FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2011-11-07** | Period of Report: **2011-11-07**
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ANADIGICS INC
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SIC: **3674** Semiconductors & related devices

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

/x/QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED OCTOBER 1, 2011.

Or

/ /TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ____________ TO ____________.

Commission File No. 0-25662

ANADIGICS, Inc.

(Exact name of registrant as specified in its charter)

Delaware	22-2582106
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
141 Mt. Bethel Road, Warren, New Jersey	07059
(Address of principal executive offices)	(Zip Code)

(908) 668-5000

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):
Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer (Do not check if a smaller reporting company) [ ] Smaller reporting company [ ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

The number of shares outstanding of the Registrant's common stock as of October 1, 2011 was 68,172,388 (excluding 114,574 shares held in treasury).

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ANADIGICS, Inc.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANADIGICS, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	October 1, 2011	December 31, 2010
	(Unaudited)	(Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,573	$ 97,129
Short-term marketable securities	28,845	-
Accounts receivable, net	18,689	35,299
Inventories	20,981	20,734
Prepaid expenses and other current assets	4,161	3,319
Total current assets	116,249	156,481
Marketable securities	28,163	8,964
Plant and equipment:		
Equipment and furniture	208,998	205,493
Leasehold improvements	46,583	46,482
Projects in process	690	3,693
	256,271	255,668
Less accumulated depreciation and amortization	(198,645)	(187,549)
	57,626	68,119
Other assets	239	248
Total assets	$ 202,277	$ 233,812
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 14,242	$ 17,968
Accrued liabilities	7,592	10,191
Accrued restructuring costs	83	-
Total current liabilities	21,917	28,159
Other long-term liabilities	2,491	2,689
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value, 144,000 shares authorized, 68,287 issued at October 1, 2011 and 66,916 issued at December 31, 2010	683	669
Additional paid-in capital	598,167	589,562
Accumulated deficit	(423,532)	(389,790)
Accumulated other comprehensive income	2,810	2,782

Treasury stock at cost: 115 shares	(259)	(259)
Total stockholders’ equity	177,869	202,964
Total liabilities and stockholders’ equity	$ 202,277	$ 233,812

See accompanying notes.

ANADIGICS, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net sales	$ 37,264	$ 61,288	$ 116,310	$ 156,485
Cost of sales	30,229	39,049	90,576	102,949
Gross profit	7,035	22,239	25,734	53,536
Research and development expenses	9,938	13,326	34,851	37,321
Selling and administrative expenses	7,360	7,101	24,125	20,985
Restructuring and impairment (recovery) charges	-	-	1,047	(1,717)
Operating (loss) income	(10,263)	1,812	(34,289)	(3,053)
Interest income	145	106	417	292
Interest expense	-	(34)	(25)	(129)
Other income, net	104	111	155	488
(Loss) income before income taxes	$ (10,014)	1,995	$ (33,742)	(2,402)
Benefit from income taxes	-	(297)	-	(297)
Net (loss) income	$ (10,014)	$ 2,292	$ (33,742)	$ (2,105)
Basic (loss) earnings per share	$ (0.15)	$ 0.04	$ (0.50)	$ (0.03)
Diluted (loss) earnings per share	$ (0.15)	$ 0.03	$ (0.50)	$ (0.03)
Weighted average common shares outstanding used in computing (loss) earnings per share				
Basic	67,997	65,320	67,550	64,808
Diluted	67,997	67,488	67,550	64,808

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(AMOUNTS IN THOUSANDS)

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net (loss) income	$ (10,014)	$ 2,292	$ (33,742)	$ (2,105)
Other comprehensive income:				

Unrealized (loss) gain on marketable securities	(665)	(14)	180	287
Foreign currency translation adjustment	(9)	19	(2)	(35)
Reclassification adjustment:				
Net recognized gain on marketable securities previously included in other comprehensive income	(44)	(15)	(150)	(184)
Comprehensive (loss) income	$ (10,732)	$ 2,282	$ (33,714)	$ (2,037)

See accompanying notes.

ANADIGICS, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)

	Nine months ended	
	October 1, 2011	October 2, 2010
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (33,742)	$ (2,105)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	13,892	14,403
Stock based compensation	8,296	7,284
Marketable securities recovery, accretion and other	39	(379)
Recovery on sale of China building	-	(1,717)
(Gain) loss on disposal of equipment	(120)	32
Changes in operating assets and liabilities:		
Accounts receivable	16,610	(15,207)
Inventories	(247)	(1,590)
Prepaid expenses and other assets	(821)	(2,034)
Accounts payable	(3,168)	4,651
Accrued liabilities and other liabilities	(2,716)	980
Net cash (used in) provided by operating activities	(1,977)	4,318
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of plant and equipment	(4,164)	(4,055)
Proceeds from sale of building and equipment	313	1,768
Purchases of marketable securities	(49,651)	-
Proceeds from sales and redemptions of marketable securities	1,600	1,175
Net cash used in investing activities	(51,902)	(1,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	323	941
Net cash provided by financing activities	323	941
Net (decrease) increase in cash and cash equivalents	(53,556)	4,147
Cash and cash equivalents at beginning of period	97,129	83,172
Cash and cash equivalents at end of period	$ 43,573	$ 87,319

See accompanying notes.

ANADIGICS, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – OCTOBER 1, 2011

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine month period ended October 1, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The condensed consolidated balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company has evaluated subsequent events and determined that there were no subsequent events to recognize or disclose in these unaudited interim condensed consolidated financial statements.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Changes to accounting principles generally accepted in the United States of America are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates to the FASB's Accounting Standards Codification.

In May 2011, the FASB issued new guidance on fair value measurements and disclosure requirements. The guidance provides a consistent definition of fair value to ensure fair value measurement and disclosure requirements are similar between U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. Adoption of this guidance, effective for interim and annual periods beginning on or after December 15, 2011, is not expected to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of other comprehensive income (OCI). This guidance requires presentation of the components of net income and OCI either as one continuous statement or as two consecutive statements. It eliminates the option to present the components of OCI as part of the statement of stockholders' equity. Adoption of this guidance, effective for interim and annual periods beginning after December 15, 2011, is not expected to have a material impact on the Company's consolidated financial statements.

INCOME TAXES

The Company maintains a full valuation allowance on its deferred tax assets. Accordingly, the Company has not recorded a benefit or provision for income taxes. The Company recognizes interest and penalties related to the underpayment of income taxes in income tax expense. No unrecognized tax benefits, interest or penalties were accrued at October 1, 2011. The Company's U.S. federal net operating losses have occurred since 1998 and as such, tax years subject to potential tax examination could apply from that date because carrying-back net operating loss opens the relevant year to audit.

WARRANTY

Based on the examination of historical returns and other information it deems critical, the Company estimates that a current charge to income will need to be provided in order to cover future warranty obligations for products sold during the year. The accrued liability for warranty costs is included in Accrued liabilities in the condensed consolidated balance sheets. Changes in the Company's product warranty reserve are as follows:

	Nine months ended	
	October 1, 2011	October 2, 2010
Beginning balance	571	994
Additions charged to costs and expenses	557	540
Claims processed	(780)	(744)
Ending balance	348	790

2. RESTRUCTURING, MANAGEMENT SEPARATION CHARGES, AND IMPAIRMENT RECOVERY

RESTRUCTURING

In May 2011, the Company implemented a workforce reduction that eliminated approximately 40 positions, resulting in a Restructuring charge of $1,047 for severance and related benefits during the second quarter of 2011. The unpaid balance at October 1, 2011 was $83 and was recorded within Accrued restructuring costs.

MANAGEMENT SEPARATION CHARGES

During the first quarter of 2011, the Company recorded certain management separation charges of $838 and $2,111, inclusive of accelerated stock-based compensation of $568 and $116, within Research and development and Selling and administrative expenses, respectively. The management separation charges arose from the resignations of our former Chief Executive Officer (CEO) and another Executive Officer, and included contractual separation pay, accelerated vesting of certain equity awards, and certain other costs. The unpaid balance at October 1, 2011 was $17 and was recorded within Accrued liabilities.

IMPAIRMENT RECOVERY

During the second quarter of 2010, the Company sold its wafer fabrication building in Kunshan, China for net proceeds of $1,717, resulting in the partial recovery of a related impairment charge. During 2008, the Company had written-off the value of its unfinished wafer fabrication building following an evaluation of alternatives in light of the then current circumstances, including: surplus industry production capacity, reduced demand experienced by the Company as well as the broader macroeconomic environment. As a result of its analysis of projected discounted cashflows, the Company recorded a $12,957 impairment charge in 2008 related to the China wafer fabrication facility.

3. (LOSS) EARNINGS PER SHARE

The reconciliation of shares used to calculate basic and diluted (loss) earnings per share consists of the following:

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Weighted average common shares for basic (loss) earnings per share	67,997	65,320	67,550	64,808
Effect of dilutive securities:				
Stock options (*)	-	1,579	-	-
Unvested restricted shares (*)	-	589	-	-
Adjusted weighted average shares for diluted (loss) earnings per share	67,997	67,488	67,550	64,808

* Incremental shares from restricted shares and stock options are computed using the treasury stock method.

For the three and nine months ended October 1, 2011 and October 2, 2010, potential additional dilution arising from any of the Company's outstanding stock options or unvested restricted stock (shares or units) are detailed below. Such potential dilution was excluded as their effect was anti-dilutive.

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Stock options	4,937	1,760	4,937	4,640
Unvested restricted shares and units	2,353	160	2,353	1,811

4. FAIR VALUE AND MARKETABLE SECURITIES

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Inputs used to measure fair value are classified in the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3 Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table presents a summary of fair value information for available-for-sale securities as at December 31, 2010 and October 1, 2011:

			Fair Value Measurements at Reporting Date Using		
Security Type	Amortized Cost Basis (1)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Former-auction corporate debt security (2)	$ 1,624	$ 2,960	$ 2,960	$ -	$ -
Auction Rate Securities					
Corporate Debt (2)	726	1,199	-	-	1,199
Preferred Equity	2,404	3,110	-	-	3,110
State and Municipal Debt (2)	1,419	1,695	-	-	1,695
Total at December 31, 2010	$ 6,173	$ 8,964	$ 2,960	$ -	$ 6,004
Fixed Income Securities (3)	$ 37,781	$ 37,714	$ 37,714	$ -	$ -
U.S. Government Agency debt securities (3)	10,165	10,155	10,155	-	-
Former-auction corporate debt security (2)	1,667	2,850	2,850	-	-
Auction Rate Securities					
Corporate Debt (2)	753	1,309	-	-	1,309
Preferred Equity	2,404	3,245	-	2,482	763
State and Municipal Debt (2)	1,415	1,735	-	1,735	-
Total at October 1, 2011	$ 54,185	$ 57,008	$ 50,719	$ 4,217	$ 2,072

(1) Difference between amortized cost basis and fair value represents gross unrealized gain or loss.

(2) Available for sale debt securities with contractual maturities in excess of 10 years.
(3) Available for sale debt securities with contractual maturities of 2 years or less.

The fair value of each of the following instruments approximates their carrying value because of the short maturity of these instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

AUCTION RATE SECURITIES AND FORMER-AUCTION CORPORATE DEBT SECURITY

Auction rate securities (ARS) are generally long-term financial instruments that provided liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined calendar intervals, generally every 28 days. The mechanism generally allowed existing investors to rollover their holdings while continuing to own their respective securities or liquidating their holdings by selling their securities at par value. The Company generally invested in these securities for short periods of time as part of its cash management program. During the second half of 2007 and the first quarter of 2008, auction rate corporate, state and municipal debt, and preferred securities failed to auction due to sell orders exceeding buy orders and trading continues to be constrained. The funds associated with the failed auctions will not be accessible until a successful auction occurs, a suitable buyer is found outside of the auction process or an issuer redeems its security.

At October 1, 2011, ARS market information in certain cases was insufficient to determine the fair value of the Company's investments in ARS. Given the complexity of ARS investments, the Company obtained the assistance of an independent valuation firm to assist management in assessing the fair value of its ARS portfolio. The third party valuations developed to estimate the ARS fair value were determined using a combination of two calculations (1) a discounted cash flow model, where the expected cash flows of the ARS are discounted to the present using a yield that incorporates compensation for illiquidity, and (2) a market comparables method, where the ARS are valued based on indications, from the secondary market, of what discounts buyers demand when purchasing similar ARS. The valuations include numerous assumptions such as assessments of the underlying structure of each security, expected cash flows, discount rates, credit ratings, workout periods, and overall capital market liquidity.

During 2008, a corporate debt ARS position with a face value of $4,000 was exchanged for the underlying 30 year notes due 2037 (former-auction corporate debt security). At October 1, 2011, the Company values this security on a Level 1 basis, with a fair value of $2,850. Interest income of $44 and $136 was recognized to accrete the amortized cost basis of the Company's existing and former-auction debt securities during the three and nine month periods ended October 1, 2011, respectively. In 2010, interest accretion of $392 was recorded in the fourth quarter.

The Company considers it more likely than not that it will sell its existing and former-auction debt securities prior to a recovery in valuation.

For the three and nine months ended October 1, 2011, the table below provides a reconciliation of the beginning and ending balances for each type of security valued using a Level 3 valuation.

($ in 000's)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Nine months ended October 1, 2011			
	State & Municipal Security (a)	Corporate Debt Security (b)	Preferred Equity Securities (c)	Total
Balance at January 1, 2011	$ 1,695	$ 1,199	$ 3,110	$ 6,004
Total gains or losses realized/unrealized				
Included in earnings (loss)				
- quarter ended April 2, 2011	53	9	-	62
- quarter ended July 2, 2011	22	9	-	31
- quarter ended October 1, 2011	-	9	-	9
Included in other comprehensive income(loss)				
- quarter ended April 2, 2011	(22)	84	97	159
- quarter ended July 2, 2011	54	187	216	457
- quarter ended October 1, 2011	-	(188)	(95)	(283)
Purchases, redemptions, and settlements:				
Purchases	-	-	-	-
Redemptions				
- quarter ended April 2, 2011	(100)	-	-	(100)

- quarter ended July 2, 2011	-	-	-	-
- quarter ended October 1, 2011	-	-	-	-
Settlements	-	-	-	-
Transfers in and/or out of Level 3 (d)				
- quarter ended April 2, 2011	-	-	-	-
- quarter ended July 2, 2011	(1,702)	-	(2,565)	(4,267)
- quarter ended October 1, 2011	-	-	-	-
Balance at October 1, 2011	$ -	$ 1,309	$ 763	$ 2,072
Amount of total gains or losses for the period included in earnings(loss) attributable to the change in unrealized gains or losses relating to Level 3 assets still held at the reporting date				
- as of April 2, 2011	23	9	-	32
- as of July 2, 2011	-	9	-	9
- as of October 1, 2011	-	9	-	9
Level 3 securities held at October 1, 2011:				
Face value	-	$ 2,500	$ 3,125	$ 5,625
Financial ratings	-	A	A2 & NR	
Weighted average interest rate (*)	-	2.0%	1.9%	2.0%
Maturity date	-	2036	N/A	

* Interest rates are reset every one to three months based on a premium to AA Commercial Paper, LIBOR or Treasury Bill rates.
(a) Security represents an interest in pooled student loans that are guaranteed by the Federal Family Education Loan Program.
(b) Security issued by a publicly-held insurance company trust, which holds investments in U.S. Government obligations, highly rated commercial paper and money market funds and other investments approved by two credit rating agencies. The trust is funded by life insurance residuals. If the residuals are insufficient, the security becomes an obligation of the publicly-held insurance company.
(c) Preferred securities issued by i) diversified closed-end management investment company and ii) subsidiaries of two publicly-held debt default insurers. The investment company is governed by the Investment Company Act of 1940 with regard to operating standards, antifraud rules, diversification requirements and an asset coverage requirement for asset backing of 200% of the par value of the preferred stock issued. One of the debt default insurers no longer pays interest and the security has been written to zero.
(d) In the second quarter of 2011, the Company transferred its state and municipal debt security and closed-end preferred security from Level 3 to Level 2 after having assessed external valuations and observing sustained trading in similar securities.

For the three and nine month period ended October 2, 2010, the table below provides a reconciliation of the beginning and ending balances for each type of security valued using a Level 3 valuation.

($ in 000's)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Nine months ended October 2, 2010			
	State & Municipal Security (a)	Corporate Debt Security (b)	Preferred Equity Securities (c)	Total
Balance at January 1, 2010	$ 1,805	$ 1,106	$ 3,703	$ 6,614
Total gains or losses realized/unrealized				
Included in earnings (loss)				
- quarter ended April 3, 2010	38	-	-	38
- quarter ended July 3, 2010	38	-	265	303
- quarter ended October 2, 2010	38	-	-	38
Included in other comprehensive income(loss)				
- quarter ended April 3, 2010	37	23	42	102
- quarter ended July 3, 2010	23	(11)	(122)	(110)
- quarter ended October 2, 2010	108	(22)	(35)	51
Purchases, redemptions, and settlements:				
Purchases	-	-	-	-
Redemptions				
- quarter ended April 3, 2010	(100)	-	-	(100)
- quarter ended July 3, 2010	(100)	-	(875)	(975)
- quarter ended October 2, 2010	(100)	-	-	(100)

Settlements	-	-	-	-
Transfers in and/or out of Level 3	-	-	-	-
Balance at October 2, 2010	$ 1,787	$ 1,096	$ 2,978	$ 5,861

5. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories consist of the following:

	October 1, 2011	December 31, 2010
Raw materials	$ 4,190	$ 3,615
Work in process	9,078	10,792
Finished goods	7,713	6,327
Total	$ 20,981	$ 20,734

6. BENEFIT FROM INCOME TAXES

The Housing and Economic Recovery Act of 2008 included the partial refund of certain carried-forward Research and Experimental (R&E) tax credits. During the three month period ended October 2, 2010, the Company finalized and filed the R&E claim as part of its 2009 federal tax return and subsequently received cash of $297 for the R&E credits. Such refund was recorded as a benefit from income taxes during the third quarter of 2010.

7. STOCK BASED COMPENSATION

Equity Compensation Plans

The Company had 4 equity compensation plans under which equity securities are authorized for issuance to employees and/or directors:

- The 1995 Long-Term Incentive and Share Award Plan for Officers and Directors (terminated February 28, 2005) (1995 Plan);
- The 1997 Long Term Incentive and Share Award Plan (1997 Plan);
- The 2005 Long Term Incentive and Share Award Plan (2005 Plan, collectively with the 1995 Plan and the 1997 Plan, the Plans); and
- The Employee Stock Purchase Plan (ESP Plan).

Employees and outside directors have been granted restricted stock shares or units (collectively, restricted stock) and options to purchase shares of common stock under stock option plans adopted in 1995, 1997 and 2005. An aggregate of 4,913, 5,100 and 16,050 shares of common stock were reserved for issuance under the 1995 Plan, the 1997 Plan and the 2005 Plan, respectively. The Plans provide for the granting of stock options, stock appreciation rights, restricted stock and other share based awards to eligible employees and directors, as defined in the Plans. Option grants have terms of ten years and become exercisable in varying amounts over periods of up to three years. To date, no stock appreciation rights have been granted under the Plans. On February 1, 2009, a CEO inducement award of 700 stock options was granted outside of the Plans and the unvested portion of that award contractually vested upon separation on March 28, 2011.

In 1995, the Company adopted the ESP Plan under Section 423 of the Internal Revenue Code. All full-time employees of ANADIGICS, Inc. and part-time employees, as defined in the ESP Plan, are eligible to participate in the ESP Plan. An aggregate of 6,694 shares of common stock were reserved for offering under the ESP Plan. Offerings are made at the commencement of each calendar year and must be purchased by the end of that calendar year. Pursuant to the terms of the ESP Plan, shares purchased and the applicable per share price were 488 and $3.83, respectively for the year ended December 31, 2010.

The table below summarizes stock based compensation by source and by financial statement line item for the three and nine month periods:

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Amortization of restricted stock	$ 1,698	$ 1,948	$ 6,584	$ 5,609

Amortization of ESP Plan	100	200	500	600
Amortization of stock option awards	432	275	1,212	1,075
Total stock based compensation	$ 2,230	$ 2,423	$ 8,296	$ 7,284
By Financial Statement line item				
Cost of sales	$ 400	$ 590	$ 1,603	$ 1,752
Research and development expenses	512	879	2,785	2,562
Selling and administrative expenses	1,318	954	3,988	2,970
Restructuring charge	-	-	(80)	-

No tax benefits have been recorded due to the Company's full valuation allowance position.

Stock based compensation for the nine months ended October 1, 2011 includes $684 for equity awards associated with the management separation charge recorded during the first quarter of 2011.

Restricted Stock and Stock Option Awards

The value of restricted stock grants are fixed upon the date of grant and amortized over the related vesting period of six months to three years. Restricted stock is subject to forfeiture if employment terminates prior to vesting. The Company estimates that approximately 2.5% of its restricted stock and stock option awards are forfeited annually (exclusive of LTI's, as described below). The restricted stock shares carry voting and certain forfeitable dividend rights commencing upon grant, whereas restricted stock units do not. Neither restricted stock shares nor restricted stock units may be traded or transferred prior to vesting. Grant, vest and forfeit activity and related weighted average (WA) price per share for restricted stock and for stock options during the period from January 1, 2010 to October 1, 2011 is presented in tabular form below:

	Restricted Stock Shares		Restricted Stock Units		Stock Options	
	Shares	WA price/ share	Units	WA price/ unit	Issuable upon exercise	WA exercise price
Outstanding at January 1, 2010	638	$ 9.90	828	$ 3.36	5,307	$ 5.32
Granted	-	-	2,009	4.33	121	5.08
Shares vested/options exercised	(279)	9.74	(1,338)	3.56	(758)	1.99
Forfeited/expired	(179)	11.66	(39)	4.16	(527)	12.90
Balance at December 31, 2010	180	$ 8.39	1,460	$ 4.49	4,143	$ 4.96
Granted	-	-	2,525	5.97	1,063	3.29
Shares vested/options exercised	(179)	8.38	(1,233)	5.13	(139)	2.32
Forfeited/expired	(1)	9.72	(399)	6.03	(130)	11.28
Balance at October 1, 2011	-	-	2,353	$ 5.48	4,937	$ 4.50

In June 2011, the Company's Chief Executive Officer and Chief Financial Officer were awarded a base grant of 417 long-term incentive (LTI) stock options contingent upon the Company's shareholder return performance against the performance of the Philadelphia Semiconductor Index component companies. The award and performance will be evaluated annually in one-third increments measuring Company shareholder returns during the one, two and three year periods following the award. Depending upon performance, the number of shares issuable pursuant to the LTI stock options can range from 50% to 150% of the base option shares. Company performance below the 25^{th}-percentile in a measurement period would result in no vesting for that period. The LTI stock options have an exercise price of $3.24, a ten year term to expiration, and an average fair value of $2.62. The fair value estimate was calculated with the assistance of a valuation consultant using a Monte Carlo Simulation model.

Stock based compensation for the nine months ended October 1, 2011 includes $684 for equity awards associated with the management separation charge recorded during the nine months ended October 1, 2011.

	As of October 1, 2011
Unrecognized stock based compensation cost	

Option plans	$	2,358
Restricted stock	$	9,652
Weighted average remaining recognition period		
Option plans		2.1 years
Restricted stock		2.2 years

Stock options outstanding at October 1, 2011 are summarized as follows:

Range of exercise prices	Outstanding Options at October 1, 2011	Weighted average remaining contractual life	Weighted average exercise price	Exercisable at October 1, 2011	Weighted average exercise price
$ 1.39 - $2.03	2,055	3.3	$ 1.99	1,876	$ 1.99
$ 2.08 - $3.84	1,325	8.1	$ 3.17	271	$ 2.89
$ 4.15 - $8.79	664	4.0	$ 6.61	569	$ 6.82
$ 8.84 - $18.98	893	3.6	$ 10.71	893	$ 10.71

Valuation Method for ESP Plan and Stock Option Awards

The fair value of these equity awards was estimated at the date of grant using a Black-Scholes option pricing model. The weighted average assumptions and fair values for stock based compensation grants used for the nine month periods ended October 1, 2011 and October 2, 2010 were (excludes the aforementioned LTI option grants):

	Nine months ended	
	October 1, 2011	October 2, 2010
Stock option awards:		
Risk-free interest rate	2.2%	2.6%
Expected volatility	65%	85%
Average expected term (in years)	5.0	5.0
Expected dividend yield	0.0%	0.0%
Weighted average fair value of options granted	$ 1.85	$ 3.26
ESP Plan:		
Risk-free interest rate	0.1%	0.3%
Expected volatility	61%	61%
Average expected term (in years)	1.0	1.0
Expected dividend yield	0.0%	0.0%
Weighted average fair value of purchase option	$ 0.75	$ 1.44

For equity awards with expected terms of greater than one year, the assumption for expected volatility is based on a combination of implied and historical volatility, whereas for equity awards with an expected term of one year or less, the assumption is solely based on the Company's historical volatility.

8. LEGAL PROCEEDINGS

On or about November 11, 2008, plaintiff Charlie Attias filed a putative securities class action lawsuit in the United States District Court for the District of New Jersey, captioned *Charlie Attias v. Anadigics, Inc*., *et al.*, No. 3:08-cv-05572, and, on or about November 21, 2008, plaintiff Paul Kuznetz filed a related class action lawsuit in the same court, captioned *Paul J. Kuznetz v. Anadigics, Inc., et al.*, No. 3:08-cv-05750 (jointly, the "Class Actions"). The Complaints in the Class Actions, which were consolidated under the caption *In re Anadigics, Inc. Securities Litigation*, No. 3:08-cv-05572, by an Order of the District Court dated November 24, 2008, seek unspecified damages for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as Rule 10b-5 promulgated thereunder, in connection with alleged misrepresentations and omissions in connection with, among other things, Anadigics's manufacturing capabilities and the demand for its products. On October 23, 2009, plaintiffs filed a Consolidated Amended Class Action Complaint, (the "First Amended Complaint"), which names the Company, a current officer and a former officer-director, and alleges a proposed class period that runs from July 24, 2007 through August 7, 2008. On December 23, 2009, defendants filed a motion to dismiss the First Amended Complaint; that motion was fully briefed as of March 30, 2010. After holding extensive oral argument on defendants' motion on August 3, 2010, the District Court found plaintiffs' First Amended Complaint to be deficient, but afforded them another opportunity to amend their pleading. The District Court therefore denied defendants' motion to dismiss without prejudice to defendants' renewing the motion in response to plaintiffs' Second Amended Complaint, which plaintiffs filed on October 4, 2010. The Second Amended Complaint, which contains the same substantive claims that were alleged in the First Amended Complaint, alleges a proposed class period that runs from February 12, 2008 through August 7, 2008. Defendants filed a motion to dismiss the Second Amended Complaint on December 3, 2010. By an Opinion and an Order dated September 30, 2011, the District Court dismissed with prejudice plaintiffs' Second Amended Complaint. On October 27, 2011, plaintiffs filed with the District Court a notice of appeal to the United States Court of Appeals for the Third Circuit from the District Court's September 30, 2011 Opinion and Order.

On or about January 14, 2009, a shareholder's derivative lawsuit, captioned *Sicari v. Anadigics, Inc., et al.*, No. SOM-L-88-09, was filed in the Superior Court of New Jersey, and, on or about February 2, 2009, a related shareholder's derivative lawsuit, captioned *Moradzadeh v. Anadigics, Inc., et al.*, No. SOM-L-198-09, was filed in the same court (jointly, the "Derivative Lawsuits"). The Derivative Lawsuits seek unspecified damages for alleged state law claims against certain of the Company's current and former directors arising out of the matters at issue in the Class Actions. By Order dated March 6, 2009, the New Jersey Superior Court consolidated the Derivative Lawsuits under the caption *In re Anadigics, Inc. Derivative Litigation*, No. SOM-L-88-09. By Order dated March 27, 2009, the Superior Court stayed the Derivative Lawsuits pending disposition of the defendants' motion to dismiss the First Amended Complaint in the Class Actions. By Order dated September 13, 2010, the Superior Court extended the stay of the Derivative Lawsuits until the disposition of defendants' motion to dismiss the Second Amended Complaint in the Class Actions.

Because the Class Actions and the Derivative Lawsuits, which are in a preliminary stage, do not specify alleged monetary damages, the Company is unable to reasonably estimate a possible range of loss, if any, to the Company in connection therewith.

The Company is also a party to ordinary course litigation arising out of the operation of our business. The Company believes that the ultimate resolution of such ordinary course litigation should not have a material adverse effect on its consolidated financial condition or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

ANADIGICS, Inc. ("we" or the "Company") is a leading provider of semiconductor solutions in the growing broadband wireless and wireline communications markets. Our products include radio frequency (RF) power amplifiers (PAs), tuner integrated circuits, active splitters, line amplifiers and other components, which can be sold individually or packaged as integrated front end modules (FEMs). We believe that we are well-positioned to capitalize on the high growth and convergence occurring in the voice, data and video segments of the broadband wireless and wireline communications markets.

Our RF power amplifier products enable mobile handsets, datacards and other devices to access third generation (3G) wireless networks utilizing international standards including WCDMA (Wideband Code Division Multiple Access), HSPA (High Speed Packet Access), CDMA (Code Division Multiple Access) and EVDO (Evolution Data Optimized). Further, we provide RF power amplifiers for the advanced fourth generation (4G) wireless services including LTE (Long Term Evolution) and WiMAX (Worldwide Interoperability for Microwave Access). Our WiFi products enable connectivity for wireless mobile devices and other computing devices and our CATV (Cable Television) products enable fixed-point, wireline broadband communications over cable modem and set-top box products, CATV infrastructure and Fiber-To-The-Premises (FTTP).

Our business strategy focuses on enabling anytime, anywhere connectivity which enhances the consumer's broadband and wireless experience. We develop RF front end solutions for communications equipment manufacturers and we partner with industry-leading wireless and wireline chipset providers who incorporate our solutions into their reference designs. Our solutions cost-effectively enhance communications devices by improving RF performance, efficiency, reliability, time-to-market and integration while reducing the size, weight and cost of these products.

We focus on leveraging our technological knowledge and advantages to be a leading technology-enabler via innovative semiconductor solutions for broadband wireless and wireline communications. We believe our patented InGaP-*plus* technology, which combines bipolar amplifying structures and pHEMT RF switches on the same die, provides us with a competitive advantage in the marketplace. Additionally, we believe proprietary designs of our HELP™ (High Efficiency at Low Power) power amplifiers provide our customers a technical advantage by delivering performance required for 3G and 4G devices with lower battery power consumption and longer use time than comparable products in these markets.

Revenue during the third quarter of 2011 increased in comparison to the second quarter of 2011 principally due to increased wireless product demand which more than offset reductions at one of our largest wireless customers. Our decline in revenue from that customer began in the second quarter of 2011 and resulted from certain of their programs reaching end of life and a loss in market share related to the customer's change in chipset suppliers that do not utilize our power amplifiers.

We believe our markets are, and will continue to remain, competitive which could result in continued quarterly volatility in our net sales. This competition has resulted in, and is expected over the long-term to continue to result in competitive or declining average selling prices for our products and increased challenges in maintaining or increasing market share.

We were incorporated in Delaware in 1984. Our corporate headquarters are located at 141 Mt. Bethel Road, Warren, New Jersey 07059, and our telephone number at that address is 908-668-5000.

RESULTS OF OPERATIONS

The following table sets forth unaudited consolidated statements of operations data as a percent of net sales for the periods presented:

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	81.1%	63.7%	77.9%	65.8%

Gross margin	18.9%	36.3%	22.1%	34.2%
Research and development expenses	26.7%	21.7%	30.0%	23.8%
Selling and administrative expenses	19.8%	11.6%	20.7%	13.4%
Restructuring and impairment (recovery) charges	-	-	0.9%	(1.1)%
Operating (loss) income	(27.6)%	3.0%	(29.5)%	(1.9)%
Interest income	0.4%	0.2%	0.4%	0.2%
Interest expense	-	(0.1)%	-	(0.1)%
Other income, net	0.3%	0.2%	0.1%	0.3%
(Loss) income before income taxes	(26.9)%	3.3%	(29.0)%	(1.5)%
Benefit from income taxes	-	(0.4)%	-	(0.2)%
Net (loss) income	(26.9)%	3.7%	(29.0%)	(1.3)%

NET SALES. Net sales decreased 39.2% during the third quarter of 2011 to $37.3 million from $61.3 million in the third quarter of 2010. For the nine months ended October 1, 2011, net sales were $116.3 million, a 25.7% decrease from net sales of $156.5 million for the nine months ended October 2, 2010.

Sales of integrated circuits for wireless applications decreased 38.3% during the third quarter of 2011 to $27.9 million from $45.2 million in the third quarter of 2010. For the nine months ended October 1, 2011, net sales of integrated circuits for wireless applications decreased 21.2% to $89.7 million from $113.9 million for the nine months ended October 2, 2010. These decreases in sales were primarily due to decreased demand in our WCDMA cellular device markets.

Sales of integrated circuits for broadband applications decreased 41.8% during the third quarter of 2011 to $9.3 million from $16.1 million in the third quarter of 2010. For the nine months ended October 1, 2011, net sales of integrated circuits for broadband applications decreased 37.6% to $26.6 million from $42.6 million for the nine months ended October 2, 2010. These decreases in sales were primarily due to decreased demand from cable set-top box and WiMax applications.

GROSS MARGIN. Gross margin during the third quarter of 2011 decreased to 18.9% of net sales from 36.3% of net sales in the third quarter of 2010. For the nine months ended October 1, 2011, gross margin decreased to 22.1% from 34.2% for the nine months ended October 2, 2010. These decreases in gross margin were primarily due to lower production and sales volume and a concentration of fixed costs as a percent of smaller revenues.

RESEARCH AND DEVELOPMENT. Company-sponsored research and development expenses decreased 25.4% during the third quarter of 2011 to $9.9 million from $13.3 million during the third quarter of 2010. Company sponsored research and development expenses for the nine month period ended October 1, 2011 decreased 6.6% to $34.9 million from $37.3 million during the nine month period ended October 2, 2010. The decreases arose from the third quarter comparison and resulted from improved controls over our key projects and lower stock-based compensation and recruitment expense.

SELLING AND ADMINISTRATIVE. Selling and administrative expenses increased 3.7% during the third quarter of 2011 to $7.4 million from $7.1 million during the third quarter of 2010, principally due to increased stock compensation. Selling and administrative expenses for the nine month period ended October 1, 2011 increased 15.0% to $24.1 million from $21.0 million during the nine month period ended October 2, 2010. A management separation charge of $2.1 million is included in the first quarter of 2011.

RESTRUCTURING AND IMPAIRMENT (RECOVERY) CHARGES. During the second quarter of 2011, we implemented workforce reductions, which eliminated approximately 40 positions, resulting in a restructuring charge of $1.0 million for severance and related benefits. During the second quarter of 2010, we sold the wafer fabrication building in Kunshan, China which had been fully written-off in 2008. The sale resulted in a net recovery of $1.7 million.

BENEFIT FROM INCOME TAXES. The Housing and Economic Recovery Act of 2008 included the partial refund of certain carried-forward Research and Experimental (R&E) tax credits. During the third quarter of 2010, the Company finalized and filed its R&E claims as part of its 2009 Federal tax return and subsequently received cash of $0.3 million. Such refund was recorded as a benefit from income taxes during the third quarter of 2010.

LIQUIDITY AND CAPITAL RESOURCES

As of October 1, 2011, we had $43.6 million in cash and cash equivalents and $57.0 million in short and long-term marketable securities.

Operating activities used $2.0 million in cash during the nine month period ended October 1, 2011, primarily as a result of our operating results adjusted for non-cash expenses, offset by $9.7 million of cash generated by reducing working capital. Investing activities, consisting principally of net purchases of marketable securities of $48.0 million and purchases of fixed assets of $4.2 million, used $51.9 million of cash during the nine month period ended October 1, 2011. Financing activities provided $0.3 million of cash proceeds received from stock option exercises.

We had unconditional purchase obligations at October 1, 2011 of approximately $2.7 million.

Within our $57.0 million in marketable securities at October 1, 2011, we held a total of $37.7 million of fixed income securities, $10.2 million of U.S. government agency debt securities, $6.3 million of auction rate securities (ARS), and $2.8 million as a former-auction corporate debt security originally purchased as an ARS prior to its exchange for the underlying 30 year notes due 2037. ARS are generally financial instruments of long-term duration with interest rates that are reset in short intervals through auctions. During the second half of 2007 and first quarter of 2008, auction rate corporate, state and municipal debt, and preferred securities failed to auction due to sell orders exceeding buy orders. When there is insufficient demand for the securities at the time of an auction and the auction is not completed, the interest rates reset to predetermined higher rates (default rates). While certain issuers have redeemed certain of their ARS since 2008, the market remains constrained by illiquidity and the lack of free trading. The funds associated with the remaining failed auctions will not be accessible until a successful auction occurs, a suitable buyer is found outside of the auction process or an issuer redeems its security. If the credit ratings of the security issuers deteriorate and any decline in market value below our amortized cost basis is determined to be other-than-temporary, we would be required to adjust the carrying value of the investment through an additional impairment charge.

We anticipate selling the existing and former-auction corporate debt securities prior to a recovery in valuation. We will continue to monitor and evaluate these investments for impairment and for short term classification purposes. We may not be able to access cash by selling the aforementioned debt or preferred securities without the loss of principal until a buyer is located, a future auction for these investments is successful, they are redeemed by their issuers or they mature. If we are unable to sell these securities in the market or they are not redeemed, then we may be required to hold them to maturity or in perpetuity for the preferred ARS. Based on our ability to access our cash, our expected operating cash flows, and our other sources of cash, we do not anticipate that the potential illiquidity of these investments will affect our ability to execute our current business plan.

We believe that our existing sources of capital, including our existing cash and marketable securities, will be adequate to satisfy operational needs and anticipated capital needs for at least the next twelve months. We may elect to finance all or part of our future capital requirements through additional equity or debt financing.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Changes to accounting principles generally accepted in the United States of America are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates to the FASB's Accounting Standards Codification.

In May 2011, the FASB issued new guidance on fair value measurements and disclosure requirements. The guidance provides a consistent definition of fair value to ensure fair value measurement and disclosure requirements are similar between U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. Adoption of this guidance, effective for interim and annual periods beginning on or after December 15, 2011, is not expected to have a material impact on our consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of other comprehensive income (OCI). This guidance requires presentation of the components of net income and OCI either as one continuous statement or as two consecutive statements. It eliminates the option to present the components of OCI as part of the statement of stockholders' equity. Adoption of this guidance, effective for interim and annual periods beginning after December 15, 2011, is not expected to have a material impact on our consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains projections and other forward-looking statements (as that term is defined in the Securities Exchange Act of 1934, as amended). These projections and forward-looking statements reflect the Company's current views with respect to future events and financial performance and can generally be identified as such because the context of the statement will include words such as "believe", "anticipate", "expect", or words of similar import. Similarly, statements that describe our future plans, objectives, estimates or goals are forward-looking statements. No assurances can be given, however, that these events will occur or that these projections will be achieved, and actual results and developments could differ materially from those projected as a result of certain factors. Such factors include, but are not limited to, those risk factors listed in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2010 and in this quarterly report on Form 10-Q. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk has not changed significantly for the risks disclosed in Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed with the Securities and Exchange Commission, or SEC, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate, to allow timely decisions regarding required disclosure. As of October 1, 2011, an evaluation was performed under the supervision and with the participation of our Management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the U.S. Securities Exchange Act of 1934). Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of October 1, 2011.

There was no change in the Company's internal control over financial reporting during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Because of their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ANADIGICS, Inc.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 8 - Legal Proceedings to our Unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for legal proceedings disclosure that amends the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 1A. RISK FACTORS

Except as supplemented by the third paragraph below, there have been no changes to the risk factors noted in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

"We face risks from failures in our manufacturing processes and the processes of our vendors.

The fabrication of integrated circuits, particularly those made of GaAs, is a highly complex and precise process. Our integrated circuits are primarily manufactured on wafers made of gallium arsenide (GaAs) requiring multiple process steps. It requires production in a highly controlled, clean environment. Minor impurities, contamination of the clean room environment, errors in any step of the fabrication process, defects in the masks used to print circuits on a wafer, defects in equipment or materials, downtime on equipment, human error, interruptions in electrical supply or a number of other factors can cause a substantial interruption in our manufacturing processes. Moreover, our manufacturing process is subject to fluctuations in our demand and fab utilization. In an environment of increasing manufacturing output and personnel to satisfy increasing demand, we may incur manufacturing disruptions limiting supply to customers.

Additionally, our operations may be affected by lengthy or recurring disruptions of operations at our production facility or those of our subcontractors. These disruptions may include electrical power outages, fire, earthquakes, flooding, international conflicts, war, acts of terrorism, or other natural or man-made disasters. Disruptions of our manufacturing operations could cause significant delays in our shipments unless and until we are able to shift the manufacturing of such products from an affected facility to another facility or the disruption is remedied. Furthermore, many of our customers require that they qualify a new manufacturing source before they will accept products from such source. This qualification process may be expensive and time consuming. In the event of such delays, we cannot assure you that the required alternative capacity would be available on a timely basis or at all. Even if alternative manufacturing capacity or assembly and test capacity is available, we may not be able to obtain it on favorable terms, which could result in higher costs and/or a loss of customers. We may be unable to obtain sufficient manufacturing capacity to meet demand, either at our own facilities or through external manufacturing.

We have a subcontractor relationship with a qualified broadband assembly supplier located in the recent flood zone in Thailand whose operations have been suspended as a result of the unprecedented floods. We, together with our subcontractor and customers for those broadband products are working together to undertake recovery efforts for inventory and equipment and to qualify alternate subcontractor supply. In the event we are unable to supply our customers with the broadband components previously assembled by our subcontractor on a timely basis, such customers may seek alternative suppliers. In addition, the flooding has caused damage to a number of other manufacturing and assembly facilities in Thailand which may manufacture and assemble components for our wireless and broadband customers. The failure of such customers to obtain the components necessary for the manufacture of their products, could cause a delay or reduction in orders for our broadband and wireless products, regardless of our ability to make timely delivery of our components.

Due to the highly specialized nature of the gallium arsenide integrated circuit manufacturing process, in the event of a disruption at the Warren, New Jersey semiconductor wafer fab, alternative gallium arsenide production capacity for certain processes would not be readily available from third-party sources. Any disruptions could have a material adverse effect on our business, financial condition and results of operations.

We also depend on certain vendors for components, equipment and services. We maintain stringent policies regarding qualification of these vendors. However, if these vendors' processes vary in reliability or quality, they could negatively affect our products, and thereby, our results of operations."

ITEM 6. EXHIBITS

31.1 Rule 13a-14(a)/15d-14(a) Certification of Ronald Michels, President and Chief Executive Officer of ANADIGICS, Inc.

31.2 Rule 13a-14(a)/15d-14(a) Certification of Thomas C. Shields, Chief Operating Officer, Executive Vice President and Chief Financial Officer of ANADIGICS, Inc.

32.1 Section 1350 Certification of Ronald Michels, President and Chief Executive Officer of ANADIGICS, Inc.

32.2 Section 1350 Certification of Thomas C. Shields, Chief Operating Officer, Executive Vice President and Chief Financial Officer of ANADIGICS, Inc.

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.

ANADIGICS, INC.

By: /s/ Thomas C. Shields

Thomas C. Shields
Chief Operating Officer, Executive Vice President and Chief Financial Officer

Dated: November 7, 2011

Exhibit 31.1

CERTIFICATION

I, Ronald Michels, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ANADIGICS, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2011

By: /s/ Ronald Michels
Ronald Michels
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Thomas C. Shields, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ANADIGICS, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2011

By: /s/ Thomas C. Shields

Thomas C. Shields
Chief Operating Officer, Executive Vice President
and Chief Financial Officer

"

Exhibit 32.1

CERTIFICATION

The undersigned, Ronald Michels, President and Chief Executive Officer of ANADIGICS, Inc. (the "Company"), hereby certifies that the Quarterly Report of the Company on Form 10-Q for the period ended October 1, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2011

By:	/s/ Ronald Michels
	Ronald Michels
	President and Chief Executive Officer

This certification shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated by reference.

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

Exhibit 32.2

CERTIFICATION

The undersigned, Thomas C. Shields, Chief Operating Officer, Executive Vice President and Chief Financial Officer of ANADIGICS, Inc. (the "Company"), hereby certifies that the Quarterly Report of the Company on Form 10-Q for the period ended October 1, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2011

By: /s/ Thomas C. Shields

Thomas C. Shields
Chief Operating Officer, Executive Vice President
and Chief Financial Officer

This certification shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated by reference.

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

CONDENSED CONSOLIDATED BALANCE SHEETS (Parenthetical) (USD $)	Oct. 01, 2011	Dec. 31, 2010
Stockholders' equity:		
Common stock, par value (in dollars per share)	$ 0.01	$ 0.01
Common stock, authorized (in shares)	144,000	144,000
Common stock, issued (in shares)	68,287	66,916
Treasury stock shares (in shares)	(259)	(259)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (USD $) In Thousands, except Share data	3 Months Ended		9 Months Ended	
	Oct. 01, 2011	Oct. 02, 2010	Oct. 01, 2011	Oct. 02, 2010
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS				
Net sales	$ 37,264	$ 61,288	$ 116,310	$ 156,485
Cost of sales	30,229	39,049	90,576	102,949
Gross profit	7,035	22,239	25,734	53,536
Research and development expenses	9,938	13,326	34,851	37,321
Selling and administrative expenses	7,360	7,101	24,125	20,985
Restructuring and impairment (recovery) charges	0	0	1,047	(1,717)
Operating (loss) income	(10,263)	1,812	(34,289)	(3,053)
Interest income	145	106	417	292
Interest expense	0	(34)	(25)	(129)
Other income, net	104	111	155	488
(Loss) income before income taxes	(10,014)	1,995	(33,742)	(2,402)
Provision (benefit) for income taxes	0	(297)	0	(297)
Net (loss) income	$ (10,014)	$ 2,292	$ (33,742)	$ (2,105)
Earnings (loss) per share				
Basic (loss) earnings per share	$ (0.15)	$ 0.04	$ (0.50)	$ (0.03)
Diluted (loss) earnings per share	$ (0.15)	$ 0.03	$ (0.50)	$ (0.03)
Weighted average common shares outstanding used in computing earnings (loss) per share				
Basic	67,997	65,320	67,550	64,808

Document And Entity Information (USD $)	9 Months Ended Oct. 01, 2011
Entity Registrant Name	ANADIGICS INC
Entity Central Index Key	0000940332
Current Fiscal Year End Date	--12-31
Entity Well-known Seasoned Issuer	No
Entity Voluntary Filers	No
Entity Current Reporting Status	No
Entity Filer Category	Accelerated Filer
Entity Public Float	$ 68,172,000
Entity Common Stock, Shares Outstanding	68,172,388
Document Fiscal Year Focus	2012
Document Fiscal Period Focus	Q3
Document Type	10-Q
Amendment Flag	false
Document Period End Date	Oct. 01, 2011

BENEFIT FROM INCOME TAXES	9 Months Ended Oct. 01, 2011
Notes To Financial Statements [Abstract]	
Benefit From Income Taxes	6. BENEFIT FROM INCOME TAXES The Housing and Economic Recovery Act of 2008 included the partial refund of certain carried-forward Research and Experimental (R&E) tax credits. During the three month period ended October 2, 2010, the Company finalized and filed the R&E claim as part of its 2009 federal tax return and subsequently received cash of $297 for the R&E credits. Such refund was recorded as a benefit from income taxes during the third quarter of 2010.

MANAGEMENT SEPARATION CHARGES AND SUBSEQUENT EVENT	9 Months Ended
	Oct. 01, 2011
RESTRUCTURING, MANAGEMENT SEPARATION CHARGES AND IMPAIRMENT (RECOVERY)	
RESTRUCTURING, MANAGEMENT SEPARATION CHARGES AND IMPAIRMENT (RECOVERY)	2. RESTRUCTURING, MANAGEMENT SEPARATION CHARGES, AND IMPAIRMENT RECOVERY RESTRUCTURING In May 2011, the Company implemented a workforce reduction that eliminated approximately 40 positions, resulting in a Restructuring charge of $1,047 for severance and related benefits during the second quarter of 2011. The unpaid balance at October 1, 2011 was $83 and was recorded within Accrued restructuring costs. MANAGEMENT SEPARATION CHARGES During the first quarter of 2011, the Company recorded certain management separation charges of $838 and $2,111, inclusive of accelerated stock-based compensation of $568 and $116, within Research and development and Selling and administrative expenses, respectively. The management separation charges arose from the resignations of our former Chief Executive Officer (CEO) and another Executive Officer, and included contractual separation pay, accelerated vesting of certain equity awards, and certain other costs. The unpaid balance at October 1, 2011 was $17 and was recorded within Accrued liabilities. IMPAIRMENT RECOVERY During the second quarter of 2010, the Company sold its wafer fabrication building in Kunshan, China for net proceeds of $1,717, resulting in the partial recovery of a related impairment charge. During 2008, the Company had written-off the value of its unfinished wafer fabrication building following an evaluation of alternatives in light of the then current circumstances, including: surplus industry production capacity, reduced demand experienced by the Company as well as the broader macroeconomic environment. As a result of its analysis of projected discounted cashflows, the Company recorded a $12,957 impairment charge in 2008 related to the China wafer fabrication facility.

LEGAL PROCEEDINGS

9 Months Ended Oct. 01, 2011

LEGAL PROCEEDINGS

LEGAL PROCEEDINGS

8. LEGAL PROCEEDINGS

On or about November 11, 2008, plaintiff Charlie Attias filed a putative securities class action lawsuit in the United States District Court for the District of New Jersey, captioned *Charlie Attias v. Anadigics, Inc*., *et al.*, No. 3:08-cv-05572, and, on or about November 21, 2008, plaintiff Paul Kuznetz filed a related class action lawsuit in the same court, captioned *Paul J. Kuznetz v. Anadigics, Inc., et al.*, No. 3:08-cv-05750 (jointly, the "Class Actions"). The Complaints in the Class Actions, which were consolidated under the caption *In re Anadigics, Inc. Securities Litigation*, No. 3:08-cv-05572, by an Order of the District Court dated November 24, 2008, seek unspecified damages for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as Rule 10b-5 promulgated thereunder, in connection with alleged misrepresentations and omissions in connection with, among other things, Anadigics's manufacturing capabilities and the demand for its products. On October 23, 2009, plaintiffs filed a Consolidated Amended Class Action Complaint, (the "First Amended Complaint"), which names the Company, a current officer and a former officer-director, and alleges a proposed class period that runs from July 24, 2007 through August 7, 2008. On December 23, 2009, defendants filed a motion to dismiss the First Amended Complaint; that motion was fully briefed as of March 30, 2010. After holding extensive oral argument on defendants' motion on August 3, 2010, the District Court found plaintiffs' First Amended Complaint to be deficient, but afforded them another opportunity to amend their pleading. The District Court therefore denied defendants' motion to dismiss without prejudice to defendants' renewing the motion in response to plaintiffs' Second Amended Complaint, which plaintiffs filed on October 4, 2010. The Second Amended Complaint, which contains the same substantive claims that were alleged in the First Amended Complaint, alleges a proposed class period that runs from February 12, 2008 through August 7, 2008. Defendants filed a motion to dismiss the Second Amended Complaint on December 3, 2010. By an Opinion and an Order dated September 30, 2011, the District Court dismissed with prejudice plaintiffs' Second Amended Complaint. On October 27, 2011, plaintiffs filed with the District Court a notice of appeal to the United States Court of Appeals for the Third Circuit from the District Court's September 30, 2011 Opinion and Order.

On or about January 14, 2009, a shareholder's derivative lawsuit, captioned *Sicari v. Anadigics, Inc., et al.*, No. SOM-L-88-09, was filed in the Superior Court of New Jersey, and, on or about February 2, 2009, a related shareholder's derivative lawsuit, captioned *Moradzadeh v. Anadigics, Inc., et al.*, No. SOM-L-198-09, was filed in the same court (jointly, the "Derivative Lawsuits"). The Derivative Lawsuits seek unspecified damages for alleged state law claims against certain of the Company's current and former directors arising out of the matters at issue in the Class Actions. By Order dated March 6, 2009, the New Jersey Superior Court consolidated the Derivative Lawsuits under the caption *In re Anadigics, Inc. Derivative Litigation*, No. SOM-L-88-09. By Order dated March 27, 2009, the Superior Court stayed the Derivative Lawsuits pending disposition of the defendants' motion to dismiss the First Amended Complaint in the Class Actions. By Order dated September 13, 2010, the Superior Court extended the stay of the Derivative Lawsuits until the disposition of defendants' motion to dismiss the Second Amended Complaint in the Class Actions.

Because the Class Actions and the Derivative Lawsuits, which are in a preliminary stage, do not specify alleged monetary damages, the Company is unable to reasonably estimate a possible range of loss, if any, to the Company in connection therewith.

The Company is also a party to ordinary course litigation arising out of the operation of our business. The Company believes that the ultimate resolution of such ordinary course litigation should not have a material adverse effect on its consolidated financial condition or results of operations.

STOCK BASED COMPENSATION	9 Months Ended Oct. 01, 2011

STOCK BASED COMPENSATION

STOCK BASED COMPENSATION

7. STOCK BASED COMPENSATION

Equity Compensation Plans

The Company had 4 equity compensation plans under which equity securities are authorized for issuance to employees and/or directors:

- The 1995 Long-Term Incentive and Share Award Plan for Officers and Directors (terminated February 28, 2005) (1995 Plan);
- The 1997 Long Term Incentive and Share Award Plan (1997 Plan);
- The 2005 Long Term Incentive and Share Award Plan (2005 Plan, collectively with the 1995 Plan and the 1997 Plan, the Plans); and
- The Employee Stock Purchase Plan (ESP Plan).

Employees and outside directors have been granted restricted stock shares or units (collectively, restricted stock) and options to purchase shares of common stock under stock option plans adopted in 1995, 1997 and 2005. An aggregate of 4,913, 5,100 and 16,050 shares of common stock were reserved for issuance under the 1995 Plan, the 1997 Plan and the 2005 Plan, respectively. The Plans provide for the granting of stock options, stock appreciation rights, restricted stock and other share based awards to eligible employees and directors, as defined in the Plans. Option grants have terms of ten years and become exercisable in varying amounts over periods of up to three years. To date, no stock appreciation rights have been granted under the Plans. On February 1, 2009, a CEO inducement award of 700 stock options was granted outside of the Plans and the unvested portion of that award contractually vested upon separation on March 28, 2011.

In 1995, the Company adopted the ESP Plan under Section 423 of the Internal Revenue Code. All full-time employees of ANADIGICS, Inc. and part-time employees, as defined in the ESP Plan, are eligible to participate in the ESP Plan. An aggregate of 6,694 shares of common stock were reserved for offering under the ESP Plan. Offerings are made at the commencement of each calendar year and must be purchased by the end of that calendar year. Pursuant to the terms of the ESP Plan, shares purchased and the applicable per share price were 488 and $3.83, respectively for the year ended December 31, 2010.

The table below summarizes stock based compensation by source and by financial statement line item for the three and nine month periods:

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Amortization of restricted stock	$ 1,698	$ 1,948	$ 6,584	$ 5,609
Amortization of ESP Plan	100	200	500	600
Amortization of stock option awards	432	275	1,212	1,075
Total stock based compensation	$ 2,230	$ 2,423	$ 8,296	$ 7,284

By Financial Statement line item				
Cost of sales	$ 400	$ 590	$ 1,603	$ 1,752
Research and development expenses	512	879	2,785	2,562
Selling and administrative expenses	1,318	954	3,988	2,970
Restructuring charge	-	-	(80)	-

No tax benefits have been recorded due to the Company's full valuation allowance position.

Stock based compensation for the nine months ended October 1, 2011 includes $684 for equity awards associated with the management separation charge recorded during the first quarter of 2011.

Restricted Stock and Stock Option Awards

The value of restricted stock grants are fixed upon the date of grant and amortized over the related vesting period of six months to three years. Restricted stock is subject to forfeiture if employment terminates prior to vesting. The Company estimates that approximately 2.5% of its restricted stock and stock option awards are forfeited annually (exclusive of LTI's, as described below). The restricted stock shares carry voting and certain forfeitable dividend rights commencing upon grant, whereas restricted stock units do not. Neither restricted stock shares nor restricted stock units may be traded or transferred prior to vesting. Grant, vest and forfeit activity and related weighted average (WA) price per share for restricted stock and for stock options during the period from January 1, 2010 to October 1, 2011 is presented in tabular form below:

	Restricted Stock Shares		Restricted Stock Units		Stock Options	
	Shares	WA price/ share	Units	WA price/ unit	Issuable upon exercise	WA exercise price
Outstanding at January 1, 2010	638	$ 9.90	828	$ 3.36	5,307	$ 5.32
Granted	-	-	2,009	4.33	121	5.08
Shares vested/options exercised	(279)	9.74	(1,338)	3.56	(758)	1.99
Forfeited/expired	(179)	11.66	(39)	4.16	(527)	12.90
Balance at December 31, 2010	180	$ 8.39	1,460	$ 4.49	4,143	$ 4.96
Granted	-	-	2,525	5.97	1,063	3.29
Shares vested/options exercised	(179)	8.38	(1,233)	5.13	(139)	2.32
Forfeited/expired	(1)	9.72	(399)	6.03	(130)	11.28
Balance at October 1, 2011	-	-	2,353	$ 5.48	4,937	$ 4.50

In June 2011, the Company's Chief Executive Officer and Chief Financial Officer were awarded a base grant of 417 long-term incentive (LTI) stock options contingent upon the Company's shareholder return performance against the performance of the Philadelphia Semiconductor Index component companies. The award and performance will be evaluated annually in one-third increments measuring Company shareholder returns during the one, two and three year periods following the award. Depending upon performance, the number of shares issuable pursuant to the LTI stock options can range from 50% to 150% of the base option shares. Company performance below the 25th-percentile in a measurement period would result in no vesting for that period. The LTI stock options have an exercise price of $3.24, a ten year term to expiration, and an average fair value of $2.62. The fair value estimate was calculated with the assistance of a valuation consultant using a Monte Carlo Simulation model.

Stock based compensation for the nine months ended October 1, 2011 includes $684 for equity awards associated with the management separation charge recorded during the nine months ended October 1, 2011.

	As of October 1, 2011	
Unrecognized stock based compensation cost		
Option plans	$	2,358
Restricted stock	$	9,652
Weighted average remaining recognition period		
Option plans		2.1 years
Restricted stock		2.2 years

Stock options outstanding at October 1, 2011 are summarized as follows:

Range of exercise prices	Outstanding Options at October 1, 2011	Weighted average remaining contractual life	Weighted average exercise price		Exercisable at October 1, 2011	Weighted average exercise price	
$1.39 - $2.03	2,055	3.3	$	1.99	1,876	$	1.99
$2.08 - $3.84	1,325	8.1	$	3.17	271	$	2.89
$4.15 - $8.79	664	4.0	$	6.61	569	$	6.82
8.84 - $$18.98	893	3.6	$	10.71	893	$	10.71

Valuation Method for ESP Plan and Stock Option Awards

The fair value of these equity awards was estimated at the date of grant using a Black-Scholes option pricing model. The weighted average assumptions and fair values for stock based compensation grants used for the nine month periods ended October 1, 2011 and October 2, 2010 were (excludes the aforementioned LTI option grants):

	Nine months ended	
	October 1, 2011	October 2, 2010
Stock option awards:		
Risk-free interest rate	2.2%	2.6%
Expected volatility	65%	85%
Average expected term (in years)	5.0	5.0
Expected dividend yield	0.0%	0.0%
Weighted average fair value of options granted	$ 1.85	$ 3.26

ESP Plan:		
Risk-free interest rate	0.1%	0.3%
Expected volatility	61%	61%
Average expected term (in years)	1.0	1.0
Expected dividend yield	0.0%	0.0%
Weighted average fair value of purchase option	$ 0.75	$ 1.44

For equity awards with expected terms of greater than one year, the assumption for expected volatility is based on a combination of implied and historical volatility, whereas for equity awards with an expected term of one year or less, the assumption is solely based on the Company's historical volatility.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (USD $) In Thousands	9 Months Ended	
	Oct. 01, 2011	Oct. 02, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (33,742)	$ (2,105)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	13,892	14,403
Stock based compensation	8,296	7,284
Marketable securities recovery, accretion, and other	39	(379)
Recovery on sale of China building	0	(1,717)
(Gain) loss on disposal of equipment	(120)	32
Changes in operating assets and liabilities:		
Accounts receivable	16,610	(15,207)
Inventories	(247)	(1,590)
Prepaid expenses and other assets	(821)	(2,034)
Accounts payable	(3,168)	4,651
Accrued liabilities and other liabilities	(2,716)	980
Net cash (used in) provided by operating activities	(1,977)	4,318
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of plant and equipment	(4,164)	(4,055)
Proceeds from sale of building and equipment	313	1,768
Purchases of marketable securities	(49,651)	0
Proceeds from sales and redemptions of marketable securities	1,600	1,175
Net cash used in investing activities	(51,902)	(1,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	323	941
Net cash provided by financing activities	323	941
Net (decrease) increase in cash and cash equivalents	(53,556)	4,147
Cash and cash equivalents at beginning of period	97,129	83,172
Cash and cash equivalents at end of period	$ 43,573	$ 87,319

LOSS PER SHARE

9 Months Ended
Oct. 01, 2011

EARNINGS (LOSS) PER SHARE

EARNINGS (LOSS) PER SHARE

3. (LOSS) EARNINGS PER SHARE

The reconciliation of shares used to calculate basic and diluted (loss) earnings per share consists of the following:

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Weighted average common shares for basic (loss) earnings per share	67,997	65,320	67,550	64,808
Effect of dilutive securities:				
Stock options (*)	-	1,579	-	-
Unvested restricted shares (*)	-	589	-	-
Adjusted weighted average shares for diluted (loss) earnings per share	67,997	67,488	67,550	64,808

* Incremental shares from restricted shares and stock options are computed using the treasury stock method.

For the three and nine months ended October 1, 2011 and October 2, 2010, potential additional dilution arising from any of the Company's outstanding stock options or unvested restricted stock (shares or units) are detailed below. Such potential dilution was excluded as their effect was anti-dilutive.

	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Stock options	4,937	1,760	4,937	4,640
Unvested restricted shares and units	2,353	160	2,353	1,811

FAIR VALUE AND MARKETABLE SECURITIES

[FAIR VALUE AND MARKETABLE SECURITIES]

[FAIR VALUE AND MARKETABLE SECURITIES]

9 Months Ended

Oct. 01, 2011

4. FAIR VALUE AND MARKETABLE SECURITIES

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Inputs used to measure fair value are classified in the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3 Unobservable inputs for the asset or liability

The Company endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table presents a summary of fair value information for available-for-sale securities as at December 31, 2010 and October 1, 2011:

			Fair Value Measurements at Reporting Date Using		
Security Type	Amortized Cost Basis (1)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Former-auction corporate debt security (2)	$ 1,624	$ 2,960	$ 2,960	$ -	$ -
Auction Rate Securities					
Corporate Debt (2)	726	1,199	-	-	1,199
Preferred Equity	2,404	3,110	-	-	3,110
State and Municipal Debt (2)	1,419	1,695	-	-	1,695
Total at December 31, 2010	$ 6,173	$ 8,964	$ 2,960	$ -	$ 6,004
Fixed Income Securities (3)	$ 37,781	$ 37,714	$ 37,714	$ -	$ -
U.S. Government Agency debt securities (3)	10,165	10,155	10,155	-	-
Former-auction corporate debt security (2)	1,667	2,850	2,850	-	-

Auction Rate Securities					
Corporate Debt (2)	753	1,309	-	-	1,309
Preferred Equity	2,404	3,245	-	2,482	763
State and Municipal Debt (2)	1,415	1,735	-	1,735	-
Total at October 1, 2011	$ 54,185	$ 57,008	$ 50,719	$ 4,217	$ 2,072

(1) Difference between amortized cost basis and fair value represents gross unrealized gain or loss.
(2) Available for sale debt securities with contractual maturities in excess of 10 years.
(3) Available for sale debt securities with contractual maturities of 2 years or less.

The fair value of each of the following instruments approximates their carrying value because of the short maturity of these instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

AUCTION RATE SECURITIES AND FORMER-AUCTION CORPORATE DEBT SECURITY

Auction rate securities (ARS) are generally long-term financial instruments that provided liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined calendar intervals, generally every 28 days. The mechanism generally allowed existing investors to rollover their holdings while continuing to own their respective securities or liquidating their holdings by selling their securities at par value. The Company generally invested in these securities for short periods of time as part of its cash management program. During the second half of 2007 and the first quarter of 2008, auction rate corporate, state and municipal debt, and preferred securities failed to auction due to sell orders exceeding buy orders and trading continues to be constrained. The funds associated with the failed auctions will not be accessible until a successful auction occurs, a suitable buyer is found outside of the auction process or an issuer redeems its security.

At October 1, 2011, ARS market information in certain cases was insufficient to determine the fair value of the Company's investments in ARS. Given the complexity of ARS investments, the Company obtained the assistance of an independent valuation firm to assist management in assessing the fair value of its ARS portfolio. The third party valuations developed to estimate the ARS fair value were determined using a combination of two calculations (1) a discounted cash flow model, where the expected cash flows of the ARS are discounted to the present using a yield that incorporates compensation for illiquidity, and (2) a market comparables method, where the ARS are valued based on indications, from the secondary market, of what discounts buyers demand when purchasing similar ARS. The valuations include numerous assumptions such as assessments of the underlying structure of each security, expected cash flows, discount rates, credit ratings, workout periods, and overall capital market liquidity.

During 2008, a corporate debt ARS position with a face value of $4,000 was exchanged for the underlying 30 year notes due 2037 (former-auction corporate debt security). At October 1, 2011, the Company values this security on a Level 1 basis, with a fair value of $2,850. Interest income of $44 and $136 was recognized to accrete the amortized cost basis of the Company's existing and former-auction debt securities during the three and nine month periods ended October 1, 2011, respectively. In 2010, interest accretion of $392 was recorded in the fourth quarter.

The Company considers it more likely than not that it will sell its existing and former-auction debt securities prior to a recovery in valuation.

For the three and nine months ended October 1, 2011, the table below provides a reconciliation of the beginning and ending balances for each type of security valued using a Level 3 valuation.

($ in 000's)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Nine months ended October 1, 2011			
	State & Municipal Security (a)	Corporate Debt Security (b)	Preferred Equity Securities (c)	Total
Balance at January 1, 2011	$ 1,695	$ 1,199	$ 3,110	$ 6,004
Total gains or losses realized/unrealized				
Included in earnings (loss)				
- quarter ended April 2, 2011	53	9	-	62
- quarter ended July 2, 2011	22	9	-	31
- quarter ended October 1, 2011	-	9	-	9
Included in other comprehensive income(loss)				
- quarter ended April 2, 2011	(22)	84	97	159
- quarter ended July 2, 2011	54	187	216	457
- quarter ended October 1, 2011	-	(188)	(95)	(283)
Purchases, redemptions, and settlements:				
Purchases	-	-	-	-
Redemptions				
- quarter ended April 2, 2011	(100)	-	-	(100)
- quarter ended July 2, 2011	-	-	-	-
- quarter ended October 1, 2011	-	-	-	-
Settlements	-	-	-	-
Transfers in and/or out of Level 3 (d)				
- quarter ended April 2, 2011	-	-	-	-
- quarter ended July 2, 2011	(1,702)	-	(2,565)	(4,267)
- quarter ended October 1, 2011	-	-	-	-
Balance at October 1, 2011	$ -	$ 1,309	$ 763	$ 2,072
Amount of total gains or losses for the period included in earnings(loss) attributable to the change in unrealized gains or losses relating to Level 3 assets still held at the reporting date				
- as of April 2, 2011	23	9	-	32
- as of July 2, 2011	-	9	-	9
- as of October 1, 2011	-	9	-	9
Level 3 securities held at October 1, 2011:				
Face value	-	$ 2,500	$ 3,125	$ 5,625
Financial ratings	-	A	A2 & NR	
Weighted average interest rate (*)	-	2.0%	1.9%	2.0%
Maturity date	-	2036	N/A	

* Interest rates are reset every one to three months based on a premium to AA Commercial Paper, LIBOR or Treasury Bill rates.

(a) Security represents an interest in pooled student loans that are guaranteed by the Federal Family Education Loan Program.

(b) Security issued by a publicly-held insurance company trust, which holds investments in U.S. Government obligations, highly rated commercial paper and money market funds and other investments approved by two credit rating agencies. The trust is funded by life insurance residuals. If the residuals are insufficient, the security becomes an obligation of the publicly-held insurance company.

(c) Preferred securities issued by i) diversified closed-end management investment company and ii) subsidiaries of two publicly-held debt default insurers. The investment company is governed by the Investment Company Act of 1940 with regard to operating standards, antifraud rules, diversification requirements and an asset coverage requirement for asset backing of 200% of the par value of the preferred stock issued. One of the debt default insurers no longer pays interest and the security has been written to zero.

(d) In the second quarter of 2011, the Company transferred its state and municipal debt security and closed-end preferred security from Level 3 to Level 2 after having assessed external valuations and observing sustained trading in similar securities.

For the three and nine month period ended October 2, 2010, the table below provides a reconciliation of the beginning and ending balances for each type of security valued using a Level 3 valuation.

($ in 000's)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Nine months ended October 2, 2010			
	State & Municipal Security (a)	Corporate Debt Security (b)	Preferred Equity Securities (c)	Total
Balance at January 1, 2010	$ 1,805	$ 1,106	$ 3,703	$ 6,614
Total gains or losses realized/unrealized				
Included in earnings (loss)				
- quarter ended April 3, 2010	38	-	-	38
- quarter ended July 3, 2010	38	-	265	303
- quarter ended October 2, 2010	38	-	-	38
Included in other comprehensive income(loss)				
- quarter ended April 3, 2010	37	23	42	102
- quarter ended July 3, 2010	23	(11)	(122)	(110)
- quarter ended October 2, 2010	108	(22)	(35)	51
Purchases, redemptions, and settlements:				
Purchases	-	-	-	-
Redemptions				
- quarter ended April 3, 2010	(100)	-	-	(100)
- quarter ended July 3, 2010	(100)	-	(875)	(975)
- quarter ended October 2, 2010	(100)	-	-	(100)
Settlements	-	-	-	-
Transfers in and/or out of Level 3	-	-	-	-
Balance at October 2, 2010	$ 1,787	$ 1,096	$ 2,978	$ 5,861

INVENTORIES

9 Months Ended
Oct. 01, 2011

INVENTORIES

INVENTORIES

5. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories consist of the following:

	October 1, 2011	December 31, 2010
Raw materials	$ 4,190	$ 3,615
Work in process	9,078	10,792
Finished goods	7,713	6,327
Total	$ 20,981	$ 20,734

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (USD $) In Thousands	3 Months Ended		9 Months Ended	
	Oct. 01, 2011	Oct. 02, 2010	Oct. 01, 2011	Oct. 02, 2010
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS				
Net (loss) income	$ (10,014)	$ 2,292	$ (33,742)	$ (2,105)
Other comprehensive income:				
Unrealized gain (loss) on marketable securities	(665)	(14)	180	287
Foreign currency translation adjustment	(9)	19	(2)	(35)
Reclassification adjustment:				
Net recognized gain on marketable securities previously included in other comprehensive income	(44)	(15)	(150)	(184)
Comprehensive (loss) income	$ (10,732)	$ 2,282	$ (33,714)	$ (2,037)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9 Months Ended Oct. 01, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine month period ended October 1, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The condensed consolidated balance sheet at December 31, 2010 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company has evaluated subsequent events and determined that there were no subsequent events to recognize or disclose in these unaudited interim condensed consolidated financial statements.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Changes to accounting principles generally accepted in the United States of America are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates to the FASB's Accounting Standards Codification.

In May 2011, the FASB issued new guidance on fair value measurements and disclosure requirements. The guidance provides a consistent definition of fair value to ensure fair value measurement and disclosure requirements are similar between U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards. Adoption of this guidance, effective for interim and annual periods beginning on or after December 15, 2011, is not expected to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of other comprehensive income (OCI). This guidance requires presentation of the components of net income and OCI either as one continuous statement or as two consecutive statements. It eliminates the option to present the components of OCI as part of the statement of stockholders' equity. Adoption of this guidance, effective for interim and annual periods beginning after December 15, 2011, is not expected to have a material impact on the Company's consolidated financial statements.

INCOME TAXES

The Company maintains a full valuation allowance on its deferred tax assets. Accordingly, the Company has not recorded a benefit or provision for income taxes. The Company recognizes interest and penalties related to the underpayment of income taxes in income tax expense. No unrecognized tax benefits, interest or penalties were accrued at October 1, 2011. The Company's U.S. federal net operating losses have occurred since 1998 and as such, tax years subject to potential tax examination could apply from that date because carrying-back net operating loss opens the relevant year to audit.

WARRANTY

Based on the examination of historical returns and other information it deems critical, the Company estimates that a current charge to income will need to be provided in order to cover future warranty obligations for products sold during the year. The accrued liability for warranty costs is included in Accrued liabilities in the condensed consolidated balance sheets. Changes in the Company's product warranty reserve are as follows:

	Nine months ended	
	October 1, 2011	October 2, 2010
Beginning balance	571	994
Additions charged to costs and expenses	557	540
Claims processed	(780)	(744)
Ending balance	348	790

CONDENSED CONSOLIDATED BALANCE SHEETS (USD $) In Thousands	Oct. 01, 2011	Dec. 31, 2010	Oct. 02, 2010
Current assets:			
Cash and cash equivalents	$ 43,573	$ 97,129	$ 87,319
Short-term marketable securities	28,845	0	
Accounts receivable, net	18,689	35,299	
Inventories	20,981	20,734	
Prepaid expenses and other current assets	4,161	3,319	
Total current assets	116,249	156,481	
Marketable securities	28,163	8,964	
Plant and equipment:			
Equipment and furniture	208,998	205,493	
Leasehold improvements	46,583	46,482	
Projects in process	690	3,693	
Property, Plant and Equipment, Gross, Total	256,271	255,668	
Less accumulated depreciation and amortization	(198,645)	(187,549)	
Property, Plant and Equipment, Net	57,626	68,119	
Other assets	239	248	
Total assets	202,277	233,812	
Current liabilities:			
Accounts payable	14,242	17,968	
Accrued liabilities	7,592	10,191	
Accrued restructuring costs	83	0	
Total current liabilities	21,917	28,159	
Other long-term liabilities	2,491	2,689	
Commitments and contingencies			
Stockholders' equity:			
Common stock, $0.01 par value, 144,000 shares authorized, 68,287 issued at October 1, 2011 and 66,916 issued at December 31, 2010	683	669	
Additional paid-in capital	598,167	589,562	
Accumulated deficit	(423,532)	(389,790)	
Accumulated other comprehensive income	2,810	2,782	
Treasury stock at cost: 115 shares	(259)	(259)	
Total stockholders' equity	177,869	202,964	
Total liabilities and stockholders' equity	$ 202,277	$ 233,812	