies, such as semiconductor memory, optical storage, solid-state flash drives and other storage technologies could become a significant source of competition to manufacturers of hard disk drives. Flash memory has typically been more costly than disk drive technologies. However, flash memory manufacturers have been reducing the prices for their products, which could enable them to complete more effectively with very small form factor hard disk drive products. Demand for hard disk drives could be reduced if alternative storage technologies such as flash memory can meet customers cost and capacity requirements.

Our sales are concentrated in a few customers, and if we lose or experience a significant reduction in sales to any of these key customers, our revenues may decrease substantially.

We receive a significant amount of our revenues from a limited number of customers. For the nine months ended October 31, 2009, two customers accounted for a total of approximately 39% of our net revenue. Sales to our largest customers have fluctuated significantly from period to period primarily due to the timing and number of design wins with each customer, as well as the continued diversification of our customer base as we expand into new markets, and will likely continue to fluctuate dramatically in the future. The loss of any of our large customers, a significant reduction in sales we make to them, or any problems we encounter collecting amounts due from them would likely harm our financial condition and results of operations. Our operating results in the foreseeable future will continue to depend on sales to a relatively small number of customers, as well as the ability of these customers

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to sell products that incorporate our products. In the future, these customers may decide not to purchase our products at all, purchase fewer products than they did in the past, or alter their purchasing patterns in some other way, particularly because:

- substantially all of our sales are made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty;
- our customers may develop their own solutions;
- our customers may purchase integrated circuits from our competitors; or
- our customers may discontinue sales or lose market share in the markets for which they purchase our products.

We rely on independent foundries and subcontractors for the manufacture, assembly and testing of our integrated circuit products, and the failure of any of these third party vendors to deliver products or otherwise perform as requested could damage our relationships with our customers, decrease our sales and limit our growth.

We do not have our own manufacturing or assembly facilities and have very limited in-house testing facilities. Therefore, we rely on third party vendors to manufacture, assemble and test the products we design. We currently rely on several third party foundries to produce our integrated circuit products. We also currently rely on several third party assembly and test subcontractors to assemble, package and test our products. This exposes us to a variety of risks, including the following:

Regional Concentration:

Substantially all of our products are manufactured by third party foundries located in Taiwan. Currently our alternative manufacturing sources are located in China and Singapore. In addition, substantially all of our assembly and testing facilities are located in Singapore, Taiwan, Malaysia and the Philippines. Because of the geographic concentration of these third party foundries, we are exposed to the risk that their operations may be disrupted by regional disasters. For example, the risk of an earthquake in Taiwan and elsewhere in the Pacific Rim region is significant due to the proximity of major earthquake fault lines to the facilities of our foundries and assembly and test subcontractors. In September 1999, a major earthquake in Taiwan affected the facilities of several of these third party contractors. As a consequence of this earthquake, these contractors suffered power outages and disruptions that impaired their production capacity. Major earthquakes also occurred in Taiwan in 2002, 2003, 2004 and 2006. In addition, the resurgence of severe acute respiratory syndrome, the outbreak of avian flu and any similar future outbreaks in Asia, where these foundries are located, could affect the production capabilities of our manufacturers by resulting in quarantines or closures. In the event of such a quarantine or closure, if we were unable to quickly identify alternate manufacturing facilities, our revenues, cost of revenues and results of operations would be negatively impacted. If these vendors do not provide us with high-quality products and services in a timely manner, or if one or more of these vendors terminates its relationship with us, we may be unable to obtain satisfactory replacements to fulfill customer orders on a timely basis, our relationships with our customers could suffer, our sales could decrease and harm our business, financial condition or results of operations.

No Guarantee of Capacity or Supply:

Availability of foundry capacity has from time to time in the past been constrained due to strong demand, and with limited exceptions, our vendors are not obligated to perform services or supply products to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. The ability of each foundry to provide us with semiconductor devices is limited by its available capacity and existing obligations. Although we have entered into contractual commitments to supply specified levels of products to some of our customers, we may not have sufficient levels of production capacity with all of our foundries, despite signing an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices until December 31, 2015. Despite this agreement, foundry capacity may not be available when we need it or at reasonable prices. We place our orders on the basis of our customers purchase orders or our forecast of customer demand, and the foundries can allocate capacity to the production of other companies products and reduce deliveries to us on short notice. It is possible that foundry customers that are larger and better financed than we are or that have long-term agreements with our main foundries, may induce our foundries to reallocate capacity to those customers. This reallocation could impair our ability to secure the supply of components that we need.

Although we use several independent foundries to manufacture substantially all of our semiconductor products, most of our components are not manufactured at more than one foundry at any given time, and our products typically are designed to be manufactured in a specific process at only one of these foundries. Accordingly, if one of our foundries is unable to provide us with components as needed, it may be difficult for us to transition the manufacture of our products to other foundries, and we could experience significant delays in securing sufficient supplies of those components. This could result in a material decline in revenues, net income and cash flow.

In order to secure sufficient foundry capacity when demand is high and mitigate the risks described in the foregoing paragraph, we may enter into various arrangements with suppliers that could be costly and harm our results of operations, such as non-refundable deposits with or loans to foundries in exchange for capacity commitments, and contracts that commit us to purchase specified quantities of integrated circuits over extended periods. We may not be able to make any such arrangement in a timely fashion or at all, and any arrangements may be costly, reduce our financial flexibility, and not be on terms favorable to us. For example, amounts payable under our foundry fabrication capacity agreement are non-refundable regardless of whether we are able to utilize all or any of the guaranteed wafer capacity under the terms of the agreement. Moreover, if we are able to secure foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

Uncertain Yields and Quality:

The fabrication of integrated circuits is a complex and technically demanding process. Our foundries have from time to time experienced manufacturing defects and reduced manufacturing yields. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by our foundries could result in lower than anticipated manufacturing yields or unacceptable performance. Many of these problems are difficult to detect at an early stage of the manufacturing process and may be time consuming and expensive to correct. Poor yields from our foundries, or defects, integration issues or other performance problems in our products could cause us significant customer relations and business reputation problems, harm our financial results and result in financial or other damages to our customers. Our customers could also seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. In addition, defects in our existing or new products could result in significant warranty, support and repair costs, and divert the attention of our engineering personnel from our product development efforts.

To the extent that we rely on outside suppliers to manufacture or assemble and test our products, we may have a reduced ability to control directly product delivery schedules and quality assurance. This lack of control may result in product shortages or quality assurance problems that could delay shipments of products or increase manufacturing, assembly, testing or other costs.

If we are unable to accurately predict our future sales and to appropriately budget for our expenses, our results of operations could suffer.

The rapidly changing nature of the global economy and the markets in which we sell our products limits our ability to accurately forecast quarterly and annual sales. Additionally, because many of our expenses are fixed in the short term or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales. If our sales do not increase as anticipated, our profitability could be adversely affected due to our higher expense levels. For example, in order to reduce expenses in the challenging economic environment, in the fourth quarter ended January 31, 2009 and the first quarter ended May 2, 2009, we implemented certain cost reduction measures to reduce operating expenses. We expect cost savings from these cost reduction measures to be used to offset market forces or to be reinvested in our businesses to strengthen our competitiveness, but we cannot be certain that we will be successful in these efforts.

If we are unable to develop and introduce new and enhanced products that achieve market acceptance in a timely and cost-effective manner, our results of operations and competitive position will be harmed.

Our future success will depend on our ability, in a timely and cost-effective manner, to develop and introduce new products and enhancements to our existing products. We must also achieve market acceptance for these products and enhancements. If we do not successfully develop and achieve market acceptance for new and enhanced products, our ability to maintain or increase revenues will suffer. The development of our products is highly complex. We occasionally have experienced delays in completing the development and introduction of new products and product enhancements, and we could experience delays in the future. Even if new and enhanced products are introduced to the market, we may not be able to achieve market acceptance of them in a timely manner.

In addition, our longstanding relationships with some of our larger customers may also deter other potential customers who compete with these customers from buying our products. To attract new customers or retain existing customers, we may offer certain customers favorable prices on our products. If these prices are lower than the prices paid by our existing customers, we would have to offer the same lower prices to certain of our customers who have contractual most favored nation pricing arrangements. In that event, our average selling prices and gross margins would decline. The loss of a key customer, a reduction in sales to any key customer or our inability to attract new significant customers could materially and adversely affect our business, financial condition and results of operations.

If we fail to appropriately scale our operations in response to changes in demand for our existing products and services or to the demand for new products requested by our customers, our business could be materially and adversely affected.

To achieve our business objectives, it may be necessary from time to time for us to expand or contract our operations. For example, we have experienced periods of rapid growth and expansion. Through internal growth and acquisitions, we significantly increased the scope of our operations and expanded our workforce from 1,205 employees, as of January 31, 2003, to 5,145 employees, as of October 31, 2009. Nonetheless, we may not be able to scale our workforce and operations in a sufficiently timely manner to respond effectively to changes in demand for our existing products and services or to the demand for new products requested by our customers. In that event, we may be unable to meet competitive challenges or exploit potential market opportunities, and our current or future business could be materially and adversely affected. Conversely, if we expand our operations and workforce too rapidly in anticipation of increased demand for our products, and such demand does not materialize at the pace at which we expected, the rate of increase in our costs and operating expenses may exceed the rate of increase in our revenue, which would adversely affect our results of operations. In addition, if such demand does not materialize at the pace which we expect, we may scale down our business further through additional expense and headcount reductions as well as facility consolidations or closures that could result in restructuring charges that would materially and adversely affect our results of operations. For example, in order to reduce expenses in the challenging economic environment, in the fourth quarter ended January 31, 2009 and the first quarter ended May 2, 2009, we implemented certain cost reduction measures to reduce operating expenses.

Our past growth has placed, and any future long-term growth is expected to continue to place, a significant strain on our management personnel, systems and resources. To implement our current business and product plans, we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort. Although we have implemented an enterprise resource planning system to help us improve our planning and management processes, we anticipate that we will also need to continue to implement and improve a variety of new and upgraded operational and financial systems, as well as additional procedures and other internal management systems. These processes can be time consuming and expensive, increase management responsibilities and divert management attention. If we are unable to effectively manage our expanding operations, we may be unable to scale our business quickly enough to meet competitive challenges or exploit potential market opportunities, or conversely, we may scale our business too quickly and the rate of increase in our costs and expenses may exceed the rate of increase in our revenue, either of which would materially and adversely affect our current or future business.

We rely on third party distributors and manufacturers representatives and the failure of these distributors and manufacturers representatives to perform as expected could reduce our future sales.

We sell many of our products to customers through distributors and manufacturers representatives. From time to time, we enter into relationships with new distributors and manufacturers representatives, and we are unable to predict the extent to which new distributors and manufacturers representatives will be successful in marketing and selling our products. Moreover, many of our distributors and manufacturers representatives also market and sell competing products. Our distributors and manufacturer s representatives may terminate their relationships with us at any time. Our future performance will also depend, in part, on our ability to attract additional distributors or manufacturers representatives that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. If we cannot retain our current distributors or manufacturers representatives or recruit additional or replacement distributors or manufacturers representatives, our sales and operating results will be harmed. We generally realize a higher gross margin on direct sales and from sales through manufacturers representatives than on sales through distributors. Accordingly, if our distributors were to account for an increased portion of our net sales, our gross margins may decline.

We are subject to order and shipment uncertainties, and if we are unable to accurately predict customer demand, we may hold excess or obsolete inventory, which would reduce our gross margin, or, conversely, we may have insufficient inventory, which would result in lost revenue opportunities and potentially in loss of market share and damaged customer relationships.

We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Customers can generally cancel or defer purchase orders on short notice without incurring a significant penalty. In the recent past, some of our customers have developed excess inventories of their own products and have, as a consequence, deferred purchase orders for our products. We cannot accurately predict what or how many products our customers will need in the future. Anticipating demand is difficult because our customers face volatile pricing and unpredictable demand for their own products and are increasingly focused more on cash preservation and tighter inventory management. In addition, as an increasing number of our chips are being incorporated into consumer products, we anticipate greater fluctuations in demand for our products, which makes it more difficult to forecast customer demand. We place orders with our suppliers based on forecasts of customer demand and, in some instances, may establish buffer inventories to accommodate anticipated demand. Our forecasts are based on multiple assumptions, each of which may introduce error into our estimates. If we overestimate customer demand, we may allocate resources to manufacturing products that we may not be able to sell when we expect to, if at all. As a result, we would hold excess or obsolete inventory, which would reduce our gross margin and adversely affect our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would forgo revenue opportunities and potentially lose market share and damage our customer relationships. In addition, any future significant cancellations or deferrals of product orders or the return of previously sold products could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations. Furthermore, we generally recognize revenue upon shipment of products to a customer. If a customer refuses to accept shipped products or does not timely pay for these products, we could incur significant charges against our income.

We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

In order to remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products and to redesign some products. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes. We are dependent on our relationships with our foundry subcontractors to transition to smaller geometry processes successfully. We cannot assure you that the foundries that we use will be able to effectively manage the transition or that we will be able to maintain our existing foundry relationships or develop new ones. If we or any of our foundry subcontractors experience significant delays in this transition or fail to efficiently implement this transition, we could experience reduced manufacturing yields, delays in product deliveries and increased expenses, all of which could harm our relationships with our customers and our results of operations. As smaller geometry processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as customer and third party intellectual property, into our products. However, we may not be able to achieve higher levels of design integration or deliver new integrated products on a timely basis, if at all. Moreover, even if we are able to achieve higher levels of design integration, such integration may have a short-term adverse impact on our results of operations, as we may reduce our revenue by integrating the functionality of multiple chips into a single chip.

As a result of the settlement with the SEC, we cannot invoke the safe harbor for the forward-looking statements provision of the Private Securities Litigation Reform Act of 1995 for three years following the entry of judgment.

On May 8, 2008, we announced that we had reached an agreement with the SEC that concluded the SEC s formal investigation of us with respect to our historic stock option granting practices. As a result of our SEC settlement, we have forfeited for three years following the entry of judgment, or June 20, 2011, the ability to invoke the safe harbor for the forward-looking statements provision of the Private Securities Litigation Reform Act of 1995. This safe harbor provided us enhanced protection from liability related to forward-looking statements if the forward-looking statements were either accompanied by meaningful cautionary statements or were made without actual knowledge that they were false or misleading. Without the statutory safe harbor, it may be more difficult for us to defend against any claims based on forward-looking statements.

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

Securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. Companies in the semiconductor industry and other technology industries are particularly vulnerable to this kind of litigation due to the high volatility of their stock prices. Accordingly, we may in the future be the target of additional securities litigation. Any securities litigation could result in substantial costs, could divert the attention and resources of our management, and could have a material adverse effect on our reputation, business, financial condition, financial results, results of operations and cash flows.

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If the recent worsening of credit market conditions continues or increases, it could have a material adverse impact on our investment portfolio.

U.S. sub-prime mortgage defaults have had a significant impact across various sectors of the financial markets, causing global credit and liquidity issues. The short-term funding markets experienced credit issues beginning in the second half of calendar 2007 and continuing through the second quarter of calendar 2009, leading to liquidity disruption in asset-backed commercial paper and failed auctions in the auction rate securities market. If the global credit market continues to deteriorate, our investment portfolio may be impacted and we could determine that some of our investments are impaired. This could materially adversely impact our results of operations and financial condition.

As of October 31, 2009 and January 31, 2009, our investment portfolio included $41.7 million and $41.9 million, respectively, in par value of auction rate securities. Auction rate securities are usually found in the form of municipal bonds, preferred stock, pools of student loans or collateralized debt obligations with contractual maturities generally between 20 and 30 years and whose interest rates are reset every seven to 35 days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par. Our auction rate securities are all backed by student loans originated under the FFELP, and are over-collateralized, insured and guaranteed by the DOE. All auction rate securities held by us are rated by the major independent rating agencies as either AAA or Aaa at the time of purchase.

In the fourth quarter ended January 31, 2009, UBS, one of the brokers who we purchased auction rate securities from, offered a settlement where UBS has the right to call and sell one of the auction securities we purchased from them at par value of $5 million at a future date. As a result of our participation in this settlement, we included the put option from the settlement in long term investments and elected the fair value option to measure the put option at fair value. We also elected to transfer this auction rate security to trading securities from available-for-sale as our intent is to exercise the put option at a future date.

As of October 31, 2009, the estimated fair values of the auction rate securities were $2.4 million less than their par value. We have less than 2.8% of our total cash invested in these auction rate securities, a cash balance of approximately $1.5 billion in cash and cash equivalents and short-term investments other than auction rate securities, and we continue to generate positive cash flow on a quarterly basis. As we have no intent to sell and it is more-likely-than-not that we will not be required to sell the auction rate securities prior to recovery, we concluded the decline in fair values was temporary and recorded the unrealized loss to accumulated other comprehensive income (loss), a component of shareholders equity as of October 31, 2009. We also have an additional $0.2 million of unrealized losses in available-for-sale securities that it also considers to be temporary.

To the extent we determine that any impairment is other-than-temporary, the impairment would be recorded to earnings. In addition, we have concluded that the auctions for these securities may continue to fail for at least the next 12 months and as a result, these auction rate securities have been classified as long-term investments as of October 31, 2009.

In addition, to support our international operations, a portion of our cash and investment portfolio is held offshore. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies, and all offshore balances are exposed to local political, banking, currency control and other risks. Certain of these amounts may also be subject to tax and other restrictions on their transfer to the U.S. or other countries. While we believe our cash and investments are secure, there is risk that some of our balances in international locations will not be adequately secured if the current credit crisis continues.

We have had material weaknesses in internal control over financial reporting in prior fiscal years. Although we believe we have taken the necessary actions to strengthen the weaknesses in our control structure, we cannot assure you that additional material weaknesses will not be identified in the future. If our internal control over financial reporting or disclosure controls and procedures are not effective, there may be errors in our financial statements that could require a restatement or our filings may not be filed on a timely basis and investors may lose confidence in our reported financial information, which could lead to a decline in our stock price.

We believe that effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires management and our auditors to evaluate and assess the effectiveness of our internal control over financial reporting, as of the end of each year, and to include a management report assessing the effectiveness of our internal control over financial reporting in each Annual Report on Form 10-K.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, we are consistently evaluating the design and operating effectiveness of our internal controls in accordance with Auditing Standard No. 5, a process which sometimes leads to modifications in such controls. These modifications could affect the overall effectiveness or evaluation of the control system in the future by us or our independent registered public accounting firm. These inherent limitations include the realities that judgments in decision making can be faulty, breakdowns can occur because of simple error or mistake and errors discovered by personnel within control systems may not be properly disclosed and addressed. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in financial accounting standards or practices or changes in existing taxation rules or practices may cause adverse unexpected revenue and expense fluctuations and affect our reported results of operations.

Changes in financial accounting standards or practices or changes in existing taxation rules or practices may have a significant effect on our reported results. New accounting pronouncements and taxation rules and varying interpretations of accounting pronouncements and taxation practice have occurred and may occur in the future. For example, the U.S. Congress is considering legislation affecting the taxation of foreign corporations and such legislation if enacted might adversely affect our future tax liabilities. Changes to existing rules or the questioning of current practices by regulators may adversely affect our reported financial results or the way we conduct our business.

We depend on key personnel with whom we do not have employment agreements to manage our business, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and successfully market our products could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering and sales and marketing personnel. The loss of key employees or the inability to attract or retain qualified personnel, including engineers and sales and marketing personnel could delay the development and introduction of and harm our ability to sell our products. We do not have employment agreements with any of our key technical personnel, and their knowledge of our business and industry would be extremely difficult to replace.

The competition for qualified technical personnel with significant experience in the design, development, manufacturing, marketing and sales of integrated circuits is intense. It is important that we are able to identify, hire and retain engineers who are familiar with the intricacies of the design and manufacture of products based on analog technology. Our key technical personnel represent a significant asset and serve as the source of our technological and product innovations. We may not be successful in attracting and retaining sufficient numbers of technical personnel to develop new products or enhance existing products in a timely manner.

Two of our officers and directors own a large percentage of our voting stock, and, together with another employee who is also a significant shareholder, are related by blood or marriage. These factors may allow the officers and directors as a group or the three related employees to influence the election of directors and the approval or disapproval of significant corporate actions.

Dr. Sehat Sutardja, our President and Chief Executive Officer, and Weili Dai, who serves as our Vice President of Sales for Communications and Consumer Business of MSI and Vice President and General Manager of Communications and Computing Business Unit of MSI, are husband and wife, and Dr. Sehat Sutardja and Dr. Pantas Sutardja, our Vice President, Chief Technology Officer and Chief Research and Development Officer, are brothers. Together, these three individuals held approximately 17% of our outstanding common shares as of October 31, 2009. As a result, if these individuals act together, they may influence the election of our directors and the approval or disapproval of any significant corporate actions that require shareholder approval. This influence over our affairs might be adverse to the interests of other shareholders. For instance, the voting power of these individuals could have the effect of delaying or preventing an acquisition of us on terms that other shareholders may desire. Furthermore, we have a classified board, which could further delay or prevent an acquisition, under certain circumstances.

Under Bermuda law, all of our officers, in exercising their powers and discharging their duties, must act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Majority shareholders do not owe fiduciary duties to minority shareholders. As a result, the minority shareholders will not have a direct claim against the majority shareholders in the event the majority shareholders take actions that damage the interests of minority shareholders.
Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda, except that Bermuda courts would be expected to follow English case law precedent, which would permit a shareholder to bring an action in our name if the directors or officers are alleged to be acting beyond our corporate power, committing illegal acts or violating our Memorandum of Association or Second Amended and Restated Bye-Laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requiring the approval of a greater percentage of the company s shareholders than those who actually approved it.

The Companies Act 1981 of Bermuda, as amended, provides that when one or more shareholders believes the affairs of a company are being conducted in a manner which is prejudicial to the interest of some of the shareholders, a Bermuda court, upon petition, may make such order as it sees fit, including an order regulating the conduct of the company s affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company, and in the case of a purchase of the shares by the company, for the reduction accordingly of the company s capital or otherwise.

As a result of our global operations, we face foreign business, political and economic risks, which may harm our results of operations, because a majority of our products and our customers products are manufactured and sold outside of the United States.

A substantial portion of our business is conducted outside of the United States and, as a result, we are subject to foreign business, political and economic risks. All of our products are manufactured outside of the United States. Our current qualified integrated circuit foundries are located in the same region within Taiwan, and our primary assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located outside of the United States, primarily in Asia, which further exposes us to foreign risks. Sales to customers located in Asia represented approximately 90% of our net revenue for the nine months ended October 31, 2009, 86% of our net revenue in fiscal 2009, 84% of our net revenue in fiscal 2008 and 89% of our net revenue in fiscal 2007.

We have substantial operations, including approximately 21% of our workforce as of October 31, 2009, in Israel. These operations are directly influenced by the political, economic and military conditions affecting Israel. Any potential hostilities involving or within Israel could disrupt these operations. For example, past hostilities between Israel and the Palestinian authority and other groups have caused substantial political unrest, which could lead to a potential economic downturn in Israel.

We anticipate that our manufacturing, assembly, testing and sales outside of the United States will continue to account for a substantial portion of our operations and revenue in future periods. Accordingly, we are subject to risks associated with international operations, including:

- political, social and economic instability, including wars, terrorism, other hostilities and political unrest, boycotts, curtailment of trade and other business restrictions;
- compliance with domestic and foreign export and import regulations, and difficulties in obtaining and complying with domestic and foreign export, import and other governmental approvals, permits and licenses;
- compliance with foreign laws, and laws and practices that favor local companies;
- difficulties in staffing and managing foreign operations;
- trade restrictions or higher tariffs;

transportation delays;

difficulties of managing distributors, especially because we expect to continue to increase our sales through international distributors;

less effective protection of intellectual property than is afforded to us in the United States or other developed countries; and

inadequate local infrastructure.

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Moreover, the international nature of our business subjects us to risk associated with the fluctuation of the U.S. dollar versus foreign currencies. Decreases in the value of the U.S. dollar versus currencies in jurisdictions where we have large fixed costs or our third party manufacturers have significant cost will increase the cost of such operations, which could harm our results of operations. For example, we have large fixed costs in Israel, which will become greater if the U.S. dollar declines in value versus the Israeli Shekel. On the other hand, sales to our customers have been denominated in U.S. dollars, and increases in the value of the U.S. dollar will increase the price of our products leading to a reduction in sales and profitability for us in that country.

The average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our revenues and gross margin.

The products we develop and sell are used for high volume applications. As a result, the prices of those products have historically decreased rapidly. We may not be able to maintain or improve the gross margins and our gross profits and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our efficiency through increasing sales volumes, reducing our costs, or developing new or enhanced products on a timely basis with higher selling prices or gross margin.

Additionally, because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities, and our costs may even increase, which could also reduce our gross margin. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. We expect that we will have to do so again in the future.

We have a lengthy and expensive product sales cycle that does not assure product sales, and that if unsuccessful, may harm our results of operations.

The sales cycle for many of our products is long and requires us to invest significant resources with each potential customer without any assurance of sales to that customer. Our sales cycle typically begins with an extended evaluation and test period, also known as qualification, during which our products undergo rigorous reliability testing by our customers.

Qualification is typically followed by an extended development period by our customers and an additional three to nine month period before a customer commences volume production of equipment incorporating our products. This lengthy sales cycle creates the risk that our customers will decide to cancel or change product plans for products incorporating our integrated circuits. During our sales cycle, our engineers assist customers in implementing our products into the customers products. We incur significant research and development, selling and marketing, general and administrative expenses as part of this process, and this process may never generate related revenues. We derive revenue from this process only if our design is selected. Once a customer selects a particular integrated circuit for use in its products, the customer generally will solely use that integrated circuit for a full generation of its product. Therefore, if we do not achieve a design win for a product, we will be unable to sell our integrated circuit to a customer until that customer develops a new product or a new generation of its product. Even if we achieve a design win with a customer, the customer may not ultimately ship products incorporating our products or may cancel orders after we have achieved a sale. In addition, we will have to begin the qualification process again when a customer develops a new generation of a product for which we were the successful supplier for the prior generation.

Our typical customer contract does not obligate the customer to any minimum purchase commitment. We may build inventory in anticipation of receiving customer orders, but if such customer demand does not develop as we anticipate, it may become necessary for us to write-off such inventory. Also, during the final production of a mature product, our customers typically exhaust their existing inventory of our integrated circuits. Consequently, orders for our products may decline in those circumstances, even if our products are incorporated into both our customers mature and replacement products. A delay in a customer s transition to commercial production of a replacement product may cause the customer to lose sales, which would delay our ability to recover the lost sales from the discontinued mature product. In addition, customers may defer orders in anticipation of new products or product enhancements from our competitors or us.

We must keep pace with rapid technological change and evolving industry standards in the semiconductor industry to remain competitive.

Our future success will depend on our ability to anticipate and adapt to changes in technology and industry standards and our customers changing demands. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions, short product life cycles and increasing demand for higher levels of integration and smaller process geometries. Our past sales and profitability have resulted, to a large extent, from our ability to anticipate changes in technology and industry standards and to develop and introduce new and enhanced products incorporating the new standards and technologies. Our ability to adapt to these changes and to anticipate future standards, and the rate of adoption and acceptance of those standards, will be a significant factor in maintaining or improving our competitive position and prospects for growth. If new industry standards emerge, our products or our customers products could become unmarketable or obsolete, and we could lose market share. We may also have to incur substantial unanticipated costs to comply with these new standards. In addition, our target markets continue to undergo rapid growth and consolidation. A significant slowdown in any of these markets could materially and adversely affect our business, financial condition and results of operations. Our success will also depend on the ability of our customers to develop new products and enhance existing products for the markets we serve and to introduce and promote those products successfully.

We may be unable to protect our intellectual property, which would negatively affect our ability to compete.

We believe one of our key competitive advantages results from our collection of proprietary technologies that we have developed since our inception. If we fail to protect these intellectual property rights, competitors could sell products based on technology that we have developed that could harm our competitive position and decrease our revenues. We believe that the protection of our intellectual property rights is and will continue to be important to the success of our business. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies. We also enter into confidentiality or license agreements with our employees, consultants and business partners, and control access to and distribution of our documentation and other proprietary information. We have been issued several U.S. and foreign patents and have a number of pending U.S. and foreign patent applications. However, a patent may not be issued as a result of any applications or, if issued, claims allowed may not be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented. Despite our efforts, unauthorized parties may attempt to copy or otherwise obtain and use our products or proprietary technology. Monitoring unauthorized use of our technology is difficult, and the steps that we have taken may not prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. If our patents do not adequately protect our technology, our competitors may be able to offer products similar to ours.

Certain of our software (as well as that of our customers) may be derived from so-called open source software that is generally made available to the public by its authors and/or other third parties. Such open source software is often made available under licenses, such as the GNU General Public License which impose certain obligations on us in the event we were to distribute derivative works of the open source software. These obligations may require us to make source code for the derivative works available to the public, and/or license such derivative works under a particular type of license, rather than the forms of license customarily used to protect our intellectual property. In addition, there is little or no legal precedent for interpreting the terms of certain of these open source licenses, including the determination of which works are subject to the terms of such licenses. While we believe we have complied with our obligations under the various applicable licenses for open source software, in the event that the copyright holder of any open source software were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public and/or stop distribution of that work.

We may become involved with costly and lengthy litigation, which could subject us to liability, require us to obtain or renew licenses or stop selling our products or force us to redesign our products.

Litigation involving patents and other intellectual property is widespread in the high-technology industry and is particularly prevalent in the semiconductor industry, where a number of companies and other entities aggressively bring numerous infringement claims to assert their patent portfolios. From time to time our subsidiaries and customers receive, and may continue to receive in the future, notices that allege claims of infringement, misappropriation or misuse of the intellectual property rights of third parties. For example, in recent years, multiple claims have been made against our subsidiaries and our customers related to standards-based technologies such as wireless LAN. In addition, we have had certain patent licenses with third parties that have not been renewed, and if we cannot successfully renew these licenses, our subsidiaries and customers could face claims of infringement. These claims could result in litigation and/or claims for indemnification, which, in turn, could subject us to significant liability for damages, attorneys fees and costs. Any potential intellectual property litigation also could force us to do one or more of the following:

stop selling, offering for sale, making, having made or exporting products or using technology that contains the allegedly infringing intellectual property;

- limit or restrict the type of work that employees involved in such litigation may perform for us;

- pay substantial damages and/or license fees and/or royalties to the party claiming infringement that could adversely impact our liquidity or operating results;

- attempt to obtain or renew licenses to the relevant intellectual property, which licenses may not be available on reasonable terms or at all; and

- attempt to redesign those products that contain the allegedly infringing intellectual property.

In addition, many of our contracts with our customers require us to indemnify our customers products against claims alleging infringement of the proprietary rights of other parties. We have agreed to indemnify select customers for claims made against our products, where such claims allege infringement of third party intellectual property rights, including, but not limited to, patents, registered trademarks, and/or copyrights. For example, customers have requested us to indemnify them in connection with patent infringement lawsuits filed in Texas by Australia s Commonwealth Scientific and Industrial Research Organization, or CSIRO, which alleged its asserted patent is essential to the 802.11 wireless standard. We have filed an action, also in Texas, against CSIRO seeking a declaratory judgment that CSIRO s patent is invalid and unenforceable and that we and our customers do not infringe the CSIRO patent. Similarly, certain customers have asked us to indemnify them in connection with patent infringement lawsuits filed in Texas by Wi-Lan, a Canadian company, who likewise alleges its asserted patents are essential to the 802.11 wireless standard. Marvell is also named as a defendant in those cases. In addition, we filed a declaratory judgment action in California against Wi-Lan asking the court to find that our products do not infringe a certain Wi-Lan patent that Wi-Lan claims read on products that practice IEEE 802.11, 802.16 and/or Bluetooth standards. Similarly, certain customers have asked us to indemnify them in connection with patent infringement lawsuits filed by PACid Group, LLC. We believe our products do not infringe any valid and enforceable claims of the asserted patents in these litigations under an appropriate construction of these patents claims and we will vigorously defend ourselves in these matters.

We and/or our subsidiaries are also parties to other claims and litigation proceedings arising in the normal course of business. The impact on us as a result of such claims and litigation cannot currently be ascertained. Any litigation, regardless of the outcome, is time-consuming and expensive to resolve and can divert management time and attention. There can be no assurance that these matters will be resolved in a manner that is not adverse to our business, financial condition, results of operations or cash flows.

We rely upon certain critical information systems for the operation of our business.

We maintain and rely upon certain critical information systems for the effective operation of our business. These information systems include telecommunications, the Internet, our corporate intranet, various computer hardware and software applications, network communications and e-mail. These information systems are subject to attacks, failures and access denials from a number of potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, communication lines and networking equipment. To the extent that these information systems are under our control, we have implemented security procedures, such as virus protection software and emergency recovery processes, to address the outlined risks. While we believe that our information systems are appropriately controlled and that we have processes in place to adequately manage these risks, security procedures for information systems cannot be guaranteed to be failsafe and our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business.

Tax benefits we receive may be terminated or reduced in the future, which would increase our costs.

Under current Bermuda law, we are not subject to tax on our income and capital gains. We have obtained from the Minister of Finance of Bermuda under the Exempt Undertakings Tax Protection Act 1966, as amended, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on income and capital gains, those taxes should not apply to us until March 28, 2016. However, it is possible that this exemption would not be extended beyond that date.

The Economic Development Board of Singapore granted Pioneer Status to our wholly-owned subsidiary in Singapore in July 1999. Initially, this tax exemption was to expire after ten years, but the Economic Development Board of Singapore in June 2006 agreed to extend the term to 15 years. As a result, we anticipate that a significant portion of the income we earn in Singapore during this period will be exempt from the Singapore income tax. We are required to meet several requirements as to investment, headcount and activities in Singapore to retain this status. In light of the current economic downturn, we are in discussion with the Economic Development Board of Singapore to amend part of the pioneer conditions for the future years and have come to an agreement that would preserve the 15 year tax exemption status. We expect to receive the final amendments from the Economic Development Board of Singapore before the end of fiscal year. If our Pioneer Status is terminated early, our financial results could be harmed.

Under the law, including Amendment No. 60 to the law that was published in April 2005, by virtue of the approved or benefited enterprise status granted to certain of its enterprises, the Israeli subsidiaries are entitled to various tax benefits. Two divisions, Marvell Israel (M.I.S.L.) Ltd. (MISL) and Marvell DSPC Ltd., have five approved programs and one program under the amended law. The first program was approved for MISL in 1995 and the most recent was approved in 2006. Marvell DSPC Ltd. has five approved programs and two programs under the amended law; with the first approved in 1990 and the most recent in 2007. The benefit period is generally ten to 15 years and begins commencing in the first year in which our Israeli subsidiaries earn taxable income from the approved or benefited enterprises provided the maximum period to which it is restricted by law has not elapsed. Income from the approved or benefited enterprises is subject to reduced tax rates ranging between 0% and 10% or tax exemptions for fiscal years 2008 through 2020. As our tax holidays expire, we expect that we will start paying income tax at the statutory tax rate on our operations within these development regions which will adversely impact our effective tax rate.

During fiscal 2007, our Switzerland subsidiary received a ten-year Federal and Cantonal tax holiday on revenues from research and design and wafer supply trading activities that will expire in 2017. If certain requirements are not met in the initial five-year period, our incentive exemption would be reduced by 50% on the next five-year period of the tax holiday, which would adversely affect our financial results.

We are subject to the risks of owning real property.

Our U.S. headquarters located in Santa Clara, California, and our buildings in Singapore, Penang, Malaysia, Etoy, Switzerland and Shanghai, China subject us to the risks of owning real property, which include:

- the possibility of environmental contamination and the costs associated with fixing any environmental problems;
- adverse changes in the value of these properties, due to interest rate changes, changes in the neighborhood in which the property is located, or other factors;
- the possible need for structural improvements in order to comply with zoning, seismic and other legal or regulatory requirements;
- the potential disruption of our business and operations arising from or connected with a relocation due to moving to or renovating the facility;
- increased cash commitments for improvements to the buildings or the property or both;
- increased operating expenses for the buildings or the property or both;
- possible disputes with tenants or other third parties related to the buildings or the property or both; and
- the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of earthquakes, floods and or other natural disasters.

We are incorporated in Bermuda, and, as a result, it may not be possible for our shareholders to enforce civil liability provisions of the securities laws of the United States.

We are organized under the laws of Bermuda. As a result, it may not be possible for our shareholders to effect service of process within the United States upon us, or to enforce against us in United States courts judgments based on the civil liability provisions of the securities laws of the United States. There is significant doubt as to whether the courts of Bermuda would recognize or enforce judgments of United States courts obtained against us or our directors or officers based on the civil liability provisions of the securities laws of the United States or any state or hear actions brought in Bermuda against us or those persons based on those laws. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on United States federal or state securities laws, would not be automatically enforceable in Bermuda.

Our Bye-laws contain a waiver of claims or rights of action by our shareholders against our officers and directors, which will severely limit our shareholders right to assert a claim against our officers and directors under Bermuda law.

Our Bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers and directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties with or for us, other than with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver will limit the rights of our shareholders to assert claims against our officers and directors unless the act complained of involves actual fraud or dishonesty. Thus, so long as acts of business judgment do not involve actual fraud or dishonesty, they will not be subject to shareholder claims under Bermuda law. For example, shareholders will not have claims against officers and directors for a breach of trust, unless the breach rises to the level of actual fraud or dishonesty.

Our Bye-laws contain provisions that could delay or prevent a change in corporate control, even if the change in corporate control would benefit our shareholders.

Our Bye-laws contain change in corporate control provisions, which include:

- authorizing the issuance of preferred stock without shareholder approval;

- providing for a classified board of directors with staggered, three-year terms; and

- requiring a vote of two-thirds of the outstanding shares to approve any change of corporate control in the event the action is not approved by at least 66 $^{2}/3$% of the directors holding office at the date of the Board meeting to approve the action.

These change in corporate control provisions could make it more difficult for a third party to acquire us, even if doing so would be a benefit to our shareholders.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) The following exhibits are filed as part of this report:

10.1	Amendment to the Amended and Restated 1995 Stock Option Plan
10.2	2000 Employee Stock Purchase Plan (as amended and restated as of October 22, 2009), incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on October 28, 2009
10.3	2000 Employee Stock Purchase Plan Form of Subscription Agreement
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

Indicates management compensatory plan, contract or arrangement.

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed filed for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

** Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

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SIGNATURES

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

		MARVELL TECHNOLOGY GROUP LTD.
December 9, 2009	By:	/s/ CLYDE R. HOSEIN
Date		**Clyde R. Hosein**
		Chief Financial Officer, Interim Chief Operating Officer and Secretary

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