WELLS FARGO & COMPANY/MN
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Title of Each Class of Securities Offered	**Maximum Aggregate Offering Price**	**Amount of Registration Fee[(1)]**
Medium-Term Notes, Series S, Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023	$520,000	$63.02

(1) The total filing fee of $63.02 is calculated in accordance with Rule 457(r) of the Securities Act of 1933 (the "Securities Act") and will be paid by wire transfer within the time required by Rule 456(b) of the Securities Act.

PRICING SUPPLEMENT No. 205 dated December 26, 2018

(To Market Measure Supplement dated May 18, 2018,

Prospectus Supplement dated January 24, 2018

and Prospectus dated April 27, 2018)

Wells Fargo & Company

Medium-Term Notes, Series S

Equity Index Linked Securities

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023

Linked to the **lowest performing** of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® (each referred to as an "Index")

The securities are redeemable debt securities of Wells Fargo & Company that, unlike ordinary debt securities, do not provide for fixed payments of interest and do not repay a fixed amount of principal at stated maturity. Whether the securities pay a contingent coupon and whether you are repaid the original offering price of your securities at stated maturity (if Wells Fargo & Company does not exercise its redemption right) will depend in each case on the closing level of the lowest performing Index on the relevant calculation day. The lowest performing Index on any calculation day is the Index that has the lowest closing level on that calculation day as a percentage of its starting level

Contingent Coupon. The securities will pay a contingent coupon on a monthly basis until the earlier of stated maturity or early redemption if, **and only if**, the closing level of the lowest performing Index on the calculation day for that month is greater than or equal to its coupon threshold level. However, if the closing level of the lowest performing Index on a calculation day is less than its coupon threshold level, you will not receive any contingent coupon for the relevant month. If the closing level of the lowest performing Index is less than its coupon threshold level on every calculation day, you will not receive any contingent coupons throughout the entire term of the securities. The **coupon threshold level** for each Index is equal to 70% of its starting level. The contingent coupon rate is 9.55% per annum

Optional Redemption. Wells Fargo & Company may, at its option, redeem the securities on any of the quarterly optional redemption dates beginning approximately eighteen months after issuance. The optional redemption dates are the same dates as the contingent coupon payment dates following each calculation day scheduled to occur in March, June, September and December from June 2020 to September 2023, inclusive. If Wells Fargo & Company elects to redeem the securities prior to maturity, you will receive the original offering price plus a final contingent coupon payment, if any

Potential Loss of Principal. If Wells Fargo & Company does not redeem the securities prior to stated maturity, you will receive the original offering price at stated maturity if, **and only if**, the closing level of the lowest performing Index on the final calculation day is greater than or equal to its downside threshold level. If the closing level of the lowest performing Index on the final calculation day is less than its downside threshold level, you will lose more than 40%, and possibly all, of the original offering price of your securities. The **downside threshold level** for each Index is equal to 60% of its starting level

If the securities are not redeemed prior to stated maturity, you will have full downside exposure to the lowest performing Index from its starting level if its closing level on the final calculation day is less than its downside threshold level, but you will not participate in any appreciation of any Index and will not receive any dividends on securities included in any Index

Your return on the securities will depend **solely** on the performance of the Index that is the lowest performing Index on each calculation day. You will not benefit in any way from the performance of the better performing Indices. Therefore, you will be adversely affected if **any** Index performs poorly, even if the other Indices perform favorably

All payments on the securities are subject to the credit risk of Wells Fargo & Company, and you will have no ability to pursue any securities included in any Index for payment; if Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment

No exchange listing; designed to be held to maturity

On the date of this pricing supplement, the estimated value of the securities is $950.56 per security. The estimated value of the securities was determined for us by Wells Fargo Securities, LLC using its proprietary pricing models. It is not an indication of actual profit to us or to Wells Fargo Securities, LLC or any of our other affiliates, nor is it an indication of the price, if any, at which Wells Fargo Securities, LLC or any other person may be willing to buy the securities from you at any time after issuance. See "Investment Description" in this pricing supplement.

The securities have complex features and investing in the securities involves risks not associated with an investment in conventional debt securities. See "Risk Factors" herein on page PRS-12.

The securities are unsecured obligations of Wells Fargo & Company, and all payments on the securities are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The securities are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this pricing supplement or the accompanying market measure supplement, prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Original Offering Price	**Agent Discount**[(1)]	**Proceeds to Wells Fargo**
Per Security	$1,000.00	$10.50	$989.50
Total	$520,000.00	$5,460.00	$514,540.00

(1) Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the securities and is acting as principal. See "Investment Description" in this pricing supplement for further information.

Wells Fargo Securities

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023

Terms of the Securities

Issuer:	Wells Fargo & Company ("Wells Fargo").
Market Measures:	The Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® (each referred to as an "Index," and collectively as the "Indices").
Pricing Date:	December 26, 2018.
Issue Date:	December 28, 2018. (T+2)
Original Offering Price:	$1,000 per security. References in this pricing supplement to a "security" are to a security with a face amount of $1,000.
Contingent Coupon Payment:	On each contingent coupon payment date, you will receive a contingent coupon payment at a per annum rate equal to the contingent coupon rate if, **and only if**, the closing level of the lowest performing Index on the related calculation day is greater than or equal to its coupon threshold level. Each "contingent coupon payment," if any, will be calculated per security as follows: ($1,000 × contingent coupon rate)/12. Any contingent coupon payment will be rounded to the nearest cent, with one-half cent rounded upward. **If the closing level of the lowest performing Index on any calculation day is less than its coupon threshold level, you will not receive any contingent coupon payment on the related contingent coupon payment date. If the closing level of the lowest performing Index is less than its coupon threshold level on all monthly calculation days, you will not receive any contingent coupon payments over the term of the securities.**
Contingent Coupon Payment Dates:	Monthly, on the third business day following each calculation day (as each such calculation day may be postponed pursuant to "—Postponement of a Calculation Day" below, if applicable), provided that the contingent coupon payment date with respect to the final calculation day will be the stated maturity date. If a calculation day is postponed with respect to one or more Indices, the related contingent coupon payment date will be three business days after the last calculation day as postponed. If a contingent coupon payment date is postponed, the contingent coupon payment, if any, due on that contingent coupon payment date will be made on that contingent coupon payment date as so postponed with the same force and effect as if it had been made on the originally scheduled contingent coupon payment date, that is, with no additional amount accruing or payable as a result of the postponement.
Contingent Coupon Rate:	The "contingent coupon rate" is 9.55% per annum.
Optional Redemption:	Wells Fargo may, at its option, redeem the securities, in whole but not in part, on any optional redemption date. If Wells Fargo elects to redeem the securities prior to stated maturity, you will be entitled to receive on the applicable optional redemption date a cash payment per security in U.S. dollars equal to the original offering price per security plus a final contingent coupon payment, if any. If Wells Fargo elects to redeem the securities on an optional redemption date, Wells Fargo will give you notice on or before the calculation day immediately preceding that optional redemption date. Any redemption of the securities will be at Wells Fargo's option and will not automatically occur based on the performance of any Index.

	If the securities are redeemed, they will cease to be outstanding on the applicable optional redemption date and you will have no further rights under the securities after that date.
Calculation Days:	Monthly, on the 26th day of each month, commencing January 2019 and ending November 2023, and the final calculation day, each subject to postponement as described below under "—Postponement of a Calculation Day." We refer to December 26, 2023 as the "final calculation day."
Optional Redemption Dates:	Quarterly, beginning approximately eighteen months after the issue date, on the contingent coupon payment dates following each calculation day scheduled to occur in March, June, September and December from June 2020 to September 2023, inclusive.
Stated Maturity Date:	December 29, 2023. If the final calculation day is postponed, the stated maturity date will be the later of (i) December 29, 2023 and (ii) three business days after the last final calculation day as postponed. See "—Postponement of a Calculation Day" below. If the stated maturity date is not a business day, the payment to be made on the stated maturity date will be made on the next succeeding business day with the same force and effect as if it had been made on the stated maturity date. The securities are not subject to repayment at the option of any holder of the securities prior to the stated maturity date.

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023

Maturity Payment Amount:	If Wells Fargo does not redeem the securities prior to the stated maturity date, you will be entitled to receive on the stated maturity date a cash payment per security in U.S. dollars equal to the maturity payment amount (in addition to the final contingent coupon payment, if any). The "maturity payment amount" per security will equal: • if the ending level of the lowest performing Index on the final calculation day is greater than or equal to its downside threshold level: $1,000; or • if the ending level of the lowest performing Index on the final calculation day is less than its downside threshold level: $1,000 × performance factor of the lowest performing Index on the final calculation day **If Wells Fargo does not redeem the securities prior to stated maturity and the ending level of the lowest performing Index on the final calculation day is less than its downside threshold level, you will lose more than 40%, and possibly all, of the original offering price of your securities at stated maturity.** **Any return on the securities will be limited to the sum of your contingent coupon payments, if any. You will not participate in any appreciation of any Index, but you will have full downside exposure to the lowest performing Index on the final calculation day if the ending level of that Index is less than its downside threshold level.** All calculations with respect to the maturity payment amount will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (e.g., 0.000005 would be rounded to 0.00001); and the maturity payment amount will be rounded to the nearest cent, with one-half cent rounded upward.
Lowest Performing Index:	For any calculation day, the "lowest performing Index" will be the Index with the lowest performance factor on that calculation day (as such calculation day may be postponed for one or more Indices pursuant to "—Postponement of a Calculation Day" below, if applicable).
Performance Factor:	With respect to an Index on any calculation day, its closing level on such calculation day *divided by* its starting level (expressed as a percentage).
Closing Level:	With respect to each Index, the "closing level" of that Index on any trading day means the official closing level of that Index reported by the relevant index sponsor on such trading day, as obtained by the calculation agent on such trading day from the licensed third-party market data vendor contracted by the calculation agent at such time; in particular, taking into account the decimal precision and/or rounding convention employed by such licensed third-party market data vendor on such date. Currently, the calculation agent obtains market data from Thomson Reuters Ltd., but the calculation agent may change its market data vendor at any time without notice. The foregoing provisions of this definition of "closing level" are subject to the provisions set forth below under "Additional Terms of the Securities—Market Disruption Events," "—Adjustments to an Index" and "—Discontinuance of an Index."
Starting Level:	With respect to the Russell 2000 Index: 1329.811, its closing level on the pricing date. With respect to the Dow Jones Industrial Average: 22878.45, its closing level on the pricing date.

	With respect to the Nasdaq-100 Index: 6262.767, its closing level on the pricing date.
Ending Level:	The "ending level" of an Index will be its closing level on the final calculation day.
Coupon Threshold Level:	With respect to the Russell 2000 Index: 930.8677, which is equal to 70% of its starting level. With respect to the Dow Jones Industrial Average: 16014.915, which is equal to 70% of its starting level. With respect to the Nasdaq-100 Index: 4383.9369, which is equal to 70% of its starting level.
Downside Threshold Level:	With respect to the Russell 2000 Index: 797.8866, which is equal to 60% of its starting level. With respect to the Dow Jones Industrial Average: 13727.07, which is equal to 60% of its starting level. With respect to the Nasdaq-100 Index: 3757.6602, which is equal to 60% of its starting level.
Postponement of a Calculation Day:	If any calculation day is not a trading day with respect to any Index, such calculation day for each Index will be postponed to the next succeeding day that is a trading day with respect to each Index. A calculation day for an Index is also subject to postponement due to the occurrence of a market disruption event with respect to such Index on such calculation day. See "Additional Terms of the Securities—Market Disruption Events."
Calculation Agent:	Wells Fargo Securities, LLC
No Listing:	The securities will not be listed on any securities exchange or automated quotation system.

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023

Material Tax Consequences:	For a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the securities, see "United States Federal Tax Considerations."
Agent:	Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company. The agent may resell the securities to other securities dealers at the original offering price of the securities less a concession not in excess of $10.50 per security. The agent or another affiliate of ours expects to realize hedging profits projected by its proprietary pricing models to the extent it assumes the risks inherent in hedging our obligations under the securities. If any dealer participating in the distribution of the securities or any of its affiliates conducts hedging activities for us in connection with the securities, that dealer or its affiliate will expect to realize a profit projected by its proprietary pricing models from such hedging activities. Any such projected profit will be in addition to any discount or concession received in connection with the sale of the securities to you.
Denominations:	$1,000 and any integral multiple of $1,000.
CUSIP:	95001BBQ6

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023
Investment Description

The Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023 (the "securities") are senior unsecured debt securities of Wells Fargo that do not provide for fixed payments of interest, do not repay a fixed amount of principal at stated maturity and are subject to redemption by Wells Fargo beginning approximately eighteen months after issuance. Whether the securities pay a monthly contingent coupon and, if the securities are not previously redeemed by Wells Fargo, whether you are repaid the original offering price of your securities at stated maturity will depend in each case upon the closing level of the **lowest performing Index** on the relevant calculation day. The lowest performing Index on any calculation day is the Index that has the lowest closing level on that calculation day as a percentage of its starting level. The securities provide:

(i) monthly contingent coupon payments at a rate of 9.55% per annum until the earlier of stated maturity or early redemption if, **and only if**, the closing level of the lowest performing Index on the applicable monthly calculation day is greater than or equal to 70% of its starting level;

(ii) early redemption **solely** at the option of Wells Fargo on the quarterly optional redemption dates beginning approximately eighteen months after issuance for the original offering price plus a final contingent coupon payment, if any; and

(iii) if Wells Fargo does not redeem the securities prior to stated maturity, either:

(a) repayment of the original offering price if, **and only if**, the closing level of the lowest performing Index on the final calculation day has not declined by more than 40% from its starting level; or

(b) full exposure to the decline in the level of the lowest performing Index on the final calculation day from its starting level if the lowest performing Index has declined by more than 40% from its starting level.

If the closing level of the lowest performing Index on any monthly calculation day is less than 70% of its starting level, you will not receive any contingent coupon payment for that month. If the securities are not redeemed prior to stated maturity and the closing level of the lowest performing Index on the final calculation day has declined by more than 40% from its starting level, you will lose more than 40%, and possibly all, of the original offering price of your securities at stated maturity. Accordingly, you will not receive any protection if the closing level of the lowest performing Index on the final calculation day has declined by more than 40% from its starting level.

Any return on the securities will be limited to the sum of your contingent coupon payments, if any. You will not participate in any appreciation of any Index, but you will be fully exposed to the decline in the lowest performing Index on the final calculation day if the securities are not redeemed prior to stated maturity and the closing level of the lowest performing Index on the final calculation day has declined by more than 40% from its starting level.

All payments on the securities are subject to the credit risk of Wells Fargo.

Your return on the securities will depend solely on the performance of the Index that is the lowest performing Index on each calculation day. You will not benefit in any way from the performance of the better performing Indices. Therefore, you will be adversely affected if any Index performs poorly, even if the other Indices perform favorably.

The securities are riskier than alternative investments linked to only one of the Indices or linked to a basket composed of each Index. Unlike those alternative investments, the securities will be subject to the full risks of

each Index, with no offsetting benefit from the better performing Indices. The securities are designed for investors who understand and are willing to bear this additional risk in exchange for the potential contingent coupon payments that the securities offer. Because the securities may be adversely affected by poor performance by any Index, you should not invest in the securities unless you understand and are willing to accept the full downside risks of each Index.

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023

The Russell 2000® Index is an equity index that is designed to reflect the performance of the small capitalization segment of the United States equity market.

The Dow Jones Industrial Average® is an equity index that is intended to provide an indication of the pattern of common stock price movement in the United States equity market.

The Nasdaq-100 Index® is an equity index that tracks 100 of the largest United States and foreign non-financial companies listed on the Nasdaq Stock Market based on market capitalization.

You should read this pricing supplement together with the market measure supplement dated May 18, 2018, the prospectus supplement dated January 24, 2018 and the prospectus dated April 27, 2018 for additional information about the securities. When you read the accompanying prospectus supplement, please note that all references in such supplement to the prospectus dated November 3, 2017, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2018 or to the corresponding sections of such prospectus, as applicable. Information included in this pricing supplement supersedes information in the market measure supplement, prospectus supplement and prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the prospectus supplement.

You may access the market measure supplement, prospectus supplement and prospectus on the SEC website www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

- Market Measure Supplement dated May 18, 2018: https://www.sec.gov/Archives/edgar/data/72971/000119312518167616/d593569d424b2.htm
- Prospectus Supplement dated January 24, 2018: https://www.sec.gov/Archives/edgar/data/72971/000119312518018256/d466041d424b2.htm
- Prospectus dated April 27, 2018: https://www.sec.gov/Archives/edgar/data/72971/000119312518136909/d557983d424b2.htm

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investing in the securities.

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Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023

The original offering price of each security of $1,000 includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date is less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type.

The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities.

Our funding considerations take into account the higher issuance, operational and ongoing management costs of market-linked debt such as the securities as compared to our conventional debt of the same maturity, as well as our liquidity needs and preferences. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than the interest rates implied by secondary market prices for our debt obligations and/or by other traded instruments referencing our debt obligations, which we refer to as our "secondary market rates." As discussed below, our secondary market rates are used in determining the estimated value of the securities.

If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher. The estimated value of the securities as of the pricing date is set forth on the cover page of this pricing supplement.

Determining the estimated value

Our affiliate, Wells Fargo Securities, LLC ("WFS"), calculated the estimated value of the securities set forth on the cover page of this pricing supplement based on its proprietary pricing models. Based on these pricing models and related market inputs and assumptions referred to in this section below, WFS determined an estimated value for the securities by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the securities, which combination consists of a non-interest bearing, fixed-income bond (the "debt component") and one or more derivative instruments underlying the economic terms of the securities (the "derivative component").

The estimated value of the debt component is based on a reference interest rate, determined by WFS as of a recent date, that generally tracks our secondary market rates. Because WFS does not continuously calculate our reference interest rate, the reference interest rate used in the calculation of the estimated value of the debt component may be higher or lower than our secondary market rates at the time of that calculation. As noted above, we determine the economic terms of the securities based upon an assumed funding rate that is generally lower than our secondary market rates. In contrast, in determining the estimated value of the securities, we value the debt component using a reference interest rate that generally tracks our secondary market rates. Because the reference interest rate is generally higher than the assumed funding rate, using the reference interest rate to value the debt component generally results in a lower estimated value for the debt component, which we believe more closely approximates a market valuation of the debt component than if we had used the assumed funding rate.

WFS calculated the estimated value of the derivative component based on a proprietary derivative-pricing model, which generated a theoretical price for the derivative instruments that constitute the derivative component based on various inputs, including the "derivative component factors" identified in "Risk Factors—The Value Of The Securities Prior

To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.” These inputs may be market-observable or may be based on assumptions made by WFS in its discretion.

The estimated value of the securities determined by WFS is subject to important limitations. See “Risk Factors—The Estimated Value Of The Securities Is Determined By Our Affiliate’s Pricing Models, Which May Differ From Those Of Other Dealers” and “—Our Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests.”

Valuation of the securities after issuance

The estimated value of the securities is not an indication of the price, if any, at which WFS or any other person may be willing to buy the securities from you in the secondary market. The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based upon WFS’s proprietary pricing models and will fluctuate over the term of the securities due to changes in market conditions and other relevant factors. However, absent changes in these market conditions and other relevant factors, except as otherwise described in the following paragraph, any secondary market price will be lower than the estimated value on the pricing date because the secondary market price will be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Accordingly, unless market conditions and other relevant factors change significantly in your favor, any secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 5-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS’s proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this

5-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement.

If WFS or any of its affiliates makes a secondary market in the securities, WFS expects to provide those secondary market prices to any unaffiliated broker-dealers through which the securities are held and to commercial pricing vendors. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, that broker-dealer may obtain market prices for the securities from WFS (directly or indirectly), but could also obtain such market prices from other sources, and may be willing to purchase the securities at any given time at a price that differs from the price at which WFS or any of its affiliates is willing to purchase the securities. As a result, if you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates.

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although WFS and/or its affiliates may buy the securities from investors, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop.

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023
Investor Considerations

We have designed the securities for investors who:

- seek an investment with contingent monthly coupon payments at a rate of 9.55% per annum until the earlier of stated maturity or early redemption, if, **and only if**, the closing level of the lowest performing Index on the applicable monthly calculation day is greater than or equal to 70% of its starting level;
- understand that if we do not exercise our redemption right and the closing level of the lowest performing Index on the final calculation day has declined by more than 40% from its starting level, they will be fully exposed to the decline in the lowest performing Index from its starting level and will lose more than 40%, and possibly all, of the original offering price at stated maturity;
- are willing to accept the risk that they may not receive any contingent coupon payment on one or more, or any, monthly contingent coupon payment dates over the term of the securities;
- understand that we may redeem the securities prior to stated maturity at our option beginning approximately eighteen months after issuance and that it is more likely that we will redeem the securities when it would otherwise be advantageous for you to continue to hold the securities;
- understand that the return on the securities will depend solely on the performance of the Index that is the lowest performing Index on each calculation day and that they will not benefit in any way from the performance of the better performing Indices;
- understand that the securities are riskier than alternative investments linked to only one of the Indices or linked to a basket composed of each Index;
- understand and are willing to accept the full downside risks of each Index;
- are willing to forgo participation in any appreciation of any Index and dividends on securities included in the Indices; and
- are willing to hold the securities to maturity.

The securities are not designed for, and may not be a suitable investment for, investors who:

- seek a liquid investment or are unable or unwilling to hold the securities to maturity;
- require full payment of the original offering price of the securities at stated maturity;
- seek a security with a fixed term;
- are unwilling to purchase securities with an estimated value as of the pricing date that is lower than the original offering price, as set forth on the cover page;
- are unwilling to accept the risk that the closing level of the lowest performing Index on the final calculation day may decline by more than 40% from its starting level;
- seek certainty of current income over the term of the securities;
- seek exposure to the upside performance of any or each Index;
- seek exposure to a basket composed of each Index or a similar investment in which the overall return is based on a blend of the performances of the Indices, rather than solely on the lowest performing Index;
- are unwilling to accept the risk of exposure to equity markets, including the large and small capitalization segments of the United States equity market and a group of United States and foreign non-financial stocks listed on the Nasdaq Stock Market;
- are unwilling to accept the credit risk of Wells Fargo; or
- prefer the lower risk of conventional fixed income investments with comparable maturities issued by companies with comparable credit ratings.

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023

Determining Payment On A Contingent Coupon Payment Date and at Maturity

Unless we have previously redeemed the securities, on each monthly contingent coupon payment date, you will either receive a contingent coupon payment or you will not receive a contingent coupon payment, depending on the closing level of the lowest performing Index on the related monthly calculation day.

Step 1: Determine which Index is the lowest performing Index on the relevant calculation day. The lowest performing Index on any calculation day is the Index with the lowest performance factor on that calculation day. The performance factor of an Index on a calculation day is its closing level on that calculation day as a percentage of its starting level (i.e., its closing level on that calculation day *divided by* its starting level).

Step 2: Determine whether a contingent coupon is paid on the applicable contingent coupon payment date based on the closing level of the lowest performing Index on the relevant calculation day, as follows:

On the stated maturity date, if we have not redeemed the securities prior to the stated maturity date, you will receive (in addition to the final contingent coupon payment, if any) a cash payment per security (the maturity payment amount) calculated as follows:

Step 1: Determine which Index is the lowest performing Index on the final calculation day. The lowest performing Index on the final calculation day is the Index with the lowest performance factor on the final calculation day. The performance factor of an Index on the final calculation day is its ending level as a percentage of its starting level (i.e., its ending level *divided by* its starting level).

Step 2: Calculate the maturity payment amount based on the ending level of the lowest performing Index, as follows:

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

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Hypothetical Payout Profile

The following profile illustrates the potential maturity payment amount on the securities (excluding the final contingent coupon payment, if any) for a range of hypothetical performances of the lowest performing Index on the final calculation day from its starting level to its ending level, assuming the securities have not been redeemed prior to the stated maturity date. This graph has been prepared for purposes of illustration only. Your actual return will depend on the actual ending level of the lowest performing Index on the final calculation day and whether you hold your securities to stated maturity. The performance of the better performing Indices is not relevant to your return on the securities.

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Risk Factors

The securities have complex features and investing in the securities will involve risks not associated with an investment in conventional debt securities. You should carefully consider the risk factors set forth below as well as the other information contained in this pricing supplement and the accompanying market measure supplement, prospectus supplement and prospectus, including the documents they incorporate by reference. As described in more detail below, the value of the securities may vary considerably before the stated maturity date due to events that are difficult to predict and are beyond our control. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the securities in light of your particular circumstances.

If We Do Not Redeem The Securities Prior to Stated Maturity, You May Lose Some Or All Of The Original Offering Price Of Your Securities At Stated Maturity.

We will not repay you a fixed amount on your securities at stated maturity. If we do not exercise our right to redeem the securities prior to stated maturity, you will receive a maturity payment amount that will be equal to or less than the original offering price per security, depending on the ending level of the lowest performing Index on the final calculation day.

If the ending level of the lowest performing Index on the final calculation day is less than its downside threshold level, the maturity payment amount will be reduced by an amount equal to the decline in the level of the lowest performing Index from its starting level (expressed as a percentage of its starting level). The downside threshold level for each Index is 60% of its starting level. For example, if we do not redeem the securities prior to stated maturity and the lowest performing Index on the final calculation day has declined by 40.1% from its starting level to its ending level, you will not receive any benefit of the contingent downside protection feature and you will lose 40.1% of the original offering price per security. As a result, you will not receive any protection if the level of the lowest performing Index on the final calculation day declines significantly and you may lose some, and possibly all, of the original offering price per security at stated maturity, even if the level of the lowest performing Index is greater than or equal to its starting level or its downside threshold level at certain times during the term of the securities.

Even if the ending level of the lowest performing Index on the final calculation day is greater than its downside threshold level, the maturity payment amount will not exceed the original offering price, and your yield on the securities, taking into account any contingent coupon payments you may have received during the term of the securities, may be less than the yield you would earn if you bought a traditional interest-bearing debt security of Wells Fargo or another issuer with a similar credit rating.

The Securities Do Not Provide For Fixed Payments Of Interest And You May Receive No Coupon Payments On One Or More Monthly Contingent Coupon Payment Dates, Or Even Throughout The Entire Term Of The Securities.

On each monthly contingent coupon payment date you will receive a contingent coupon payment if, **and only if**, the closing level of the lowest performing Index on the related calculation day is greater than or equal to its coupon threshold level. The coupon threshold level for each Index is 70% of its starting level. If the closing level of the lowest performing Index on any calculation day is less than its coupon threshold level, you will not receive any contingent coupon payment on the related contingent coupon payment date, and if the closing level of the lowest performing Index is less than its coupon threshold level on each calculation day over the term of the securities, you will not

receive any contingent coupon payments over the entire term of the securities.

The Securities Are Subject To The Full Risks Of Each Index And Will Be Negatively Affected If Any Index Performs Poorly, Even If The Other Indices Perform Favorably.

You are subject to the full risks of each Index. If any Index performs poorly, you will be negatively affected, even if the other Indices perform favorably. The securities are not linked to a basket composed of the Indices, where the better performance of some Indices could offset the poor performance of others. Instead, you are subject to the full risks of whichever Index is the lowest performing Index on each calculation day. As a result, the securities are riskier than an alternative investment linked to only one of the Indices or linked to a basket composed of each Index. You should not invest in the securities unless you understand and are willing to accept the full downside risks of each Index.

Your Return On The Securities Will Depend Solely On The Performance Of The Index That Is The Lowest Performing Index On Each Calculation Day, And You Will Not Benefit In Any Way From The Performance Of The Better Performing Indices.

Your return on the securities will depend solely on the performance of the Index that is the lowest performing Index on each calculation day. Although it is necessary for each Index to close above its respective coupon threshold level on the relevant calculation day in order for you to receive a monthly contingent coupon payment and above its respective downside threshold level on the final calculation day for you to be repaid the original offering price of your securities at maturity, you will not benefit in any way from the performance of the better performing Indices. The securities may underperform an alternative investment linked to a basket composed of the Indices, since in such case the performance of the better performing Indices would be blended with the performance of the lowest performing Index, resulting in a better return than the return of the lowest performing Index alone.

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index, the Dow Jones Industrial Average® and the Nasdaq-100 Index® due December 29, 2023

You Will Be Subject To Risks Resulting From The Relationship Between The Indices.

It is preferable from your perspective for the Indices to be correlated with each other so that their levels will tend to increase or decrease at similar times and by similar magnitudes. By investing in the securities, you assume the risk that the Indices will not exhibit this relationship. The less correlated the Indices, the more likely it is that any one of the Indices will be performing poorly at any time over the term of the securities. All that is necessary for the securities to perform poorly is for one of the Indices to perform poorly; the performance of the better performing Indices is not relevant to your return on the securities. It is impossible to predict what the relationship between the Indices will be over the term of the securities. Each Index represents a different equity market. The Russell 2000 Index represents the small capitalization segment of the United States equity market, the Dow Jones Industrial Average represents the performance of 30 United States blue chip companies, and the Nasdaq-100 Index tracks 100 of the largest United States and foreign non-financial companies listed on the Nasdaq Stock Market. These different equity markets may not perform similarly over the term of the securities.

You May Be Fully Exposed To The Decline In The Lowest Performing Index On The Final Calculation Day From Its Starting Level, But Will Not Participate In Any Positive Performance Of Any Index.

Even though you will be fully exposed to a decline in the level of the lowest performing Index on the final calculation day if its ending level is below its downside threshold level, you will not participate in any increase in the level of any Index over the term of the securities. Your maximum possible return on the securities will be limited to the sum of the contingent coupon payments you receive, if any. Consequently, your return on the securities may be significantly less than the return you could achieve on an alternative investment that provides for participation in an increase in the level of any or each Index.

Higher Contingent Coupon Rates Are Associated With Greater Risk.

The securities offer contingent coupon payments at a higher rate, if paid, than the fixed rate we would pay on conventional debt securities of the same maturity. These higher potential contingent coupon payments are associated with greater levels of expected risk as of the pricing date as compared to conventional debt securities, including the risk that you may not receive a contingent coupon payment on one or more, or any, contingent coupon payment dates and the risk that you may lose a substantial portion, and possibly all, of the original offering price per security at maturity. The volatility of the Indices and the correlation among the Indices are important factors affecting this risk. Volatility is a measurement of the size and frequency of daily fluctuations in the level of an Index, typically observed over a specified period of time. Volatility can be measured in a variety of ways, including on a historical basis or on an expected basis as implied by option prices in the market. Correlation is a measurement of the extent to which the levels of the Indices tend to fluctuate at the same time, in the same direction and in similar magnitudes. Greater expected volatility of the Indices or lower expected correlation among the Indices as of the pricing date may result in a higher contingent coupon rate, but it also represents a greater expected likelihood as of the pricing date that the closing level of at least one Index will be less than its coupon threshold level on one or more calculation days, such that you will not receive one or more, or any, contingent coupon payments during the term of the securities, and that the closing level of at least one Index will be less than its downside threshold level on the final calculation day such that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity. In general, the higher the contingent coupon rate is relative to the fixed rate we would pay on conventional debt securities, the greater the expected risk that you will not receive one or more, or any, contingent coupon payments during the term of the securities and that you will lose a substantial portion, and possibly all, of the original offering price per security at maturity.

Our Redemption Right May Limit Your Potential To Receive Contingent Coupon Payments.

We may, at our option, redeem the securities on any of the quarterly optional redemption dates beginning approximately eighteen months after issuance. Although exercise of the redemption right will be within our sole discretion, we will be more likely to redeem the securities at a time when the lowest performing Index is performing favorably from your perspective—in other words, at a time when, if the securities were to remain outstanding, it is more likely that you would have continued to receive contingent coupon payments and been repaid the original offering price at maturity. Therefore, our redemption right is likely to limit your potential to receive contingent coupon payments if the lowest performing Index is performing favorably from your perspective. On the other hand, we will be less likely to redeem the securities at a time when the lowest performing Index is performing unfavorably from your perspective—in other words, you are more likely to continue to hold the securities at a time when it is less likely that you will continue to receive contingent coupon payments and it is less likely that you will be repaid the original offering price at maturity.

If we exercise our redemption right, the term of the securities may be reduced to as short as approximately eighteen months. There is no guarantee that you would be able to reinvest the proceeds from an investment in the securities at a comparable return for a similar level of risk in the event we redeem the securities prior to maturity.

The Securities Are Subject To The Credit Risk Of Wells Fargo.

The securities are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the securities are subject to our creditworthiness, and you will have no ability to pursue any securities included in any Index for payment. As a result, our actual and perceived creditworthiness may affect the value of the securities and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the securities.

Market Linked Securities—Callable with Contingent Coupon and Contingent Downside

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Holders Of The Securities Have Limited Rights Of Acceleration.

Payment of principal on the securities may be accelerated only in the case of payment defaults that continue for a period of 30 days or certain events of bankruptcy or insolvency, whether voluntary or involuntary. If you purchase the securities, you will have no right to accelerate the payment of principal on the securities if we fail in the performance of any of our obligations under the securities, other than the obligations to pay principal and interest on the securities. See "Description of Notes—Events of Default and Covenant Breaches" in the accompanying prospectus supplement.

Holders Of The Securities Could Be At Greater Risk For Being Structurally Subordinated If We Convey, Transfer Or Lease All Or Substantially All Of Our Assets To One Or More Of Our Subsidiaries.

Under the indenture, we may convey, transfer or lease all or substantially all of our assets to one or more of our subsidiaries. In that event, third-party creditors of our subsidiaries would have additional assets from which to recover on their claims while holders of the securities would be structurally subordinated to creditors of our subsidiaries with respect to such assets. See "Description of Notes—Consolidation, Merger or Sale" in the accompanying prospectus supplement.

The Estimated Value Of The Securities On The Pricing Date, Based On WFS's Proprietary Pricing Models, Is Less Than The Original Offering Price.

The original offering price of the securities includes certain costs that are borne by you. Because of these costs, the estimated value of the securities on the pricing date is less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the securities, as well as to our funding considerations for debt of this type. The costs related to selling, structuring, hedging and issuing the securities include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the securities and (iii) hedging and other costs relating to the offering of the securities. Our funding considerations are reflected in the fact that we determine the economic terms of the securities based on an assumed funding rate that is generally lower than our secondary market rates. If the costs relating to selling, structuring, hedging and issuing the securities were lower, or if the assumed funding rate we use to determine the economic terms of the securities were higher, the economic terms of the securities would be more favorable to you and the estimated value would be higher.

The Estimated Value Of The Securities Is Determined By Our Affiliate's Pricing Models, Which May Differ From Those Of Other Dealers.

The estimated value of the securities was determined for us by WFS using its proprietary pricing models and related market inputs and assumptions referred to above under "Investment Description—Determining the estimated value." Certain inputs to these models may be determined by WFS in its discretion. WFS's views on these inputs may differ from other dealers' views, and WFS's estimated value of the securities may be higher, and perhaps materially higher, than the estimated value of the securities that would be determined by other dealers in the market. WFS's models and its inputs and related assumptions may prove to be wrong and therefore not an accurate reflection of the value of the securities.

The Estimated Value Of The Securities Is Not An Indication Of The Price, If Any, At Which WFS Or Any Other Person May Be Willing To Buy The Securities From You In The Secondary Market.

The price, if any, at which WFS or any of its affiliates may purchase the securities in the secondary market will be based on WFS's proprietary pricing models and will fluctuate over the term of the securities as a result of changes in the market and other factors described in the next risk factor. Any such secondary market price for the securities will also be reduced by a bid-offer spread, which may vary depending on the aggregate face amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Unless the factors described in the next risk factor change significantly in your favor, any such secondary market price for the securities is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the 5-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS's proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 5-month period. If you hold the securities through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement. If you hold your securities through an account at a broker-dealer other than WFS or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at WFS or any of its affiliates, as discussed above under "Investment Description—Valuation of the securities after issuance."

The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.

The value of the securities prior to stated maturity will be affected by the then-current level of each Index, interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, which we refer to as the "derivative component factors," are expected to affect the value of the securities. When we refer to the "value" of your security, we mean the value you could receive for your security if you are able to sell it in the open market before the stated maturity date.

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Performance of the Indices. The value of the securities prior to maturity will depend substantially on the then-current level of each Index. The price at which you may be able to sell the securities before stated maturity may be at a discount, which could be substantial, from their original offering price, if the level of the lowest performing Index at such time is less than, equal to or not sufficiently above its starting level, its coupon threshold level or its downside threshold level.

Interest Rates. The value of the securities may be affected by changes in the interest rates in the U.S. markets.

Volatility Of The Indices. Volatility is the term used to describe the size and frequency of market fluctuations. The value of the securities may be affected if the volatility of the Indices changes.

Correlation Among The Indices. Correlation refers to the extent to which the levels of the Indices tend to fluctuateNOWRAP VALIGN="bottom">)

Amortization of transition asset, prior service cost and net actuarial loss		4,115	1,932	12,267	5,494
Defined benefit pension plans		4,115	77	12,267	3,639
Other comprehensive income/(loss) before tax		9,804	(6,174)	15,049	(1,064)
Income tax expense related to items of other comprehensive income/(loss)		0	0	0	0
Other comprehensive income/(loss), net of tax		9,804	(6,174)	15,049	(1,064)
Comprehensive income	$	49,469	$ 23,165	$ 188,624	$ 332,213

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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LSI CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended	
	September 30, 2012	October 2, 2011
Operating activities:		
Net income	$ 173,575	$ 333,277
Adjustments:		
Depreciation and amortization	136,318	145,843
Stock-based compensation expense	83,538	38,480
Non-cash restructuring of operations and other items, net	5,739	30,535
Gain on re-measurement of a pre-acquisition equity interest to fair value	(5,765)	0
Gain on sale of investments	(2,550)	0
Gain on sale of business	0	(260,066)
Loss/(gain) on sale of property and equipment	2,574	(543)
Unrealized foreign exchange (gain)/loss	(80)	200
Deferred taxes	(43,246)	(18,944)
Changes in assets and liabilities, net of assets acquired and liabilities assumed in business combination:		
Accounts receivable	931	78,215
Inventories	(4,864)	(60,203)
Prepaid expenses, assets held for sale and other assets	(720)	(10,256)
Accounts payable	4,335	(1,700)
Accrued and other liabilities	(70,481)	(83,479)
Net cash provided by operating activities	279,304	191,359
Investing activities:		
Purchases of debt securities available-for-sale	(94,456)	(38,683)
Proceeds from maturities and sales of debt securities available-for-sale	29,523	31,988
Purchases of other investments	0	(4,000)
Proceeds from sale of other investments	2,550	0
Purchases of property and equipment	(103,285)	(46,841)
Proceeds from sale of property and equipment	1,626	939
Acquisition of business, net of cash acquired	(319,231)	0
Proceeds from sale of business, net of transaction costs	0	475,150
Net cash (used in)/provided by investing activities	(483,273)	418,553
Financing activities:		
Issuances of common stock	90,643	66,060
Purchases of common stock under repurchase programs	(226,247)	(471,787)
Net cash used in financing activities	(135,604)	(405,727)
Effect of exchange rate changes on cash and cash equivalents	269	(821)
Net change in cash and cash equivalents	(339,304)	203,364

Cash and cash equivalents at beginning of period	779,811	521,786
Cash and cash equivalents at end of period	$ 440,507	$ 725,150

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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LSI CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation

For financial reporting purposes, LSI Corporation (LSI or the Company) reports on a 13- or 14-week quarter with the year ending December 31. The third quarters of 2012 and 2011consisted of 13 weeks each and ended on September 30, 2012 and October 2, 2011, respectively. The results of operations for the quarter ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year.

On January 3, 2012, the Company completed the acquisition of SandForce, Inc. (SandForce) for total consideration of approximately $346.4 million, net of cash acquired. SandForce was a provider of flash storage processors for enterprise and client flash solutions and solid state drives. The acquisition was accounted for under the purchase method of accounting. Accordingly, the results of operations of SandForce and the estimated fair value of the assets acquired and liabilities assumed were included in the Company s condensed consolidated financial statements from January 3, 2012.

On May 6, 2011, the Company completed the sale of substantially all of its external storage systems business to NetApp, Inc. (NetApp). The results of the external storage systems business are presented as discontinued operations in the Company s condensed consolidated statements of operations and, as such, have been excluded from all line items other than (Loss)/income from discontinued operations for all periods presented.

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from these estimates.

In management s opinion, the accompanying unaudited condensed consolidated financial statements contain all normal recurring adjustments necessary for a fair statement of the Company s financial position, results of operations, comprehensive income and cash flows for the interim periods presented. While the Company believes that the disclosures are adequate to make the information not misleading, these financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued additional guidance on fair value measurements and related disclosures. The new guidance clarifies the application of existing guidance on fair value measurement for non-financial assets and requires the disclosure of quantitative information about the unobservable inputs used in a fair value measurement. The Company adopted this guidance in the first quarter of 2012. The adoption did not impact the Company s results of operations or financial position.

In June 2011, the FASB issued amended guidance regarding the presentation of comprehensive income. The amended guidance gives an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amended guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. The Company adopted this guidance in the first quarter of 2012. The adoption did not impact the Company s results of operations or financial position.

Note 2 Stock-Based Compensation Expense

In May 2012, the Company s 2003 Equity Incentive Plan was amended to increase the number of shares available for new awards to a total of 25 million, of which 15 million shares were available for restricted stock and/or restricted stock units (RSUs). In addition, the period during which incentive stock options can be granted was extended to February 9, 2022, and the maximum number of shares that may be issued upon exercise of incentive stock options was set at 25 million.

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Stock-based compensation expense included in continuing operations, net of estimated forfeitures, related to the Company s stock options, Employee Stock Purchase Plan (ESPP) and restricted stock unit awards by expense category was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In thousands)			
Cost of revenues	$ 2,573	$ 1,460	$ 9,088	$ 5,324
Research and development	11,170	5,410	35,451	18,286
Selling, general and administrative	13,643	4,883	38,999	15,462
Total stock-based compensation expense	$ 27,386	$ 11,753	$ 83,538	$ 39,072

In connection with the SandForce acquisition, the Company assumed stock options and RSUs originally granted by SandForce. Stock-based compensation expense for the nine months ended September 30, 2012 included $4.5 million of expense related to the accelerated vesting of stock options and RSUs for certain SandForce employees in January 2012. Stock-based compensation expense for the three and nine months ended September 30, 2012 also includes $3.1 million and $8.8 million, respectively, related to assumed stock options and RSUs.

Stock Options

The fair value of each option grant is estimated as of the date of grant using a reduced-form calibrated binomial lattice model (lattice model). The following table summarizes the weighted-average assumptions that the Company applied in the lattice model:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Estimated grant date fair value per share	$ 2.50	$ 2.37	$ 2.84	$ 2.14
Expected life (years)	4.46	4.48	4.46	4.51
Risk-free interest rate	1%	1%	1%	2%
Volatility	52%	50%	47%	47%

The following table summarizes changes in stock options outstanding:

	Number of Shares (In thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Options outstanding at December 31, 2011	64,245	$ 6.19		
Assumed in SandForce acquisition	7,542	$ 0.75		
Granted	5,389	$ 8.40		
Exercised	(14,385)	$ 5.32		
Canceled	(4,758)	$ 8.69		
Options outstanding at September 30, 2012	58,033	$ 5.70	3.91	$ 102,654
Options exercisable at September 30, 2012	35,670	$ 6.13	2.71	$ 52,025

As of September 30, 2012, the total unrecognized compensation expense related to unvested stock options, net of estimated forfeitures, was $40.9 million and is expected to be recognized over the next 2.2 years on a weighted-average basis. The options assumed in the SandForce acquisition vest over four years from the date of the grant and have ten year terms.

Restricted Stock Units

The cost of service-based and performance-based RSUs is determined using the fair value of the Company s common stock on the date of grant. For performance-based RSU expense, the Company also considers the probability that those RSUs will vest.

Service-based:

The vesting of service-based RSUs requires that the employees remain employed by the Company for a specified period of time.

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The following table summarizes changes in service-based RSUs outstanding:

	Number of Units (In thousands)	Weighted-Average Grant Date Fair Value per Share	
Unvested service-based RSUs outstanding at December 31, 2011	12,085	$	5.94
Assumed in SandForce acquisition	1,576	$	6.17
Granted	7,921	$	8.23
Vested	(3,315)	$	5.87
Forfeited	(782)	$	6.53
Unvested service-based RSUs outstanding at September 30, 2012	17,485	$	6.98

As of September 30, 2012, the total unrecognized compensation expense related to service-based RSUs, net of estimated forfeitures, was $94.6 million and will be recognized over the next 2.8 years on a weighted-average basis.

Performance-based:

The vesting of performance-based RSUs is contingent upon the Company meeting specified performance criteria and requires that the employees remain employed by the Company for a specified period of time.

The following table summarizes changes in performance-based RSUs outstanding:

	Number of Units (In thousands)	Weighted-Average Grant Date Fair Value per Share	
Unvested performance-based RSUs outstanding at December 31, 2011	4,729	$	5.98
Granted	2,986	$	8.52
Vested	(1,446)	$	5.85
Forfeited	(593)	$	6.53
Unvested performance-based RSUs outstanding at September 30, 2012	5,676	$	7.29

As of September 30, 2012, the total unrecognized compensation expense related to performance-based RSUs, net of estimated forfeitures, was $19.8 million and, if the performance conditions are fully met, will be recognized over the next 3 years.

Employee Stock Purchase Plan

Compensation expense for the ESPP is calculated using the fair value of the employees purchase rights under the Black-Scholes model. Under the ESPP, rights to purchase shares are granted during the second and fourth quarters of each year. The Company issued 2.8 million and 2.9 million shares under the ESPP during the three months ended July 1, 2012 and July 3, 2011, respectively. No shares related to the ESPP were issued during the three months ended September 30, 2012 or October 2, 2011. The following table summarizes the weighted-average assumptions that the Company applied in the calculation of the fair value for the May 2012 and May 2011 grants:

	2012	2011
Estimated grant date fair value per share	$ 2.19	$ 2.10
Expected life (years)	0.8	0.8

Risk-free interest rate	0.17%	0.02%
Volatility	41%	37%

Note 3 Common Stock Repurchases

The Company s board of directors authorized stock repurchases of up to $750.0 million on March 9, 2011 and an additional $500.0 million on August 1, 2012. As of September 30, 2012, $525.0 million remained available for stock repurchases. The Company repurchased 6.6 million shares for $50.1 million during the three months ended September 30, 2012 and 29.1 million shares for $226.2 million during the nine months ended September 30, 2012. The Company repurchased 11.2 million shares for $75.0 million during the three months ended October 2, 2011 and 67.5 million shares for $471.8 million during the nine months ended October 2, 2011. Repurchased shares are retired immediately after the repurchases are completed. Retirement of repurchased shares is recorded as a reduction of common stock and additional paid-in capital.

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Note 4 Restructuring and Other Items

The following table summarizes items included in restructuring of operations and other items, net:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In thousands)			
Lease terminations (a)	$ 901	$ 311	$ 3,716	$ 3,864
Employee severance and benefits (b)	1,239	482	2,698	2,414
Asset impairment and other exit charges	3,515(c)	6,019(d)	3,515(c)	6,019(d)
Total restructuring expense	5,655	6,812	9,929	12,297
Other items, net	(1,434)(e)	3,972(f)	16,245(g)	(9,611)(h)
Total restructuring of operations and other items, net	$ 4,221	$ 10,784	$ 26,174	$ 2,686

(a) Includes changes in estimates, changes in time value and on-going expenditures related to previously vacated facilities.

(b) Relates to restructuring actions taken as the Company continued to streamline operations.

(c) Consists of a $2.7 million loss on the sale of a property in the U.S. and $0.8 million of other asset impairment and exit costs.

(d) Primarily relates to write-offs of intellectual property and software which are no longer in use.

(e) Primarily consists of a $1.7 million reversal of a sales and use tax liability as a result of concluding a state tax audit.

(f) Primarily consists of costs related to the transition service agreement associated with the sale of the external storage systems business.

(g) Primarily consists of $8.4 million of SandForce acquisition-related costs and $6.7 million of costs related to the transition service agreement associated with the sale of the external storage systems business, offset in part by a $1.7 million reversal of a sales and use tax liability as a result of concluding a state tax audit.

(h) Primarily consists of the reversal of a $14.5 million sales and use tax related liability as a result of concluding various audits, partially offset by $5.3 million of costs related to the transition service agreement associated with the sale of the external storage systems business.

The following table summarizes the significant activity within, and components of, the Company s restructuring obligations:

	Asset Impairment and Other Exit Charges	Lease Terminations	Employee Severance and Benefits	Total

	(In thousands)			
Balance at December 31, 2011	$ 0	$ 11,752	$ 10,444	$ 22,196
Expense	3,515	3,716	2,698	9,929
Utilized	(3,515)	(7,199)(a)	(11,794)(a)	(22,508)
Balance at September 30, 2012 (b)	$ 0	$ 8,269	$ 1,348	$ 9,617

(a) Represents cash payments.

(b) The balance remaining for lease terminations is expected to be paid during the remaining terms of the leases, which extend through 2013. The balance remaining for employee severance and benefits is expected to be paid by the end of 2013.

Note 5 Business Combination

Acquisition of SandForce

On January 3, 2012, the Company completed the acquisition of SandForce. SandForce was a provider of flash storage processors for enterprise and client flash solutions and solid state drives. The Company acquired SandForce to enhance its position in storage technology solutions.

Total consideration consisted of the following (in thousands):

Cash paid, net of cash acquired	$ 319,231
Fair value of partially vested equity awards	19,089
Fair value of LSI s previous investment in SandForce	8,120
Total	$ 346,440

In connection with the SandForce acquisition, the Company assumed stock options and RSUs originally granted by SandForce and converted them into LSI stock options and RSUs. The portion of the fair value of partially vested equity awards associated with prior service of SandForce employees represents a component of the total consideration for the SandForce acquisition, as presented above. Stock options assumed were valued using a binomial lattice model calibrated to the exercise behavior of LSI s employees. RSUs were valued based on LSI s stock price as of the acquisition date.

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Prior to the acquisition, the Company held an equity interest in SandForce. The Company determined the fair value of this equity interest by applying the per share value of the contractual cash consideration to the SandForce shares held by the Company immediately prior to the acquisition. The fair value of the Company s pre-acquisition investment in SandForce represents a component of the total consideration, as presented above. As a result of re-measuring the pre-acquisition equity interest in SandForce to fair value, the Company recognized a gain of $5.8 million, which was included in interest income and other, net, for the nine month period ended September 30, 2012.

The allocation of the purchase price to SandForce s tangible and identified intangible assets acquired and liabilities assumed was based on their estimated fair values.

The purchase price has been allocated as follows (in thousands):

Accounts receivable	$ 10,711
Inventory	24,268
Identified intangible assets	172,400
Goodwill	183,461
Net deferred tax liabilities	(43,198)
Other, net	(1,202)
Total	$ 346,440

The goodwill is primarily attributable to the assembled workforce of SandForce and synergies and economies of scale expected from combining the operations of LSI and SandForce. The goodwill recognized is not deductible for tax purposes.

Identified intangible assets consisted of the following:

	Fair Value (In thousands)	Weighted-Average Life (In years)
Current technology	$ 73,400	4.0
Customer relationships	41,700	7.0
Order backlog	4,500	0.5
Trade names	1,500	3.0
Total identified intangible assets subject to amortization	121,100	4.9
In-process research and development	51,300	
Total identified intangible assets	$ 172,400	

The allocation of the purchase price to identified intangible assets acquired was based on the Company s best estimate of the fair value of those assets. The fair value of acquired identified intangible assets is determined based on inputs that are unobservable and significant to the overall fair value measurement. As such, acquired intangible assets are classified as Level 3 assets.

The fair value of each of the acquired identified intangible assets was determined using a discounted cash flow methodology. The cash flows for each category of identified intangible assets represent the estimated incremental effect on the Company s cash flows directly attributable to that intangible asset over its estimated remaining life. Estimated cash flows represent expected incremental revenues, net of returns on contributory assets and after considering estimated incremental operating costs and income taxes. Discount rates ranging from 12.9% to 17.9% were used based on the cost of capital, adjusted to reflect the specific risk associated with each of the cash flows.

Current technology represents the fair value of SandForce products that had reached technological feasibility and were a part of its product offering. Customer relationships represents the fair values of SandForce s relationships with its customers.

In-process research and development (IPR&D) represents the fair value of incomplete research and development projects that had not reached technological feasibility as of the date of the acquisition. At the time of acquisition, SandForce had IPR&D related to its next generation flash storage processor (the Griffin project). At September 30, 2012, expected costs to complete the Griffin project are approximately $20.3 million through its anticipated completion date in 2013. Total revenues for the Griffin project are expected to extend through 2018. The acquisition date fair value of the Griffin project will be either amortized or impaired depending on whether the project is completed or abandoned.

From January 3, 2012 through September 30, 2012, the Company recognized approximately $124.1 million of revenues related to the SandForce business. In addition, during the nine months ended September 30, 2012, the Company recognized $8.4 million of acquisition-related costs included in restructuring of operations and other items, net related to SandForce. It is impracticable to

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determine the effect on net income resulting from the SandForce acquisition for the nine months ended September 30, 2012, as the Company immediately integrated SandForce into its ongoing operations. Historical pro forma results giving effect to the acquisition have not been presented because such effect is not material to the prior period financial results.

Note 6 Benefit Obligations

In 2007, the Company acquired Agere Systems Inc. (Agere). The Company has pension plans covering substantially all former Agere U.S. employees, excluding management employees hired after June 30, 2003. Retirement benefits are provided under defined benefit pension plans, which include a management plan and a represented plan. The payments under the management plan are based on an adjusted career-average-pay formula or a cash-balance program. The payments under the represented plan are based on a dollar-per-month formula. Since February 2009, there have been no active participants under the represented plan. The Company also has a non-qualified supplemental pension plan in the U.S. that principally provides benefits based on compensation in excess of amounts that can be considered under a tax qualified plan. The Company also provides post-retirement life insurance coverage under a group life insurance plan for former Agere employees excluding participants in the cash-balance program and management employees hired after June 30, 2003. The Company also has pension plans covering certain international employees.

Effective April 6, 2009, the Company froze the U.S. management defined benefit pension plan. Participants in the adjusted career-average-pay program will not earn any future service accruals after that date. Participants in the cash-balance program will not earn any future service accruals, but will continue to earn 4% interest per year on their cash-balance accounts.

The following table summarizes the components of the net periodic benefit cost or credit:

	Three Months Ended			
	September 30, 2012		October 2, 2011	
	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
	(In thousands)			
Service cost	$ 96	$ 22	$ 141	$ 19
Interest cost	15,355	657	16,891	702
Expected return on plan assets	(17,024)	(953)	(17,000)	(1,032)
Amortization of net actuarial loss, prior service cost and transition asset	3,592	523	1,695	237
Total benefit cost/(credit)	$ 2,019	$ 249	$ 1,727	$ (74)

	Nine Months Ended			
	September 30, 2012		October 2, 2011	
	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
	(In thousands)			
Service cost	$ 321	$ 67	$ 416	$ 57
Interest cost	46,090	1,950	50,670	1,948
Expected return on plan assets	(51,077)	(2,859)	(50,998)	(3,097)
Amortization of net actuarial loss, prior service cost and transition asset	10,754	1,513	5,080	414
Total benefit cost/(credit)	$ 6,088	$ 671	$ 5,168	$ (678)

During the nine months ended September 30, 2012, the Company contributed $80.2 million to its pension plans. The Company expects to contribute an additional $15.2 million to its pension plans during the remainder of 2012. The Company does not expect to contribute to its post-retirement benefit plan in 2012.

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Note 7 Cash Equivalents and Investments

The following tables summarize the Company s cash equivalents and investments measured at fair value:

	Fair Value Measurements as of September 30, 2012		
	Level 1	Level 2	Total
		(In thousands)	
Cash equivalents:			
Money-market funds	$ 338,690(a)	$ 0	$ 338,690
U.S. government and agency securities	0	1,000(b)	1,000
Total cash equivalents	$ 338,690	$ 1,000	$ 339,690
Available-for-sale debt securities:			
Asset-backed and mortgage-backed securities:			
Agency securities	$ 0	$ 124,247(b)	$ 124,247
Non-agency securities	0	2,336(b)	2,336
U.S. government and agency securities	13,276(a)	45,968(b)	59,244
Corporate debt securities	0	16,693(b)	16,693
Total short-term investments	$ 13,276	$ 189,244	$ 202,520
Long-term investments in equity securities:			
Marketable available-for-sale equity securities	$ 2,209(c)	$ 0	$ 2,209

	Fair Value Measurements as of December 31, 2011		
	Level 1	Level 2	Total
		(In thousands)	
Cash equivalents:			
Money-market funds	$ 674,219(a)	$ 0	$ 674,219
Available-for-sale debt securities:			
Asset-backed and mortgage-backed securities:			
Agency securities	$ 0	$ 97,408(b)	$ 97,408
Non-agency securities	0	9,989(b)	9,989
U.S. government and agency securities	5,403(a)	30,572(b)	35,975
Corporate debt securities	0	12,272(b)	12,272
Total short-term investments	$ 5,403	$ 150,241	$ 155,644
Long-term investments in equity securities:			
Marketable available-for-sale equity securities	$ 1,514(c)	$ 0	$ 1,514

(a) The fair value of money-market funds is determined using unadjusted prices in active markets. The fair value of Level 1 U.S. government and agency securities is determined using quoted prices in active markets.

(b) These investments are traded less frequently than Level 1 securities and are valued using inputs that include quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset, such as interest rates, yield curves, prepayment speeds, collateral performance, broker/dealer quotes and indices that are observable at commonly quoted intervals.

(c) The fair value of marketable equity securities is determined using quoted market prices in active markets. These amounts are included within other assets in the condensed consolidated balance sheets.

As of September 30, 2012 and December 31, 2011, the aggregate carrying value of the Company s non-marketable securities was $41.6 million and $43.9 million, respectively.

Upon the acquisition of SandForce in January 2012, the Company recognized a gain of $5.8 million as a result of re-measuring its pre-acquisition equity interest in SandForce to estimated fair value. There were no other non-marketable securities fair-valued during the three and nine months ended September 30, 2012 or October 2, 2011.

The following tables summarize the Company s available-for-sale securities:

	September 30, 2012			
	Amortized Cost	**Gross Unrealized Gain**	**Gross Unrealized Loss**	**Fair Value**
	(In thousands)			
Short-term debt securities:				
Asset-backed and mortgage-backed securities	$ 120,326	$ 6,730	$ (473)	$ 126,583
U.S. government and agency securities	58,350	895	(1)	59,244
Corporate debt securities	16,523	170	0	16,693
Total short-term debt securities	$ 195,199	$ 7,795	$ (474)	$ 202,520
Long-term marketable equity securities	$ 669	$ 1,541	$ (1)	$ 2,209

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	December 31, 2011			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
Short-term debt securities:				
Asset-backed and mortgage-backed securities	$ 99,884	$ 7,891	$ (378)	$ 107,397
U.S. government and agency securities	35,179	799	(3)	35,975
Corporate debt securities	12,146	153	(27)	12,272
Total short-term debt securities	$ 147,209	$ 8,843	$ (408)	$ 155,644
Long-term marketable equity securities	$ 669	$ 846	$ (1)	$ 1,514

As of September 30, 2012, there were 89 investments in an unrealized loss position. The following tables summarize the gross unrealized losses and fair values of the Company s short-term investments that have been in a continuous unrealized loss position for less than and greater than 12 months, aggregated by investment category:

	September 30, 2012			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)			
Asset-backed and mortgage-backed securities	$ 29,041	$ (424)	$ 2,165	$ (49)
U.S. government and agency securities	7,099	(1)	0	0
Total	$ 36,140	$ (425)	$ 2,165	$ (49)

	December 31, 2011			
	Less than 12 Months		Greater than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)			
Asset-backed and mortgage-backed securities	$ 10,645	$ (286)	$ 1,301	$ (92)
U.S. government and agency securities	3,872	(3)	0	0
Corporate debt securities	2,375	(27)	505	0
Total	$ 16,892	$ (316)	$ 1,806	$ (92)

Net realized gains on sales of available-for-sale securities were not material for the three and nine months ended September 30, 2012 or October 2, 2011.

Contractual maturities of available-for-sale debt securities as of September 30, 2012 were as follows:

	Available-For-Sale Debt Securities (In thousands)
Due within one year	$ 30,135
Due in 1-5 years	47,892
Due in 5-10 years	10,671
Due after 10 years	113,822
Total	$ 202,520

The maturities of asset-backed and mortgage-backed securities were allocated based on contractual principal maturities assuming no prepayments.

Note 8 Supplemental Financial Information

Inventories

	September 30, 2012	December 31, 2011
	(In thousands)	
Raw materials	$ 176	$ 236
Work-in-process	52,809	78,886
Finished goods	156,119	100,913
Total inventories	$ 209,104	$ 180,035

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Goodwill

The following table summarizes goodwill activity for the nine months ended September 30, 2012:

	Goodwill (In thousands)
Balance as of December 31, 2011	$ 72,377
Addition due to SandForce acquisition	183,461
Balance as of September 30, 2012	$ 255,838

There was no impairment charge for goodwill during the nine months ended September 30, 2012 or October 2, 2011. The accumulated impairment loss as of September 30, 2012 was $2.4 billion.

Accumulated Other Comprehensive Loss

The following table presents the components of, and changes in, accumulated other comprehensive loss, net of taxes:

	Balance at December 31, 2011	Other Comprehensive Income	Balance at September 30, 2012
		(In thousands)	
Accumulated net foreign currency translation adjustments	$ 42,138	$ 178	$ 42,316
Accumulated net unrealized gain on investments	5,942	184	6,126
Accumulated net unrealized loss on derivatives	(2,551)	2,420	(131)
Accumulated actuarial loss on pension and post-retirement plans	(578,757)	12,267	(566,490)
Total accumulated other comprehensive loss	$ (533,228)	$ 15,049	$ (518,179)

There was no tax effect on any item of other comprehensive income presented in the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2012 or October 2, 2011.

Reconciliation of Basic and Diluted Shares

The following table provides a reconciliation of basic and diluted shares:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
		(In thousands)		
Basic shares	555,197	567,790	561,708	592,898
Dilutive effect of stock options, employee stock purchase rights and restricted stock unit awards	16,825	13,693	20,588	15,845
Diluted shares	572,022	581,483	582,296	608,743

The weighted-average common share equivalents that were excluded from the computation of diluted shares because their inclusion would have had an anti-dilutive effect on net income per share were as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In thousands)			
Anti-dilutive securities:				
Stock options	29,181	39,924	27,694	42,978
Restricted stock unit awards	9,871	1,491	6,621	182

Note 9 Derivative Instruments

The Company has foreign subsidiaries that operate and sell the Company s products in various markets around the world. As a result, the Company is exposed to changes in foreign-currency exchange rates. The Company utilizes forward contracts to manage its exposure associated with net asset and liability positions denominated in non-functional currencies and to reduce the volatility of earnings and cash flows related to forecasted foreign-currency transactions. The Company does not hold derivative financial instruments for speculative or trading purposes.

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Cash-Flow Hedges

The Company enters into forward contracts that are designated as foreign-currency cash-flow hedges of selected forecasted payments denominated in currencies other than U.S. dollars. These forward contracts generally mature within twelve months. The Company evaluates and calculates the effectiveness of each hedge at least quarterly. Changes in fair value attributable to changes in time value are excluded from the assessment of effectiveness and are recognized in interest income and other, net. The effective portion of the forward contracts gain or loss is recorded in other comprehensive income and, when the hedged expense is recognized, is subsequently reclassified into earnings within the same line item in the statements of operations as the impact of the hedged transaction. The ineffective portion of the gain or loss is reported in earnings immediately. As of September 30, 2012 and December 31, 2011, the total notional value of the Company s outstanding forward contracts, designated as foreign-currency cash-flow hedges, was $38.3 million and $36.9 million, respectively.

Other Foreign-Currency Hedges

The Company enters into foreign-exchange forward contracts that are used to hedge certain foreign-currency-denominated assets or liabilities and that do not qualify for hedge accounting. These forward contracts generally mature within three months. Changes in the fair value of these forward contracts are recorded immediately in earnings to offset the changes in fair value of the assets or liabilities being hedged. As of September 30, 2012 and December 31, 2011, the total notional value of the Company s outstanding forward contracts, not designated as hedges under hedge accounting, was $43.0 million and $37.6 million, respectively. The Company recognized net gains on other foreign-currency hedges of $2.7 million and $1.0 million, respectively, during the three and nine months ended September 30, 2012, and net losses of $2.5 million and $0.5 million, respectively, during the three and nine months ended October 2, 2011. These amounts are included in interest income and other, net in the Company s condensed consolidated statements of operations and were substantially offset by the losses and gains on the underlying foreign-currency-denominated assets or liabilities.

Fair Value of Derivative Instruments

As of September 30, 2012 and December 31, 2011, the total fair value of derivative assets was immaterial and was recorded in prepaid expenses and other current assets in the condensed consolidated balance sheets. As of September 30, 2012 and December 31, 2011, the total fair value of derivative liabilities was $0.9 million and $3.0 million, respectively, and was recorded in other accrued liabilities in the condensed consolidated balance sheets.

Note 10 Segment, Geographic and Product Information

The Company operates in one reportable segment the Semiconductor segment. The Company s chief executive officer is the chief operating decision maker (CODM). The Company s CODM bears ultimate responsibility for, and is actively engaged in, the allocation of resources and the evaluation of the Company s operating and financial results.

Information about Geographic Areas

The following table summarizes the Company s revenues by geography based on the ordering location of the customer. Because the Company sells its products primarily to other sellers of technology products and not to end users, the information in the table below may not accurately reflect geographic end-user demand for its products.

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In thousands)			
North America*	$ 164,111	$ 136,849	$ 477,548	$ 380,648
Asia	414,409	360,238	1,292,419	993,239
Europe and the Middle East	45,442	49,823	135,992	146,931
Total	$ 623,962	$ 546,910	$ 1,905,959	$ 1,520,818

* Primarily the United States.

Information about Product Groups

The following table presents the Company s revenues by product groups:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In thousands)			
Storage products	$ 492,600	$ 403,125	$ 1,515,766	$ 1,098,473
Networking products	105,849	116,998	311,651	346,381
Other	25,513	26,787	78,542	75,964
Total	$ 623,962	$ 546,910	$ 1,905,959	$ 1,520,818

Note 11 Income Taxes

The Company recorded an income tax provision of $15.1 million and an income tax benefit of $22.2 million for the three and nine months ended September 30, 2012, respectively, and income tax provisions of $7.8 million and $12.6 million for the three and nine months ended October 2, 2011, respectively.

The income tax benefit for the nine months ended September 30, 2012 included a tax benefit of approximately $43.2 million due to the release of valuation allowance resulting from the net deferred tax liabilities recorded as part of the SandForce purchase price allocation. The income tax benefit for the nine months ended September 30, 2012 also included a reversal of $10.8 million in liabilities for uncertain tax positions, which included previously unrecognized tax benefits of $5.7 million and interest and penalties of $5.1 million, as a result of the expiration of statutes of limitations in multiple jurisdictions.

The income tax provision for the nine months ended October 2, 2011 included a reversal of $9.6 million in liabilities for uncertain tax positions, which included previously unrecognized tax benefits of $5.6 million and interest and penalties of $4.0 million, as a result of the expiration of statutes of limitations in multiple jurisdictions.

The Company computes its tax provision using an estimated annual tax rate. The Company excludes certain loss jurisdictions from the computation of the estimated annual rate when no benefit can be realized on those losses. With the exception of certain foreign jurisdictions, the Company believes it is not more likely than not that the future benefit of the deferred tax assets will be realized.

As of September 30, 2012, the Company had $188.4 million of unrecognized tax benefits, for which the Company is unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur. It is reasonably possible that the total amount of unrecognized tax benefits will increase or decrease in the next 12 months. Such changes could occur based on the normal expiration of statutes of limitations or the possible conclusion of ongoing tax audits in various jurisdictions around the world. If those events occur within the next 12 months, the Company estimates that the unrecognized tax benefits, plus accrued interest and penalties, could decrease by up to $16.3 million.

Note 12 Related Party Transactions

A member of the Company s board of directors is also a member of the board of directors of Seagate Technology (Seagate). The Company sells semiconductors used in storage product applications to Seagate for prices comparable to those charged to an unrelated third party. Revenues from sales by the Company to Seagate were $170.3 million and $604.9 million for the three and nine months ended September 30, 2012, respectively. Revenues from sales by the Company to Seagate were $157.9 million and $375.4 million for the three and nine months ended October 2, 2011, respectively. The Company had accounts receivable from Seagate of $93.9 million and $90.3 million as of September 30, 2012 and December 31, 2011, respectively.

The Company has an equity interest in a joint venture, Silicon Manufacturing Partners Pte Ltd. (SMP), with GLOBALFOUNDRIES, a manufacturing foundry for integrated circuits. SMP operates an integrated circuit manufacturing facility in Singapore. The Company owns a 51% equity interest in this joint venture and accounts for its ownership position under the equity method of accounting. The Company is effectively precluded from unilaterally taking any significant action in the management of SMP due to GLOBALFOUNDRIES significant participatory rights under the joint venture agreement. Because of GLOBALFOUNDRIES approval rights, the Company cannot make any significant decisions regarding SMP without GLOBALFOUNDRIES approval, despite the 51% equity interest. In addition, the General

Manager, who is responsible for the day-to-day management of SMP, is appointed by GLOBALFOUNDRIES, and GLOBALFOUNDRIES provides day-to-day operational support to SMP.

The Company purchased $11.6 million and $35.5 million of inventory from SMP during the three and nine months ended September 30, 2012, respectively. The Company purchased $12.9 million and $38.5 million of inventory from SMP during the three and nine months ended October 2, 2011, respectively. As of September 30, 2012 and December 31, 2011, the amounts payable to SMP were $7.7 million and $5.0 million, respectively.

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Note 13 Commitments, Contingencies and Legal Matters

Purchase Commitments

The Company maintains purchase commitments with certain suppliers, primarily for raw materials and manufacturing services and for some non-production items. Purchase commitments for inventory materials are generally restricted to a forecasted time horizon as mutually agreed upon between the parties. This forecasted time horizon can vary for different suppliers. As of September 30, 2012, the Company had purchase commitments of $384.6 million, which are due through 2016.

The Company has a take-or-pay agreement with SMP under which it has agreed to purchase 51% of the managed wafer capacity from SMP s integrated circuit manufacturing facility, and GLOBALFOUNDRIES has agreed to purchase the remaining managed wafer capacity. SMP determines its managed wafer capacity each year based on forecasts provided by the Company and GLOBALFOUNDRIES. If the Company fails to purchase its required commitments, it will be required to pay SMP for the fixed costs associated with the unpurchased wafers. GLOBALFOUNDRIES is similarly obligated with respect to the wafers allotted to it. The agreement may be terminated by either party upon two years written notice. The agreement may also be terminated for material breach, bankruptcy or insolvency.

Guarantees

***Product Warranties*:**

The following table sets forth a summary of changes in product warranties:

	Accrued Warranties (In thousands)	
Balance as of December 31, 2011	$	6,334
Accruals for warranties issued during the period		998
Adjustments to pre-existing accruals (including changes in estimates)		(470)
Warranty liabilities assumed in SandForce acquisition		426
Settlements made during the period (in cash or in kind)		(1,234)
Balance as of September 30, 2012	$	6,054

Standby Letters of Credit:

The Company had outstanding obligations relating to standby letters of credit of $4.4 million and $3.5 million, respectively, as of September 30, 2012 and December 31, 2011. Standby letters of credit are financial guarantees provided by third parties for leases, customs and certain self-insured risks. If the guarantees are called, the Company must reimburse the provider of the guarantee. The fair value of the letters of credit approximates the contract amounts. The standby letters of credit generally renew annually.

Indemnifications

The Company is a party to a variety of agreements pursuant to which it may be obligated to indemnify the other party. These obligations arise primarily in connection with sales contracts, license agreements or agreements for the sale of assets, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of warranties, representations and covenants related to such matters as title to assets sold, validity of certain intellectual property rights, non-infringement of third-party rights, and certain income tax-related matters. In each of these circumstances, payment by the Company is typically subject to the other party making a claim to and cooperating with the Company pursuant to the procedures specified in the particular contract. This usually allows the Company to challenge the other party s claims or, in case of breach of intellectual property representations or covenants, to control the defense or settlement of any third-party claims brought against the other party. Further, the Company s obligations under these agreements may be limited in terms of activity (typically to replace or correct the products or terminate the agreement with a refund to the other party), duration and/or amounts. In some instances, the Company may have recourse against third parties covering certain payments made by the Company.

Legal Matters

On December 6, 2006, Sony Ericsson Mobile Communications USA Inc. (Sony Ericsson) filed a lawsuit against Agere in Wake County Superior Court in North Carolina, alleging unfair and deceptive trade practices, fraud and negligent misrepresentation in connection with Agere s engagement with Sony Ericsson to develop a wireless data card for personal computers. The complaint claimed an unspecified amount of damages and sought compensatory damages, treble damages and attorneys fees. In August, 2007, the case was dismissed for improper venue. On October 22, 2007, Sony Ericsson filed a lawsuit in the Supreme Court of the State of New York, New York County against LSI, raising substantially the same allegations and seeking substantially the same relief as the North Carolina proceeding. In January 2010, Sony Ericsson amended its complaint by adding claims for fraudulent concealment and gross negligence. On September 10, 2010, LSI filed a motion for summary judgment. On August 4, 2011, the court granted LSI s motion and ordered the dismissal of all of Sony Ericsson s claims. Sony Ericsson has appealed this decision. The Company is unable to estimate the possible loss or range of loss, if any, that may be incurred with respect to this matter.

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On March 23, 2007, CIF Licensing, LLC, d/b/a GE Licensing (GE) filed a lawsuit against Agere in the United States District Court for the District of Delaware, asserting that Agere products infringe patents in a portfolio of patents GE acquired from Motorola. GE has asserted that four of the patents cover inventions relating to modems. GE is seeking monetary damages. Agere believes it has a number of defenses to the infringement claims in this action, including laches, exhaustion and its belief that it has a license to the patents. The court postponed hearing motions based on these defenses until after the trial, and did not allow Agere to present evidence on these defenses at trial. On February 17, 2009, the jury in this case returned a verdict finding that three of the four patents were invalid and that Agere products infringed the one patent found to be valid and awarding GE $7.6 million for infringement of that patent. The jury also found Agere s infringement was willful, which means that the judge could increase the amount of damages up to three times its original amount. The court has not scheduled hearings on Agere s post-trial motions related to its defenses. One of these motions seeks to have a mis-trial declared based on Agere s belief that GE withheld evidence in discovery, which affected Agere s ability to present evidence at trial. On October 6, 2010, a special master appointed by the court determined that GE s actions were not wrongful and that the evidence withheld by GE was not material to the jury s findings. Agere is challenging this determination. If the jury s verdict is entered by the court, Agere would also expect to be required to pay interest from the date of infringing sales. If the verdict is entered, Agere intends to appeal the matter. On February 17, 2010, the court issued an order granting GE s summary judgment motions seeking to bar Agere s defenses of laches, exhaustion, and license and denying Agere s summary judgment motions concerning the same defenses. On July 30, 2010, the court held that one of the patents found invalid by the jury was valid. The court also held that the February 17, 2010 order was not inconsistent with its previous ruling that Agere would be permitted to renew its laches, licensing, and exhaustion defenses, and that Agere has not been precluded from asserting them post-trial. The Company is unable to estimate the possible loss or range of loss, if any, that may be incurred with respect to this matter.

On December 1, 2010, Rambus Inc. (Rambus) filed a lawsuit against LSI in the United States District Court for the Northern District of California alleging that LSI products infringe one or more of 19 Rambus patents. These products contain either DDR-type memory controllers or certain high-speed SerDes peripheral interfaces, such as PCI Express interfaces and certain SATA and SAS interfaces. Rambus is seeking unspecified monetary damages, treble damages and costs, expenses and attorneys fees due to alleged willfulness, interest and permanent injunctive relief in this action. In addition, on December 1, 2010, Rambus filed an action with the International Trade Commission (ITC) against LSI and five of its customers alleging that LSI products infringe six of the 19 patents in the California case. Rambus also named five other companies and a number of their customers in the ITC action. Rambus sought an exclusionary order against LSI and its customers in the ITC action, which, if granted, would preclude LSI and its customers from selling these products in the U.S. The ITC held a hearing on the matter in October 2011. On March 2, 2012, an administrative law judge (ALJ) found that LSI infringed Rambus patents; however, the ALJ also found the patents invalid or unenforceable or both, and accordingly, found no violation of section 337 of the Tariff Act of 1930. On July 25, 2012, the ITC determined to terminate the investigation with a finding of no violation of section 337 of the Tariff Act of 1930. The ITC affirmed the ALJ s conclusion that all of the asserted patent claims are invalid under 35 U.S.C. §102 or 103, except for certain asserted claims, for which they found that Rambus has not demonstrated infringement. The ITC reversed the ALJ s determination that Rambus had demonstrated the existence of a domestic industry under 19 U.S.C. § 1337(a) for the asserted patents. The ITC affirmed the ALJ s determination that certain patents are unenforceable under the doctrine of unclean hands. Rambus has appealed the ITC s rulings. The lawsuit against LSI in the United States District Court for the Northern District of California is still pending. The Company is unable to estimate the possible loss or range of loss, if any, that may be incurred with respect to these proceedings.

In addition to the foregoing, the Company and its subsidiaries are parties to other litigation matters and claims in the normal course of business. The Company does not believe, based on currently available facts and circumstances, that the final outcome of these other matters, taken individually or as a whole, will have a material adverse effect on the Company s consolidated results of operations or financial position. However, the pending unsettled lawsuits may involve complex questions of fact and law and may require the expenditure of significant funds and the diversion of other resources to defend. From time to time, the Company may enter into confidential discussions regarding the potential settlement of such lawsuits. However, there can be no assurance that any such discussions will occur or will result in a settlement. Moreover, the settlement of any pending litigation could require the Company to incur substantial costs and, in the case of the settlement of any intellectual property proceeding against the Company, may require the Company to obtain a license to a third-party s intellectual property that could require royalty payments in the future and the Company to grant a license to certain of its intellectual property to a third party under a cross-license agreement. The results of litigation are inherently uncertain, and material adverse outcomes are possible.

The Company has not provided accruals for any legal matters in its financial statements as potential losses for such matters are not considered probable and reasonably estimable. However, because such matters are subject to many uncertainties, the ultimate outcomes are not predictable, and there can be no assurances that the actual amounts required to satisfy any liabilities arising from the matters described above will not have a material adverse effect on the Company s consolidated results of operations, financial position or cash flows.

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Note 14 Discontinued Operations

On May 6, 2011, the Company completed the sale of substantially all of its external storage systems business to NetApp for $480.0 million in cash. The strategic decision to exit the external storage systems business was based on the Company s expectation that long-term shareholder value could be maximized by becoming a pure-play semiconductor company. Under the terms of the agreement, NetApp purchased substantially all the assets of the Company s external storage systems business, which developed and delivered external storage systems products and technology to a wide range of partners who provide storage solutions to end customers. As part of the transaction, the Company provided transitional services to NetApp. The purpose of these services was to provide short-term assistance to the buyer in assuming the operations of the purchased business.

Following is selected financial information included in (loss)/income from discontinued operations for the three and nine months ended October 2, 2011:

	Three Months Ended October 2, 2011	Nine Months Ended October 2, 2011
	(In thousands)	
Revenues	$ 2,860	$ 210,225
Loss before gain on sale of external storage systems business and income taxes	$ (2,366)	$ (24,866)
Gain on sale of external storage systems business	0	260,066
Benefit from income taxes	(55)	(19,473)
(Loss)/income from discontinued operations	$ (2,311)	$ 254,673

There was no income or loss from discontinued operations for the three or nine months ended September 30, 2012.

During the three and nine months ended October 2, 2011, the Company recognized $3.0 million and $40.9 million, respectively, of restructuring expense as the Company terminated employees, closed several office locations, terminated certain contracts, discontinued various development projects and wrote off intangible assets and software due to the cancellation of development programs in connection with the exit of the external storage systems business. Further, the Company released $19.7 million of deferred tax liabilities related to tax deductible goodwill in connection with the sale of the external storage systems business during the nine months ended October 2, 2011.

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

This management s discussion and analysis should be read in conjunction with the other sections of this Form 10-Q, including Part 1, Item 1- Financial Statements.

Where more than one significant factor contributed to changes in results from year to year, we have quantified these factors throughout Management s Discussion and Analysis of Financial Condition and Results of Operations where practicable and material to understanding the discussion.

OVERVIEW

We design, develop and market complex, high-performance storage and networking semiconductors. We offer a broad portfolio of capabilities including custom and standard product integrated circuits that are used in hard disk drives, solid state drives, high-speed communications systems, computer servers, storage systems and personal computers. We deliver our products to our customers as stand-alone integrated circuits as well as incorporated onto circuit boards that offer additional functionality. We also license other entities to use our intellectual property.

Our products are sold primarily to original equipment manufacturer, or OEM, companies in the storage, server and networking industries. We also sell our products through a network of resellers and distributors.

On January 3, 2012, we acquired SandForce, a provider of flash storage processors for enterprise and client flash solutions and solid state drives, for total consideration of approximately $346.4 million, net of cash acquired. This acquisition has enhanced LSI s position in storage technology solutions.

On May 6, 2011, we sold our external storage systems business for $480.0 million in cash. That business sold external storage systems, primarily to OEMs, who resold these products to end customers under their own brand name. We have reflected the external storage systems business as discontinued operations in our condensed consolidated statements of operations and, as such, the results of that business have been excluded from all line items other than (Loss)/income from discontinued operations for all periods presented.

We derive the majority of our revenues from sales of products for the hard disk and solid state drive, server and networking equipment end markets. We believe that these markets offer us attractive opportunities because of the growing demand to create, store, manage and move digital content. We believe that this growth is occurring as a result of a number of trends, including:

- The increasing popularity of mobile devices such as smart phones and media tablets, and the increasing use of the internet for streaming media, such as videos and music, which together are driving the need for more network capacity;

- Consumer and business demand for hard disks to store increasing amounts of digital data, including music, video, pictures and medical and other business records; and

- Enterprises refreshing their data centers to provide higher levels of business support and analytics, which drives demand for new servers and storage systems and associated equipment.

Our revenues depend on market demand for these types of products and our ability to compete in highly competitive markets. We face competition not only from makers of products similar to ours, but also from competing technologies.

During the third quarter of 2012, we reported revenues of $624.0 million, compared to $546.9 million for the third quarter of 2011. For the nine months ended September 30, 2012, we reported revenues of $1,906.0 million, compared to $1,520.8 million for the nine months ended October 2, 2011. For the third quarter of 2012, we reported net income of $39.7 million, or $0.07 per diluted share, compared to $29.3 million, or $0.05 per diluted share, for the third quarter of 2011. For the nine months ended September 30, 2012, we reported net income of $173.6 million, or $0.30 per diluted share, compared to $333.3 million, or $0.55 per diluted share, for the nine months ended October 2, 2011. Net income for the nine months ended October 2, 2011 included a $260.1 million gain on the sale of our external storage systems business.

Our board of directors authorized stock repurchases of up to $750.0 million on March 9, 2011 and an additional $500.0 million on August 1, 2012. As of September 30, 2012, $525.0 million remained available for stock repurchases. During the nine months ended September 30, 2012, we repurchased 29.1 million shares for $226.2 million. Purchases under the authorizations are expected to be funded with available cash, cash equivalents and short-term investments. We ended the third quarter of 2012 with cash and cash equivalents, together with short-term investments, of $643.0 million, a decline from $935.5 million at the end of 2011, primarily attributable to the cash we used for the acquisition of SandForce.

In early 2012, our shipments of semiconductors for hard disk drives benefited as the hard disk drive industry recovered from the impact of flooding in Thailand in 2011, which affected the production facilities of companies in that industry. More recently, we believe there has been a weakening of sales of personal computers, which we believe led to a decline in our revenues from semiconductors for hard disk drives in the third quarter of 2012 and which we believe will result in further reductions in sales of our products for hard disk drives in the fourth quarter. And, while we have seen significant growth in the first nine months of 2012 in sales of semiconductors for flash memory-based products such as solid state drives and server adapter cards, we believe that a weak market for personal computer sales, elevated shipments in the third quarter of semiconductors for flash-based products to support our customers new product launches and solid state drive-enabled personal computer rollouts being lower than anticipated, will result in a significant reduction in our sales of semiconductors for flash-based products in the fourth quarter from third quarter levels. The prices of certain commodities used in the production of semiconductors have increased in recent periods, adversely affecting our gross margins. For example, we use gold in the production of semiconductors and the market price of gold increased significantly in the second half of 2011 and remained at elevated levels through the first nine months of 2012. We do not currently enter into hedging transactions to manage our exposure to changes in the prices of gold or other commodities, although we may choose to do so in the future. Further increases in commodity costs or sustained increased prices may continue to have an adverse impact on our gross margins.

As we look forward into the remainder of 2012 and 2013, we are focused on a number of key objectives, including:

- Carefully monitoring market conditions and attempting to maintain appropriate levels of inventory;

- Attempting to maintain our gross margins and controlling operating expenses;

Meeting or exceeding our product development, quality and delivery commitments to our customers;

Identifying attractive opportunities for future products, particularly in areas that are adjacent to technologies where we have strong capabilities;

Developing leading-edge new technologies; and

Developing the skills of our workforce.

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RESULTS OF OPERATIONS

Revenues

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In millions)			
Revenues	$ 624.0	$ 546.9	$ 1,906.0	$ 1,520.8

Revenues increased by $77.1 million, or 14.1%, for the three months ended September 30, 2012 as compared to the three months ended October 2, 2011, driven by higher unit sales of semiconductors used in storage applications as a result of the ramping of new products to existing customers and $49.9 million of revenue from flash storage processors due to the acquisition of SandForce. These increases were offset in part by a decrease in unit sales of semiconductors used in older networking applications.

Revenues increased by $385.2 million, or 25.3%, for the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011, driven by higher unit sales of semiconductors used in storage applications, such as hard disk drives as that industry recovered from the flooding in Thailand in late 2011, and the ramping of new products to existing customers. The increase also reflects $128.7 million of revenue from flash storage processors as a result of the acquisition of SandForce. These increases were offset in part by a decrease in unit sales of semiconductors used in older networking applications.

Significant Customers:

The following table provides information about sales to Seagate, which was our only customer that accounted for 10% or more of our consolidated revenues:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
Percentage of revenues	27%	29%	32%	25%

Revenues by Geography:

The following table summarizes our revenues by geography based on the ordering location of the customer. Because we sell our products primarily to other sellers of technology products and not to end users, the information in the table below may not accurately reflect geographic end-user demand for our products.

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In millions)			
North America*	$ 164.1	$ 136.9	$ 477.6	$ 380.7
Asia	414.4	360.2	1,292.4	993.2
Europe and the Middle East	45.5	49.8	136.0	146.9
Total	$ 624.0	$ 546.9	$ 1,906.0	$ 1,520.8

* Primarily the United States.

Revenues in North America and Asia increased by $27.2 million, or 19.9%, and $54.2 million, or 15.0%, respectively, for the three months ended September 30, 2012 as compared to the three months ended October 2, 2011. The increases were primarily attributable to higher unit sales of semiconductors used in storage applications as a result of the ramping of new products to existing customers and higher unit sales of flash storage processors as a result of the acquisition of SandForce. The increases were offset in part by a decrease in unit sales of semiconductors

used in older networking applications.

Revenues in North America and Asia increased by $96.9 million, or 25.5%, and $299.2 million, or 30.1%, respectively, for the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011. The increases were primarily attributable to higher unit sales of semiconductors used in storage applications, such as hard disk drives as that industry recovered from the flooding in Thailand in late 2011, and the ramping of new products to existing customers. The increases were also due to higher unit sales of flash storage processors as a result of the acquisition of SandForce. The increases were offset in part by a decrease in unit sales of semiconductors used in older networking applications.

Revenues in Europe and the Middle East remained relatively flat in the three and nine months ended September 30, 2012 as compared to the three and nine months ended October 2, 2011.

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Revenues by Product Groups:

The following table presents our revenues by product groups:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In millions)			
Storage products	$ 492.6	$ 403.1	$ 1,515.8	$ 1,098.4
Networking products	105.9	117.0	311.7	346.4
Other	25.5	26.8	78.5	76.0
Total	$ 624.0	$ 546.9	$ 1,906.0	$ 1,520.8

Revenues from storage products increased by $89.5 million, or 22.2%, for the three months ended September 30, 2012 as compared to the three months ended October 2, 2011. The increase was attributable to the ramping of new products to our existing customers and additional revenues from flash storage processors due to the acquisition of SandForce.

Revenues from storage products increased by $417.4 million, or 38.0%, for the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011. The increase was primarily attributable to higher unit sales of semiconductors used in hard disk drives as that industry recovered from the flooding in Thailand in late 2011 and the ramping of new products to existing customers. The increase was also the result of higher unit sales of flash storage processors due to the acquisition of SandForce.

Revenues from networking products decreased by $11.1 million, or 9.5%, and $34.7 million, or 10.0%, respectively, for the three and nine months ended September 30, 2012 as compared to the three and nine months ended October 2, 2011. The decreases were primarily the result of lower unit sales of semiconductors used in older networking applications.

Other revenues result primarily from the licensing of our intellectual property.

Gross Profit Margin

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(Dollars in millions)			
Gross profit margin	$ 312.7	$ 263.8	$ 931.5	$ 725.6
Percentage of revenues	50.1%	48.2%	48.9%	47.7%

Gross profit margin as a percentage of revenues increased by 1.9% for the three months ended September 30, 2012 as compared to the three months ended October 2, 2011. The increase was primarily attributable to favorable product mix, that is, more sales of higher margin products, and higher revenues enabling better absorption of fixed costs.

Gross profit margin as a percentage of revenues increased by 1.2% for the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011. The increase was primarily attributable to favorable product mix and higher revenues enabling better absorption of fixed costs, offset in part by the impact of fair valuing inventories acquired from SandForce and higher commodity costs used in manufacturing our products.

Research and Development

Three Months Ended		Nine Months Ended	
September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
(Dollars in millions)			

Research and development	$ 167.5	$ 143.3	$ 512.9	$ 431.6
Percentage of revenues	26.8%	26.2%	26.9%	28.4%

R&D expense increased by $24.2 million, or 16.9%, for the three months ended September 30, 2012 as compared to the three months ended October 2, 2011. The increase was primarily attributable to higher compensation-related expense, which includes stock-based compensation, resulting from headcount additions associated with the acquisition of SandForce and headcount additions to support our ongoing product development efforts, and higher performance-based compensation expense as a result of improved financial performance. As a percentage of revenues, R&D expense slightly increased in the third quarter of 2012 as compared to the third quarter of 2011.

R&D expense increased by $81.3 million, or 18.8%, for the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011. The increase was primarily attributable to higher compensation-related expense, which includes stock-based compensation, resulting from headcount additions associated with the acquisition of SandForce and headcount additions to support our ongoing product development efforts, higher performance-based compensation expense as a result of improved financial performance and increased information technology costs for R&D projects. As a percentage of revenues, R&D expense declined in the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011.

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Selling, General and Administrative

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(Dollars in millions)			
Selling, general and administrative	$ 92.0	$ 77.9	$ 271.0	$ 218.5
Percentage of revenues	14.7%	14.2%	14.2%	14.4%

SG&A expense increased by $14.1 million, or 18.1%, for the three months ended September 30, 2012 as compared to the three months ended October 2, 2011. The increase was primarily attributable to higher compensation-related expense, which includes stock-based compensation, resulting from headcount additions associated with the acquisition of SandForce and headcount additions to support revenue growth, along with higher performance-based compensation expense as a result of improved financial performance. As a percentage of revenues, SG&A expense increased in the third quarter of 2012 as compared to the third quarter of 2011.

SG&A expense increased by $52.5 million, or 24.0%, for the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011. The increase was primarily attributable to higher compensation-related expense, which includes stock-based compensation, resulting from headcount additions associated with the acquisition of SandForce and headcount additions to support revenue growth, along with higher performance-based compensation expense as a result of improved financial performance. As a percentage of revenues, SG&A expense remained relatively flat for the first nine months of 2012 compared to the same period in 2011.

Restructuring of Operations and Other Items, net

The following table summarizes items included in restructuring of operations and other items, net:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In millions)			
Lease terminations (a)	$ 0.9	$ 0.3	$ 3.7	$ 3.9
Employee severance and benefits (b)	1.2	0.5	2.7	2.4
Asset impairment and other exit charges	3.5(c)	6.0(d)	3.5(c)	6.0(d)
Total restructuring expense	5.6	6.8	9.9	12.3
Other items, net	(1.4)(e)	4.0(f)	16.3(g)	(9.6)(h)
Total restructuring of operations and other items, net	$ 4.2	$ 10.8	$ 26.2	$ 2.7

(a) Includes changes in estimates, changes in time value and on-going expenditures related to previously vacated facilities.

(b) Relates to restructuring actions taken as we continued to streamline operations.

(c) Consists of a $2.7 million loss on the sale of a property in the U.S. and $0.8 million of other asset impairment and exit costs.

(d) Primarily relates to write-offs of intellectual property and software which are no longer in use.

(e) Primarily consists of a $1.7 million reversal of a sales and use tax liability as a result of concluding a state tax audit.

(f) Primarily consists of costs related to the transition service agreement associated with the sale of the external storage systems business.

(g) Primarily consists of $8.4 million of SandForce acquisition-related costs and $6.7 million of costs related to the transition service agreement associated with the sale of the external storage systems business, offset in part by a $1.7 million reversal of a sales and use tax liability as a result of concluding a state tax audit.

(h) Primarily consists of the reversal of a $14.5 million sales and use tax related liability as a result of concluding various audits, partially offset by $5.3 million of costs related to the transition service agreement associated with the sale of the external storage systems business.

Interest Income and Other, net

The following table summarizes components of interest income and other, net:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	October 2, 2011	September 30, 2012	October 2, 2011
	(In millions)			
Interest income	$ 1.6	$ 2.3	$ 4.7	$ 9.0
Other income, net	4.3	5.3	25.4	9.3
Total	$ 5.9	$ 7.6	$ 30.1	$ 18.3

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The $4.3 million decrease in interest income for the nine months ended September 30, 2012 as compared to the nine months ended October 2, 2011 primarily resulted from the absence of interest income in 2012 on a note we received in connection with the sale of a business in 2007 and lower interest rates in 2012 than in 2011.

Other income, net, for the nine months ended September 30, 2012 primarily included $6.3 million of income for transition services related to the sale of the external storage systems business, a $5.8 million gain as a result of re-measuring our pre-acquisition equity interest in SandForce to estimated fair value, $5.5 million of proceeds from insurance claims covering a portion of our losses that resulted from the Thailand flooding in late 2011 and a $2.6 million gain on the sale of certain non-marketable equity securities.

Provision for/Benefit from Income Taxes

We recorded an income tax provision of $15.1 million and an income tax benefit of $22.2 million for the three and nine months ended September 30, 2012, respectively, and income tax provisions of $7.8 million and $12.6 million for the three and nine months ended October 2, 2011, respectively.

The income tax benefit for the nine months ended September 30, 2012 included a tax benefit of approximately $43.2 million due to the release of valuation allowance resulting from the net deferred tax liabilities recorded as part of the SandForce purchase price allocation. The income tax benefit for the nine months ended September 30, 2012 also included a reversal of $10.8 million in liabilities for uncertain tax positions, which included previously unrecognized tax benefits of $5.7 million and interest and penalties of $5.1 million, as a result of the expiration of statutes of limitations in multiple jurisdictions.

The income tax provision for the nine months ended October 2, 2011 included a reversal of $9.6 million in liabilities for uncertain tax positions, which included previously unrecognized tax benefits of $5.6 million and interest and penalties of $4.0 million, as a result of the expiration of statutes of limitations in multiple jurisdictions.

We compute our tax provision using an estimated annual tax rate. We exclude certain loss jurisdictions from the computation of the estimated annual rate when no benefit can be realized on those losses. With the exception of certain foreign jurisdictions, we believe it is not more likely than not that the future benefit of the deferred tax assets will be realized.

Discontinued Operations

Following is selected financial information included in (loss)/income from discontinued operations:

	Three Months Ended October 2, 2011	Nine Months Ended October 2, 2011
	(In millions)	
Revenues	$ 2.9	$ 210.2
Loss before gain on sale of external storage systems business and income taxes	$ (2.4)	$ (24.9)
Gain on sale of external storage systems business	0	260.1
Benefit from income taxes	(0.1)	(19.5)
(Loss)/income from discontinued operations	$ (2.3)	$ 254.7

There was no income or loss from discontinued operations for the three or nine months ended September 30, 2012.

During the three and nine months ended October 2, 2011, we recognized $3.0 million and $40.9 million, respectively, of restructuring expense as we terminated employees, closed several office locations, terminated certain contracts, discontinued various development projects and wrote off intangible assets and software due to the cancellation of development programs in connection with the exit of the external storage systems business. Further, we released $19.7 million of deferred tax liabilities related to tax deductible goodwill in connection with the sale of the external storage systems business during the nine months ended October 2, 2011.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

Cash, cash equivalents and short-term investments are our primary source of liquidity. We believe that our existing liquid resources and cash generated from operations will be adequate to meet our operating and capital requirements and other obligations for more than the next 12 months. We may, however, find it desirable to obtain additional debt or equity financing. Such financing may not be available to us at all or on acceptable terms if we determine that it would be desirable to obtain additional financing.

Cash, cash equivalents and short-term investments decreased to $643.0 million as of September 30, 2012 from $935.5 million as of December 31, 2011. The decrease was mainly due to $319.2 million of cash used in connection with the acquisition of SandForce and cash outflows for other investing activities and financing activities, offset in part by cash inflows generated from operating activities, as described below.

Working Capital

Working capital decreased by $265.5 million to $696.3 million as of September 30, 2012 from $961.8 million as of December 31, 2011. The decrease was primarily attributable to following:

- Cash, cash equivalents and short-term investments decreased by $292.5 million primarily due to the use of $319.2 million in connection with the acquisition of SandForce in January 2012, the use of $226.2 million to repurchase our common stock, and the use of $101.7 million for purchases of property and equipment, net of proceeds from sales, offset in part by net cash provided by operating activities of $279.3 million;
- Accrued salaries, wages, and benefits increased by $24.9 million primarily as a result of the timing of payments for salaries, benefits and performance-based compensation; and
- Accounts payable increased by $9.3 million primarily due to an increase in inventory purchases to support new product introductions and the normal timing of invoice receipts and payments.

These decreases in working capital were offset in part by the following:

- Inventories increased by $29.1 million as a result of increased inventory purchases to support new product introductions and higher revenues in 2012 as compared to 2011;
- Other accrued liabilities decreased by $18.2 million primarily due to the utilization of restructuring reserves, payments of taxes and decreases in other accruals related to our operations; and
- Accounts receivable increased by $10.0 million primarily as a result of increased revenues in the third quarter of 2012 as compared to the fourth quarter of 2011.

Working capital increased by $185.5 million to $964.7 million as of October 2, 2011 from $779.2 million as of December 31, 2010. The increase was primarily attributable to the following:

- Cash, cash equivalents and short-term investments increased by $202.2 million primarily due to $475.2 million of proceeds from the sale of our external storage systems business in May 2011 and net cash provided by operating activities of $191.4 million, offset in part by the use of $471.8 million to repurchase our common stock;
- Inventories increased by $23.7 million primarily due to increased inventory purchases during the third quarter of 2011 in anticipation of expected increases in product demand, offset in part by inventory sold to NetApp as part of the sale of the external storage systems business;
- Accrued salaries, wages and benefits decreased by $17.6 million primarily as a result of the timing of payments for salaries, benefits and performance-based compensation, and the payout of accrued compensation-related costs to employees transferred to NetApp as part of the sale of the external storage systems business; and

- Assets held for sale increased by $16.2 million primarily as a result of the reclassification of land in Gresham, Oregon from held and used to held for sale because the held for sale criteria were met during the second quarter of 2011.

These increases in working capital were offset in part by the following:

- Accounts receivable decreased by $78.2 million primarily as a result of lower revenues from discontinued operations due to the sale of the external storage systems business.

Cash Provided by Operating Activities

During the nine months ended September 30, 2012, we generated $279.3 million of cash from operating activities as a result of the following:

- Net income adjusted for non-cash items and other non-operating adjustments, which are quantified in our condensed consolidated statements of cash flows included in Item 1;

- Offset in part by a net decrease of $70.8 million in assets and liabilities, including changes in working capital components, from December 31, 2011 to September 30, 2012, as discussed above.

During the nine months ended October 2, 2011, we generated $191.4 million of cash from operating activities as a result of the following:

- Net income adjusted for non-cash items and other non-operating adjustments, which are quantified in our condensed consolidated statements of cash flows included in Item 1;

- Offset in part by a net decrease of $77.4 million in assets and liabilities, including changes in working capital components, from December 31, 2010 to October 2, 2011, as discussed above.

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Cash Used in/Provided by Investing Activities

Cash used in investing activities for the nine months ended September 30, 2012 was $483.3 million. The investing activities during the nine months ended September 30, 2012 were the following:

- Acquisition of SandForce, net of cash acquired, for $319.2 million;
- Purchases of property and equipment, net of proceeds from sales, totaling $101.7 million, including $45.5 million for an office building that we intend to be our new headquarters; and
- Purchases of available-for-sale debt securities and other investments, net of proceeds from maturities and sales, of $62.4 million.

Cash provided by investing activities for the nine months ended October 2, 2011 was $418.6 million. The investing activities during the nine months ended October 2, 2011 were the following:

- Proceeds from the sale of our external storage systems business, net of transaction fees, of $475.2 million;
- Purchases of property and equipment, net of proceeds from sales, totaling $45.9 million; and
- Purchases of available-for-sale debt securities and other investments, net of proceeds from maturities and sales, of $10.7 million.

We expect capital expenditures to be approximately $130.0 million in 2012, a significant portion of which relates to the office building that we intend to be our new headquarters. We have established strategic supplier alliances with foundry semiconductor manufacturers and with third-party assembly and test operations, which enables us to have access to advanced manufacturing capacity without having to increase our capital spending requirements.

Cash Used in Financing Activities

Cash used in financing activities for the nine months ended September 30, 2012 was $135.6 million. This amount included $226.2 million of repurchases of our common stock, offset in part by $90.6 million cash received from issuances of common stock under our employee stock plans.

Cash used in financing activities for the nine months ended October 2, 2011 was $405.7 million. This amount included $471.8 million to repurchase our common stock, offset in part by proceeds of $66.1 million from issuances of common stock under our employee stock plans.

We do not currently pay any cash dividends to our stockholders.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of September 30, 2012:

	Payments Due by Period					
	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years	Other	Total
	(In millions)					
Operating lease obligations	$ 36.2	$ 36.6	$ 11.3	$ 6.4	$ 0	$ 90.5

Purchase commitments	350.4	25.1	9.1	0	0	384.6
Pension contributions	15.2	*	*	*	*	15.2
Uncertain tax positions	0	0	0	0	100.1**	100.1
Total	$ 401.8	$ 61.7	$ 20.4	$ 6.4	$ 100.1	$ 590.4

* We have pension plans covering certain former Agere U.S. employees. We also have pension plans covering certain international employees. Although additional future contributions will be required, the amount and timing of these contributions will be affected by actuarial assumptions, the actual rate of return on plan assets, the level of market interest rates, legislation changes and the amount of voluntary contributions to the plans. The amount shown in the table represents our planned contributions to our pension plans during the remainder of 2012. Because any contributions for 2013 and later will depend on the value of the plan assets in the future and thus are uncertain, we have not included any amounts for 2013 and beyond in the above table.

** This amount represents the non-current tax payable obligation. We are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur.

Operating Lease Obligations

We lease real estate and certain non-manufacturing equipment under non-cancellable operating leases. We also include non-cancellable obligations under certain software licensing arrangements in this category.

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Purchase Commitments

We maintain purchase commitments with certain suppliers, primarily for raw materials and manufacturing services and for some non-production items. Purchase commitments for inventory materials are generally restricted to a forecasted time horizon as mutually agreed upon between the parties. This forecasted time horizon can vary for different suppliers.

Uncertain Tax Positions

As of September 30, 2012, we had $188.4 million of unrecognized tax benefits, for which we are unable to make a reasonably reliable estimate as to when cash settlement with a taxing authority may occur. It is reasonably possible that the total amount of unrecognized tax benefits will increase or decrease in the next 12 months. Such changes could occur based on the normal expiration of statutes of limitations or the possible conclusion of ongoing tax audits in various jurisdictions around the world. If those events occur within the next 12 months, we estimate that the unrecognized tax benefits, plus accrued interest and penalties, could decrease by up to $16.3 million.

Standby Letters of Credit

We had outstanding obligations relating to standby letters of credit of $4.4 million and $3.5 million, respectively, as of September 30, 2012 and December 31, 2011. Standby letters of credit are financial guarantees provided by third parties for leases, customs and certain self-insured risks. If the guarantees are called, we must reimburse the provider of the guarantee. The fair value of the letters of credit approximates the contract amounts. The standby letters of credit generally renew annually.

CRITICAL ACCOUNTING POLICIES

There have been no significant changes in our critical accounting estimates or significant accounting policies during the nine months ended September 30, 2012 as compared to the discussion in Part II, Item 7 and in Note 2 to our financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2011.

RECENT ACCOUNTING PRONOUNCEMENTS

The information contained in Note 1 to our financial statements in Item 1 under the heading Recent Accounting Pronouncements is incorporated by reference into this Item 2.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

There have been no significant changes in the market risk disclosures during the nine months ended September 30, 2012 as compared to the discussion in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures: The Securities and Exchange Commission defines the term disclosure controls and procedures to mean a company s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or furnishes under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required or necessary disclosures. Our chief executive officer and chief financial officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management with the participation of our chief executive officer and chief financial officer, as of the end of the period covered by this report, that our disclosure controls and procedures were effective for this purpose.

Changes in Internal Control: During the third quarter of 2012, we did not make any change in our internal control over financial reporting that materially affected or is reasonably likely to materially affect our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. ***Legal Proceedings***

This information is included under the caption Legal Matters in Note 13 to our financial statements in Item 1 of Part I.

Item 1A. ***Risk Factors***

Set forth below are risks and uncertainties, many of which are discussed in greater detail in our Annual Report on Form 10-K for the year ended December 31, 2011, that, if they were to occur, could materially adversely affect our business or could cause our actual results to differ materially from the results contemplated by the forward-looking statements in this report and other public statements we make:

We depend on a small number of customers. The loss of, or a significant reduction in revenues from, any of these customers would harm our results of operations.

We operate in intensely competitive markets, and our failure to compete effectively would harm our results of operations.

Customer orders and ordering patterns can change quickly, making it difficult for us to predict our revenues and making it possible that our actual revenues may vary materially from our expectations, which could harm our results of operations and stock price.

We depend on outside suppliers to manufacture, assemble, package and test our products; accordingly, any failure to secure and maintain sufficient manufacturing capacity at attractive prices or to maintain the quality of our products could harm our business and results of operations.

Failure to qualify our semiconductor products or our suppliers manufacturing lines with key customers could harm our business and results of operations.

If we fail to keep pace with technological advances, or if we pursue technologies that do not become commercially accepted, customers may not buy our products and our results of operations may be harmed.

Any defects in our products could harm our reputation, customer relationships and results of operations.

Our pension plans are underfunded, and may require significant future contributions, which could have an adverse impact on our business.

We may be subject to intellectual property infringement claims and litigation, which could cause us to incur significant expenses or prevent us from selling our products.

If we are unable to protect or assert our intellectual property rights, our business and results of operations may be harmed.

Increases in the price of commodities used in the production of our products or lack of availability of these materials could negatively impact our operating results.

We are exposed to legal, business, political and economic risks associated with our international operations.

We use indirect channels of product distribution over which we have limited control.

We may engage in acquisitions and strategic alliances, which may not be successful and could harm our business and operating results.

The semiconductor industry is highly cyclical, which may cause our operating results to fluctuate.

Our failure to attract, retain and motivate key employees could harm our business.

Our operations and our suppliers operations are subject to natural disasters and other events outside of our control that may disrupt our business and harm our operating results.

Laws and regulations to which we are subject, as well as customer requirements in the area of environmental protection and social responsibility, could impose substantial costs on us and may adversely affect our business.

Our blank check preferred stock and Delaware law contain provisions that may inhibit potential acquisition bids, which may harm our stock price, discourage merger offers or prevent changes in our management.

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.

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

The following table contains information about the repurchases of our common stock during the quarter ended September 30, 2012.

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Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 2 August 1, 2012	0	$ 0	0	$ 575,028,406
August 2 September 1, 2012	5,478,981	$ 7.55	5,478,981	$ 533,653,042
September 2 September 30, 2012	1,131,708	$ 7.68	1,131,708	$ 524,966,119
Total	6,610,689	$ 7.57	6,610,689	0

On March 9, 2011, our board of directors authorized the repurchase of up to $750 million of our common stock. The repurchases reported in the table above were made pursuant to this authorization. In addition, on August 1, 2012, our board of directors authorized the repurchase of up to an additional $500 million of our common stock.

Item 6. Exhibits

See the Exhibit Index, which follows the signature page to this report.

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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.

LSI CORPORATION
(Registrant)

Date: November 6, 2012

By /s/ Bryon Look
Bryon Look
Executive Vice President, Chief Financial Officer
and Chief Administrative Officer

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EXHIBIT INDEX

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350
101.INS	XBRL instance document
101.SCH	XBRL taxonomy extension schema document
101.CAL	XBRL taxonomy extension calculation linkbase document
101.DEF	XBRL taxonomy extension definition linkbase document
101.LAB	XBRL taxonomy extension label linkbase document
101.PRE	XBRL taxonomy extension presentation linkbase document