INTEGRATED DEVICE TECHNOLOGY INC
Form 10-Q
August 05, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 28, 2015 OR

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

For the transition period from to .
Commission File No. 0-12695
INTEGRATED DEVICE TECHNOLOGY, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	94-2669985
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
6024 SILVER CREEK VALLEY ROAD, SAN JOSE, CALIFORNIA	95138
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (408) 284-8200

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 ý 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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
ý Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes o No ý
The number of outstanding shares of the registrant's Common Stock, $.001 par value, as of July 31, 2015 was approximately 148,268,097.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)	June 28, 2015	March 29, 2015
Assets		
Current assets:		
Cash and cash equivalents	$101,141	$116,945
Short-term investments	439,859	438,115
Accounts receivable, net of allowances of $4,046 and $4,664	70,395	63,618
Inventories	42,703	45,410
Income tax receivable	105	405
Prepayments and other current assets	15,542	15,636
Total current assets	669,745	680,129
Property, plant and equipment, net	64,421	65,508
Goodwill	135,644	135,644
Other intangible assets, net	4,703	5,535
Deferred non-current tax assets	692	735
Other assets	25,989	26,108
Total assets	$901,194	$913,659
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$21,752	$28,006
Accrued compensation and related expenses	23,809	43,649
Deferred income on shipments to distributors	10,380	15,694
Deferred tax liabilities	1,491	1,401
Other accrued liabilities	11,003	17,582
Total current liabilities	68,435	106,332
Deferred tax liabilities	1,114	1,121
Long-term income tax payable	286	347
Other long-term liabilities	20,764	17,605
Total liabilities	90,599	125,405
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock: $0.001 par value: 10,000 shares authorized; no shares issued	—	—
Common stock: $0.001 par value: 350,000 shares authorized; 148,690 and 148,414 shares outstanding at June 28, 2015 and March 29, 2015, respectively	149	148
Additional paid-in capital	2,525,883	2,510,868
Treasury stock at cost: 101,273 shares at June 28, 2015 and 99,849 shares at March 29, 2015, respectively	(1,131,133)	(1,100,546)
Accumulated deficit	(581,877)	(620,035)
Accumulated other comprehensive loss	(2,427)	(2,181)
Total stockholders' equity	810,595	788,254
Total liabilities and stockholders' equity	$901,194	$913,659

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

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INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
(Unaudited, in thousands, except per share data)	June 28, 2015	June 29, 2014
Revenues	$160,907	$126,302
Cost of revenues	61,673	52,293
Gross profit	99,234	74,009
Operating expenses:		
Research and development	33,754	32,050
Selling, general and administrative	28,143	25,459
Total operating expenses	61,897	57,509
Operating income	37,337	16,500
Interest income and other, net	1,818	862
Income before income taxes from continuing operations	39,155	17,362
Income tax provision	435	251
Net income from continuing operations	38,720	17,111
Discontinued operations:		
Gain from divestiture before income taxes	—	16,840
Loss from discontinued operations before income taxes	(547)	(12,153)
Income tax provision (benefit)	15	(45)
Net income (loss) from discontinued operations	(562)	4,732
Net income	$38,158	$21,843
Basic net income per share - continuing operations	$0.26	$0.11
Basic net income per share - discontinued operations	—	0.04
Basic net income per share	$0.26	$0.15
Diluted net income per share - continuing operations	$0.25	$0.11
Diluted net income per share - discontinued operations	—	0.03
Diluted net income per share	$0.25	$0.14
Weighted average shares:		
Basic	148,396	149,283
Diluted	153,758	153,741

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

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INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited, in thousands)	Three Months Ended June 28, 2015	June 29, 2014
Net income	$38,158	$21,843
Other comprehensive income (loss), net of taxes:		
Currency translation adjustments, net of tax	810	330
Change in net unrealized gain (loss) on investments, net of tax	(910)	431
Actuarial loss on post-employment and post-retirement benefit plans, net of tax	(146)	(2)
Total other comprehensive income (loss)	(246)	759
Comprehensive income	$37,912	$22,602

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

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INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
(Unaudited, in thousands)	June 28, 2015	June 29, 2014
Cash flows from operating activities:		
Net income	$38,158	$21,843
Adjustments:		
Depreciation	4,464	5,713
Amortization of intangible assets	831	2,548
Impairment of assets held for sale	—	8,471
Gain from divestiture	—	(16,840)
Gain on sale of property, plant and equipment	(325)	—
Stock-based compensation expense, net of amounts capitalized in inventory	7,835	5,013
Deferred tax provision	126	47
Changes in assets and liabilities:		
Accounts receivable, net	(6,777)	(3,154)
Inventories	2,660	3,938
Prepayments and other assets	633	1,330
Accounts payable	(6,024)	(2,114)
Accrued compensation and related expenses	(19,840)	(1,091)
Deferred income on shipments to distributors	(5,314)	120
Income taxes payable and receivable	(37)	(258)
Other accrued liabilities and long-term liabilities	(3,302)	(1,446)
Net cash provided by operating activities	13,088	24,120
Cash flows from investing activities:		
Cash in escrow related to acquisitions	—	1,026
Proceeds from divestitures	—	15,300
Purchases of property, plant and equipment	(3,608)	(4,753)
Purchases of short-term investments	(94,460)	(46,659)
Proceeds from sales of short-term investments	62,197	30,988
Proceeds from maturities of short-term investments	29,527	18,942
Net cash provided by (used in) investing activities	(6,344)	14,844
Cash flows from financing activities:		
Proceeds from issuance of common stock	7,229	6,221
Repurchase of common stock	(30,587)	(30,742)
Payment of acquisition related contingent consideration	—	(1,600)
Net cash used in financing activities	(23,358)	(26,121)
Effect of exchange rates on cash and cash equivalents	810	330
Net increase (decrease) in cash and cash equivalents	(15,804)	13,173
Cash and cash equivalents at beginning of period	116,945	91,211
Cash and cash equivalents at end of period	$101,141	$104,384

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

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INTEGRATED DEVICE TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 1. Summary of Significant Accounting Policies

Nature of Business. Integrated Device Technology, Inc. (IDT or the Company) designs, develops, manufactures and markets a broad range of integrated circuits for the advanced communications, computing and consumer industries.

Basis of Presentation. The Company's fiscal year is the 52 or 53 week period ending on the Sunday closest to March 31. In a 52 week year, each fiscal quarter consists of 13 weeks. In a 53 week year, the additional week is usually added to the third quarter, making such quarter consist of 14 weeks. The first quarters of fiscal 2016 and fiscal 2015 were 13 week periods.

Principles of Consolidation. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant Accounting Policies. For a description of significant accounting policies, see Note 1, Summary of Significant Accounting Policies to the consolidated financial statements included in the Company's annual report on Form 10-K for the fiscal year ended March 29, 2015. There have been no material changes to the Company's significant accounting policies since the filing of the annual report on Form 10-K.

In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair presentation of the condensed consolidated financial statements, for the interim period.

Recent Accounting Pronouncements

Accounting Pronouncements Not Yet Effective for Fiscal 2016

In July 2015, the Financial Accounting Standards Board (FASB) issued guidance applying to inventory measured using any other method other than last-in, last-out method. Under this guidance, inventory is measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is applied prospectively and is effective for the Company in its first quarter of fiscal 2018. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company’s financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. This standard sets forth management’s responsibility to evaluate, each reporting period, whether there is substantial doubt about an entity’s ability to continue as a going concern, and if so, to provide related footnote disclosures. The standard is effective for annual reporting periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. The Company does not believe that the adoption of this guidance will have any material impact on its financial position or results of operations.

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. On July 9, 2015, the FASB decided to delay the effective date by one year to December 15, 2017 for annual periods beginning after that date. The FASB also decided to allow early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Note 2. Net Income Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive potential common shares outstanding during the period. Potential common shares include employee stock options and restricted stock units. For purposes of computing diluted net income per share, weighted average potential common shares do not include potential common shares that are anti-dilutive under the treasury stock method.

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

	Three Months Ended	
(in thousands, except per share amounts)	June 28, 2015	June 29, 2014
Numerator (basic and diluted):		
Net income from continuing operations	$38,720	$17,111
Denominator:		
Weighted average common shares outstanding, basic	148,396	149,283
Dilutive effect of employee stock options and restricted stock units	5,362	4,458
Weighted average common shares outstanding, diluted	153,758	153,741
Basic net income per share from continuing operations	$0.26	$0.11
Diluted net income per share from continuing operations	$0.25	$0.11

Potential dilutive common shares of 0.3 million and 0.7 million pertaining to employee stock options and restricted stock units were excluded from the calculation of diluted earnings per share for the three months ended June 28, 2015 and June 29, 2014, respectively, because the effect would have been anti-dilutive.

Note 3. Discontinued Operations

High-Speed Converter (“HSC”) Business

In fiscal 2014, the Company initiated a project to divest its HSC business and has classified the related assets, as held for sale. The HSC business included the assets of NXP B.V.’s Data Converter Business and Alvand Technologies, Inc., which were acquired in fiscal 2013.

On May 30, 2014, the Company completed the sale of certain assets related to the Alvand portion of the HSC business to a buyer pursuant to an Asset Purchase Agreement. Upon the closing of the transaction, the buyer paid the Company $18.0 million in cash consideration, of which $2.7 million has been held in an escrow account for a period of 18 months. The Company recorded a gain of $16.8 million in discontinued operations related to this divestiture during the first quarter of fiscal 2015. The following table summarizes the components of the gain (in thousands):

	Amount
Cash proceeds from sale (including amounts held in escrow)	$18,000
Less book value of assets sold and direct costs related to the sale:	
Intangible assets	(990)
Transaction and other costs	(170)
Gain on divestiture	$16,840

Following the sale of assets related to the Alvand portion of the HSC business, the business had remaining long-lived assets classified as held for sale amounting to $8.5 million, which consisted of $2.9 million in fixed assets and $5.6 million in intangible assets. The Company evaluated the carrying value of the disposal group and determined that it exceeded its estimated fair value based on estimated selling price less cost to sell. Accordingly, total impairment charge of $8.5 million was recorded as loss from discontinued operations in the Condensed Consolidated Statement of Operations in the first quarter of fiscal 2015.

As of March 29, 2015, all long-lived assets related to the HSC business were fully impaired.

On April 27, 2015, the Company completed the sale of the remaining HSC business to eSilicon Corporation (“eSilicon”), for $1.5 million which will be paid on or before April 27, 2017. In connection with the sale, the Company entered into an Exclusive Intellectual Property License Agreement with eSilicon, whereby the Company provided an exclusive license to eSilicon to develop, manufacture, sell and maintain HSC products. In connection with the sale, the Company and eSilicon also entered into a Transition Services Agreement, whereby the Company will provide certain transition services over a specific period from the effective date of the sale. The transition services do not represent significant continuing involvement of the Company in the HSC business.

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As of June 28, 2015, the Company had a receivable of $1.5 million representing uncollected proceeds from the sale that was included under Other Assets on the Condensed Consolidated Balance Sheet. Given the term of the sale, the Company deferred the gain from this divestiture and will recognize it into discontinued operations when collectibility becomes certain. The following table summarizes the components of the deferred gain which was included under Other Long-term Liabilities on the Condensed Consolidated Balance Sheet as of June 28, 2015:

(in thousands)	Amount
Sale price	$1,500
Less book value of assets sold	(115)
Deferred gain on divestiture	$1,385

The HSC business was included in the Company's Communications reportable segment. For financial statements purposes, the results of operations for the HSC business have been segregated from those of the continuing operations and are presented in the Company's condensed consolidated financial statements as discontinued operations.
The results of the HSC business for the three months ended June 28, 2015 and June 29, 2014 were as follows (in thousands):

	Three Months Ended	
	June 28, 2015	June 29, 2014
Revenues	$176	$1,006
Cost of revenues	(477)	(605)
Long-lived assets impairment	—	(8,471)
Operating expenses	(246)	(4,083)
Gain on divestiture	—	16,840
Income tax benefit (provision)	(15)	45
Net income (loss) from discontinued operations	$(562)	$4,732

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Note 4. Fair Value Measurement

The following table summarizes the Company’s financial assets and liabilities measured at fair value on a recurring basis as of June 28, 2015:

(in thousands)	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash Equivalents and Short-Term Investments:				
US government treasuries and agencies securities	$144,307	$—	$—	$144,307
Money market funds	48,839	—	—	48,839
Asset-backed securities	—	36,748	—	36,748
Corporate bonds	—	237,526	—	237,526
International government bonds	—	1,004	—	1,004
Corporate commercial paper	—	1,200	—	1,200
Bank deposits	—	14,250	—	14,250
Repurchase agreement	—	434	—	434
Municipal bonds	—	6,024	—	6,024
Total assets measured at fair value	$193,146	$297,186	$—	$490,332

The following table summarizes the Company’s financial assets and liabilities measured at fair value on a recurring basis as of March 29, 2015:

(in thousands)	Fair Value at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash Equivalents and Short-Term Investments:				
US government treasuries and agencies securities	$135,945	$—	$—	$135,945
Money market funds	55,578	—	—	55,578
Asset-backed securities	—	31,830	—	31,830
Corporate bonds	—	245,675	—	245,675
International government bonds	—	1,006	—	1,006
Corporate commercial paper	—	4,999	—	4,999
Bank deposits	—	16,915	—	16,915
Repurchase agreements	—	191	—	191
Municipal bonds	—	6,044	—	6,044
Total assets measured at fair value	$191,523	$306,660	$—	$498,183

U.S. government treasuries and U.S. government agency securities as of June 28, 2015 and March 29, 2015 do not include any U.S. government guaranteed bank issued paper. Corporate bonds include bank-issued securities that are guaranteed by the Federal Deposit Insurance Corporation (FDIC).

The securities in Level 1 are highly liquid and actively traded in exchange markets or over-the-counter markets. Level 2 fixed income securities are priced using quoted market prices for similar instruments, non-binding market prices that are corroborated by observable market data.

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All of the Company’s available-for-sale investments are subject to a periodic impairment review. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company did not record any impairment charges related to its available-for-sale investments in the three months ended June 28, 2015 and June 29, 2014.

Note 5. Investments
Available-for-Sale Securities
Available-for-sale investments at June 28, 2015 were as follows:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	$144,133	$260	$(86)	$144,307
Money market funds	48,839	—	—	48,839
Asset-backed securities	36,752	13	(17)	36,748
Corporate bonds	237,774	143	(392)	237,525
International government bonds	1,009	—	(4)	1,005
Corporate commercial paper	1,200	—	—	1,200
Bank deposits	14,250	—	—	14,250
Repurchase agreements	434	—	—	434
Municipal bonds	5,991	38	(5)	6,024
Total available-for-sale investments	490,382	454	(504)	490,332
Less amounts classified as cash equivalents	(50,473)	—	—	(50,473)
Short-term investments	$439,909	$454	$(504)	$439,859

Available-for-sale investments at March 29, 2015 were as follows:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	$135,570	$398	$(23)	$135,945
Money market funds	55,578	—	—	55,578
Asset-backed securities	31,830	9	(9)	31,830
Corporate bonds	245,229	567	(121)	245,675
International government bonds	1,010	—	(4)	1,006
Corporate commercial paper	4,999	—	—	4,999
Bank deposits	16,915	—	—	16,915
Repurchase agreements	191	—	—	191
Municipal bonds	6,001	45	(2)	6,044
Total available-for-sale investments	497,323	1,019	(159)	498,183
Less amounts classified as cash equivalents	(60,068)	—	—	(60,068)
Short-term investments	$437,255	$1,019	$(159)	$438,115

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The cost and estimated fair value of available-for-sale securities at June 28, 2015, by contractual maturity, were as follows:

(in thousands)	Amortized Cost	Estimated Fair Value
Due in 1 year or less	$123,288	$123,322
Due in 1-2 years	132,911	133,025
Due in 2-5 years	234,183	233,985
Total investments in available-for-sale securities	$490,382	$490,332

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses as of June 28, 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position.

	Less Than 12 Months		12 Months or Greater		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	$157,548	$(392)	$—	$—	$157,548	$(392)
Asset-backed securities	20,082	(17)	—	—	20,082	(17)
U.S. government treasuries and agencies securities	46,048	(86)	—	—	46,048	(86)
Municipal bonds	2,002	(5)	—	—	2,002	(5)
International government bonds	1,004	(4)	—	—	1,004	(4)
Total	$226,684	$(504)	$—	$—	$226,684	$(504)

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, as of March 29, 2015, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	Less Than 12 Months		12 Months or Greater		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	$67,367	$(121)	$—	$—	$67,367	$(121)
Asset-backed securities	17,736	(9)	—	—	17,736	(9)
U.S. government treasuries and agencies securities	18,478	(23)	—	—	18,478	(23)
Municipal bonds	1,001	(2)	—	—	1,001	(2)
International government bonds	1,006	(4)	—	—	1,006	(4)
Total	$105,588	$(159)	$—	$—	$105,588	$(159)

Currently, a significant portion of the Company's available-for-sale investments that it holds are high grade instruments. As of June 28, 2015, the unrealized losses on the Company's available-for-sale investments represented an insignificant amount in relation to its total available-for-sale portfolio. Substantially all of the Company's unrealized losses on its available-for-sale marketable debt instruments can be attributed to fair value fluctuations in an unstable credit environment that resulted in a decrease in the market liquidity for debt instruments. Because the Company has the ability to hold these investments until a recovery of fair value, which may be maturity, the Company did not consider these investments to be other-than-temporarily impaired at June 28, 2015 and March 29, 2015.

Non-marketable Equity Securities

In the quarter ended December 28, 2014, the Company purchased common stock of a privately-held company for $4 million. This investment (included under Other Assets on the Condensed Consolidated Balance Sheets) is accounted for as a cost-method investment, as the Company owns less than 20% of the voting securities and does not have the ability to exercise significant influence over operating and financial policies of the entity. The Company did not record any impairment charge for this investment during the three months ended June 28, 2015.

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Note 6. Stock-Based Employee Compensation
Equity Incentive Programs
The Company currently issues awards under two equity-based plans in order to provide additional incentive and retention to directors and employees who are considered to be essential to the long-range success of the Company. These plans are further described below.
2004 Equity Plan (2004 Plan)
Options granted by the Company under the 2004 Plan generally expire seven years from the date of grant and generally vest over a four-year period from the date of grant, with one-quarter of the shares of common stock vesting on the 1 year anniversary of the grant date and the remaining shares vesting monthly for the 36 months thereafter. The exercise price of the options granted by the Company under the 2004 Plan shall not be less than 100% of the fair market value for a common share subject to such option on the date the option is granted. Full value awards made under the 2004 Plan shall become vested over a period of not less than 3 years (or, if vesting is performance-based, over a period of not less than one year) following the date such award is made; provided, however, that full value awards that result in the issuance of an aggregate of up to 5% of common stock available under the 2004 Plan may be granted to any one or more participants without respect to such minimum vesting provisions. As of June 28, 2015, there were 8.5 million shares available for future grant under the 2004 Plan.
Compensation Expense
The following table summarizes stock-based compensation expense by line items appearing in the Company’s Condensed Consolidated Statement of Operations:

(in thousands)	Three Months Ended June 28, 2015	June 29, 2014
Cost of revenue	$683	$316
Research and development	3,632	2,521
Selling, general and administrative	3,552	2,122
Discontinued operations	(32)	54
Total stock-based compensation expense	$7,835	$5,013

The amount of stock-based compensation expense that was capitalized during the periods presented above was not material.
Stock Options
The following is a summary of the Company's stock option activity and related weighted average exercise prices for each category:

	Three Months Ended June 28, 2015	
(shares in thousands)	Shares	Price
Beginning stock options outstanding	3,680	$7.71
Granted	420	21.85
Exercised (1)	(467)	7.19
Canceled	(33)	7.45
Ending stock options outstanding	3,600	$9.44
Ending stock options exercisable	2,177	$7.12

(1) Upon exercise, the Company issues new shares of common stock.
As of June 28, 2015, the unrecognized compensation cost related to nonvested stock options, net of estimated forfeitures, was $3.0 million and will be recognized over a weighted-average period of 1.33 years.
As of June 28, 2015, stock options vested and expected to vest totaled approximately 3.3 million with a weighted-average exercise price of $8.95 and a weighted-average remaining contractual life of 3.99 years. The aggregate intrinsic value was approximately $43.1 million.
As of June 28, 2015, fully vested stock options totaled approximately 2.2 million with a weighted-average exercise price of $7.12 and a weighted-average remaining contractual life of 3.21 years. The aggregate intrinsic value was approximately $32.2 million.

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Restricted Stock Units

Restricted stock units granted by the Company under the 2004 Plan generally vest over at least a three year period from the grant date with one-third of restricted stock units vesting on each one-year anniversary. As of June 28, 2015, 3.8 million restricted stock unit awards were outstanding under the 2004 Plan.

The following table summarizes the Company's restricted stock unit activity and related weighted-average exercise prices for each category for the three months ended June 28, 2015:

	Three Months Ended June 28, 2015		
(shares in thousands)	Shares		Weighted-average grant date fair value per share
Beginning RSUs outstanding	3,457		$ 10.58
Granted	1,381		21.96
Released	(915	)	9.13
Forfeited	(159	)	12.32
Ending RSUs outstanding	3,764		$ 15.04

As of June 28, 2015, restricted stock units vested and expected to vest totaled approximately 3.0 million with a weighted-average remaining contract life of 1.74 years. The aggregate intrinsic value was approximately $65.5 million.

As of June 28, 2015, the unrecognized compensation cost related to restricted stock units granted under the Company’s equity incentive plan was approximately $31.9 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.88 years.

Performance-Based Stock Units

Under the 2004 Plan, the Company has granted performance-based stock units which vest and convert into shares of the Company's common stock based on the level of achievement of pre-established performance goals relating to Company's performance relative to a group of peer companies and to cumulative revenue targets for a specific product group, during a specified performance period. The performance period for the Company's performance-based stock units is generally 1 to 3 years. Management evaluates, on a quarterly basis, the likelihood of the Company meeting its performance metrics in determining stock-based compensation expense.

The following table summarizes the Company's performance stock unit activity and related weighted-average exercise prices for each category for the three months ended June 28, 2015:

	Three Months Ended June 28, 2015		
(shares in thousands)	Shares		Weighted-average grant date fair value per share
Beginning PSUs outstanding	517		$ 8.06
Granted	3		8.50
Released	(89	)	7.77
Forfeited	(137	)	8.55
Ending PSUs outstanding	294		$ 7.92

As of June 28, 2015, performance stock units vested and expected to vest totaled approximately 0.2 million with a weighted-average remaining contract life of 0.87 year. The aggregate intrinsic value was approximately $4.9 million.

As of June 28, 2015, the unrecognized compensation cost related to performance stock units granted under the Company’s equity incentive plan was approximately $0.3 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 0.88 year.

Market-Based Stock Units

In June 2015, under the 2004 Plan, the Company granted approximately 0.2 million shares of restricted stock units with a market-based condition to a group of executive-level employees. These equity awards vest and convert into shares of the Company’s common stock based on the achievement of the Company’s relative total shareholder return over the performance period of 2

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years. The earned market-based stock units will vest in two equal installments, with the first installment of vesting to occur on June 15, 2017, and the second on June 15, 2018.

In June 2014, under the 2004 Plan, the Company granted approximately 0.5 million shares of restricted stock units with a market-based condition to a group of executive-level employees. These equity awards vest and convert into shares of the Company’s common stock based on the achievement of the Company’s relative total shareholder return over the performance period of 2 years. The earned market-based stock units will vest in two equal installments, with the first installment of vesting to occur on June 15, 2016, and the second on June 15, 2017.

The fair value of each market-based stock unit award was estimated on the date of grant using a Monte Carlo simulation model that uses the assumptions noted in the table below. The Company uses historical data to estimate employee termination within the valuation model. The expected term of 1.80 years was derived from the output of the valuation model and represents the period of time that restricted stock units granted are expected to be outstanding.

The following weighted average assumptions were used to calculate the fair value of the market-based equity award using a Monte Carlo simulation model:

	June 15, 2015	June 15, 2014
Estimated fair value	$33.08	$21.00
Expected volatility	41.22 %	34.60 %
Expected term (in years)	1.80	1.80
Risk-free interest rate	0.65 %	0.38 %
Dividend yield	— %	— %

As of June 28, 2015, the total market-based stock units outstanding were approximately 0.8 million.

As of June 28, 2015, market-based stock units vested and expected to vest totaled approximately 0.6 million with a weighted-average remaining contract life of 1.70 years. The aggregate intrinsic value was approximately $13.6 million.

As of June 28, 2015, the unrecognized compensation cost related to market-based stock units granted under the Company’s equity incentive plans was approximately $10.9 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.76 years.

2009 Employee Stock Purchase Plan (2009 ESPP)

On June 18, 2009, the Board approved implementation of the 2009 Employee Stock Purchase Plan (2009 ESPP) and authorized the reservation and issuance of up to 9.0 million shares of the Company's common stock, subject to stockholder approval. On September 17, 2009, the Company's stockholders approved the plan at the 2009 Annual Meeting of Stockholders. The 2009 ESPP is intended to be implemented in successive quarterly purchase periods commencing on the first day of each fiscal quarter of the Company. In order to maintain its qualified status under Section 423 of the Internal Revenue Code, the 2009 ESPP imposes certain restrictions, including the limitation that no employee is permitted to participate in the 2009 ESPP if the rights of such employee to purchase common stock of the Company under the 2009 ESPP and all similar purchase plans of the Company or its subsidiaries would accrue at a rate which exceeds $25,000 of the fair market value of such stock (determined at the time the right is granted) for each calendar year. At the 2012 annual meeting of stockholders on September 13, 2012, the Company's stockholders approved an additional 5.0 million. The number of shares of common stock reserved for issuance thereunder increased from 9.0 million shares to 14.0 million shares.

Activity under the Company's ESPP for the three months ended June 28, 2015 is summarized in the following table:

(in thousands, except per share amounts)	
Number of shares issued	230
Average issuance price	$16.82
Number of shares available at June 28, 2015	4,148

Note 7. Stockholders' Equity

Stock Repurchase Program. In April 2015, the Company's Board of Directors approved a new share repurchase program authorization for $300 million. As of March 29, 2015, approximately $26.7 million was available for future purchase under the old program. In the three months ended June 28, 2015, the Company repurchased $1.4 million shares for $30.6 million. As of June 28, 2015, approximately $278.1 million was available for future purchase under the new share repurchase program. In fiscal

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2015, the Company repurchased 5.3 million shares for $79.2 million. Shares repurchased were recorded as treasury stock and resulted in a reduction of stockholder's equity.

Note 8. Balance Sheet Detail

(in thousands)	June 28, 2015	March 29, 2015
Inventories, net		
Raw materials	$4,921	$4,709
Work-in-process	19,088	18,377
Finished goods	18,694	22,324
Total inventories, net	$42,703	$45,410
Property, plant and equipment, net		
Land	$11,592	$11,578
Machinery and equipment	292,021	292,180
Building and leasehold improvements	48,248	48,031
Total property, plant and equipment, gross	351,861	351,789
Less: accumulated depreciation	(287,440)	(286,281)
Total property, plant and equipment, net	$64,421	$65,508
Other accrued liabilities		
Accrued restructuring costs (1)	3,710	10,512
Other (2)	7,293	7,070
Total other accrued liabilities	$11,003	$17,582
Other long-term obligations		
Deferred compensation related liabilities	$14,865	$13,143
Other	5,899	4,462
Total other long-term liabilities	$20,764	$17,605

(1) Includes accrued severance costs related to the HSC business of $3.3 million and $10.2 million as of June 28, 2015 and March 29, 2015, respectively.
(2) Other current liabilities consist primarily of accrued royalties and outside commissions, short-term portion of supplier obligations and other accrued unbilled expenses.

Note 9. Deferred Income on Shipments to Distributors
Included in the caption “Deferred income on shipments to distributors” on the Consolidated Condensed Balance Sheets are amounts related to shipments to certain distributors for which revenue is not recognized until the Company's product has been sold by the distributor to an end customer. The components of deferred income on shipments to distributors as of June 28, 2015 and March 29, 2015 are as follows:

(in thousands)	June 28, 2015	March 29, 2015
Gross deferred revenue	$13,429	$19,299
Gross deferred costs	(3,049)	(3,605)
Deferred income on shipments to distributors	$10,380	$15,694

The gross deferred revenue represents the gross value of shipments to distributors at the list price billed to the distributor less any price protection credits provided to them in connection with reductions in list price while the products remain in their inventory. The amount ultimately recognized as revenue will be lower than this amount as a result of ship from stock pricing credits which are

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issued in connection with the sell through of the Company's products to end customers. Historically, this amount represents on average approximately 38% of the list price billed to the customer. The gross deferred costs represent the standard costs (which approximate actual costs) of products the Company sells to the distributors. Although the Company monitors the levels and quality of inventory in the distribution channel, the Company's experience is that products returned from these distributors may be sold to a different distributor or in a different region of the world. As such, inventory write-downs for products in the distribution channel have not been significant.

Note 10. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended June 28, 2015 consisted of the following:

(in thousands)	Cumulative translation adjustments	Unrealized gain on available-for-sale investments	Pension adjustments	Total
Balance, March 29, 2015	$(3,721)	$ 860	$680	$(2,181)
Other comprehensive loss before reclassifications	810	(1,053)	—	(243)
Amounts reclassified out of accumulated other comprehensive income (loss)	—	143	(146)	(3)
Net current-period other comprehensive loss	810	(910)	(146)	(246)
Balance as of June 28, 2015	$(2,911)	$ (50)	$534	$(2,427)

Comprehensive income components consisted of:

(in thousands)	Three Months Ended June 28, 2015	Location
Unrealized holding gains on available-for-sale investments	$143	interest and other, net
Amortization of pension benefits prior service costs	(146)	operating expense
Total amounts reclassified out of accumulated other comprehensive loss	$(3)	

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11. Goodwill and Intangible Assets, Net

Goodwill balances by reportable segment as of June 28, 2015 and March 29, 2015 are as follows:

Reportable Segment	(in thousands)
Communications	$122,248
Computing and Consumer	13,396
Total	$135,644

Goodwill balances as of June 28, 2015 and March 29, 2015 are net of $920.3 million and $922.5 million, respectively, in accumulated impairment losses.

Intangible asset balances as of June 28, 2015 and March 29, 2015 are summarized as follows:

	June 28, 2015		
(in thousands)	Gross Assets	Accumulated Amortization	Net Assets
Purchased intangible assets:			
Existing technology	$203,914	$(199,852)	$4,062
Trademarks	4,411	(3,996)	415
Customer relationships	128,787	(128,561)	226
Total purchased intangible assets	$337,112	$(332,409)	$4,703

	March 29, 2015		
(in thousands)	Gross Assets	Accumulated Amortization	Net Assets (1)
Purchased intangible assets:			
Existing technology	$211,170	$(206,491)	$4,679
Trademarks	4,411	(3,850)	561
Customer relationships	131,045	(130,750)	295
Total purchased intangible assets	$346,626	$(341,091)	$5,535

Amortization expense for the three months ended June 28, 2015 and June 29, 2014 was $0.8 million and $2.5 million, respectively.

During the first quarter of fiscal 2015, the Company recorded an impairment charge relating to the HSC assets held for sale of $5.6 million, which consisted of existing technology of $4.6 million, customer relationships of $0.9 million and non-compete agreements of $0.1 million. Refer to Note 3 for additional information.

The intangible assets are being amortized over estimated useful lives of three to seven years.

Based on the intangible assets recorded at June 28, 2015, and assuming no subsequent additions to or impairment of the underlying assets, the remaining estimated amortization expense is expected to be as follows (in thousands):

Fiscal Year	Amount
2016 (Remaining 9 months)	$2,252
2017	2,185
2018	256
2019	10
2020 and thereafter	—
Total purchased intangible assets	$4,703

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Note 12. Restructuring

The following table shows the provision of the restructuring charges and the liability remaining as of June 28, 2015:

(in thousands)	HSC Business	Other	Total
Balance as of March 29, 2015	$10,217	$295	$10,512
Provision	—	865	865
Payments and other adjustments	(6,963)	(704)	(7,667)
Balance as of June 28, 2015	$3,254	$456	$3,710

HSC Business

In fiscal 2015, the Company prepared a workforce-reduction plan (the Plan) with respect to employees of its HSC business in France and the Netherlands. The Plan sets forth the general parameters, terms and benefits for employee dismissals. The Plan was approved by the French Works Council and Labor Administrator and the related Plan details were communicated to the affected employees in France and the Netherlands. No works council consultation was required in the Netherlands. The Company has not historically offered similar termination benefits as defined in the Plan for these locations. The Plan identified the number of employees to be terminated, their job classification or function, their location and the date that the Plan was expected to be completed. The Plan also established the terms of the benefit arrangement in sufficient detail to enable the employees to determine the type and amount of benefits that they would receive if terminated. In addition, the actions required to complete the Plan indicated that it was unlikely that substantial changes to the Plan would be made after communication to the employees. Accordingly, the Company accrued restructuring charges in accordance with ASC 420, Exit or Disposal Cost Obligations. The restructuring charges recorded to discontinued operations in the Condensed Consolidated Statement of Operations were approximately $18.3 million for the fiscal year ended March 29, 2015, for a total of 53 employees in France and the Netherlands combined.

The Company expects payments to these termination benefits and to complete the restructuring action by December 2017.

Other

During the first quarter of fiscal 2016, the Company recorded other restructuring charges of $0.9 million and reduced headcount by 11 employees. As of June 28, 2015, the total accrued balance for employee severance costs related to these restructuring actions was $0.5 million. The Company expects to complete these restructuring actions during the second quarter of fiscal 2016.

During fiscal 2015, the Company recorded other restructuring charges of $1.1 million and reduced headcount by 28 employees in multiple reductions in workforce actions. During fiscal 2015, the Company paid $0.8 million related to these actions. During first quarter of fiscal 2016, the Company paid $0.3 million related to these actions. As of June 28, 2015, the total accrued balance for employee severance costs related to these restructuring actions was zero.

Note 13. Commitments and Contingencies

Warranty

The Company maintains an accrual for obligations it incurs under its standard product warranty program and customer, part, or process specific matters. The Company’s standard warranty period is one year, however in certain instances the warranty period may be extended to as long as two years. Management estimates the fair value of the Company’s warranty liability based on actual past warranty claims experience, its policies regarding customer warranty returns and other estimates about the timing and disposition of product returned under the standard program. Customer, part, or process specific accruals are estimated using a specific identification method. Historical profit and loss impact related to warranty returns activity has been minimal. The total warranty accrual was $0.1 million as of June 28, 2015 and March 29, 2015.

Litigation

In January 2012, Maxim I Properties, a general partnership that had purchased a certain parcel of real property (the Property) in 2003, filed a complaint in the Northern District of California naming approximately 30 defendants, including the Company ("Defendants"), alleging various environmental violations of the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and Resource Conservation and Recovery Act

(RCRA), the California Hazardous Substance Account Act (HSAA), and other common law claims (the Complaint). The Complaint alleges that Defendants including the Company "…generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." The Complaint further alleges that Defendants are liable for the costs of investigation and remediation of the Property due to the release of hazardous substances, and that Defendants violated their duty to prevent the release of such hazardous substances. On August 15, 2012, the plaintiff voluntarily dismissed its Complaint against the Company without prejudice. However, Moyer Products, Inc., another defendant, counter-claimed against the plaintiff Maxim and cross-claimed against Defendants, including the Company, and thus

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the Company remains a cross-defendant in this action. In September 2012, the California Department of Toxic Substances Control (DTSC) notified the Company that it identified the Company, along with more than 50 other entities, as a respondent to DTSC's Enforcement Order, as “a generator of hazardous waste” that was sent to the Property. In April 2013, the Company, along with the other “respondent” parties, entered into a Corrective Action Consent Agreement (CACA) to conduct the Property investigation and corrective action selection. The CACA supersedes the Enforcement Order. In February 2013, the court stayed the Maxim/Moyer litigation pending the Property investigation under the CACA and DTSC's corrective action selection. On June 23, 2015, the Property investigation was deemed completed by DTSC. The DTSC continues to evaluate corrective action. The Company will continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon notification from the DTSC of its corrective action selection. Because no specific corrective action has been selected yet, and thus no specific monetary demands have been made, it is not possible for the Company to estimate the potential loss or range of potential losses for these actions.

The Company is also party to various other legal proceedings and claims arising in the normal course of business. As of June 28, 2015, while the Company has accrued for specific amounts based on the probability of settlement in some of these matters, those amounts, both individually and in total, are not material to any aspect of business operations and to the consolidated financial statements. Further, with regard to these other matters, potential liability and probable losses or ranges of possible losses cannot be reasonably estimated at this time. Generally, litigation is subject to inherent uncertainties, and no assurance can be given that the Company will prevail in any particular lawsuit. Accordingly, pending lawsuits, as well as potential future litigation with other companies, could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Note 14. Employee Benefit Plans

401(k) Plan

The Company sponsors a 401(k) retirement matching plan for qualified domestic employees. The Company recorded expenses of approximately $1.0 million and $0.7 million in matching contributions under the plan during the three months ended June 28, 2015 and June 29, 2014, respectively.

Deferred Compensation Plans

Effective November 1, 2000, the Company established an unfunded deferred compensation plan to provide benefits to executive officers and other key employees. Under the plan, participants can defer any portion of their salary and bonus compensation into the plan and may choose from a portfolio of funds from which earnings are measured. Participant balances are always 100% vested. As of June 28, 2015 and March 29, 2015, obligations under the plan totaled approximately $14.9 million and $13.1 million. Additionally, the Company has set aside assets in a separate trust that is invested in corporate owned life insurance intended to substantially fund the liability under the plan. As of June 28, 2015 and March 29, 2015, the deferred compensation plan assets were approximately $15.1 million and $16.5 million respectively.

During the first quarter of fiscal 2013, the Company assumed a deferred compensation plan associated with the acquisition of Fox. Under this plan, participants in retirement are entitled to receive a fixed amount from the Company on a monthly basis. The Company has purchased life insurance policies with the intention of funding the liability under this plan. As of June 28, 2015 and March 29, 2015, the deferred compensation plan assets under this plan were approximately $0.8 million. As of June 28, 2015 and March 29, 2015, the deferred compensation plan liabilities under this plan were approximately $1.8 million and $1.7 million, respectively.

International Employee Benefit Plans

The Company sponsors defined-benefit pension plans, defined-contribution plans, multi-employer plans and other post-employment benefit plans covering employees in certain of the Company's international locations. As of June 28, 2015 and March 29, 2015, the net liability for all of these international benefit plans totaled $0.9 million and $1.0 million respectively.

Note 15. Income Taxes

During the three months ended June 28, 2015 and June 29, 2014, the Company recorded an income tax expense from continuing operations of $0.4 million and $0.3 million, respectively. The income tax expense recorded during the three months ended June 28, 2015 was primarily due to taxes on earnings in foreign jurisdictions. The income tax expense recorded during the three months ended June 29, 2014 was primarily due to U.S. federal and state tax on U.S. earnings.

As of June 28, 2015, the Company continued to maintain a valuation allowance against its net U.S. and foreign deferred tax assets, as the Company could not conclude that it was more likely than not that the Company would be able to realize its U.S. and foreign deferred tax assets. Given the continued improvement in the Company’s operations combined with certain tax strategies, it is reasonably possible that within the next 12 months, positive evidence will be sufficient to release a material amount of the Company’s valuation allowance. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease

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to income tax expense for the period the release is recorded. The exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that the Company is able to actually achieve. The Company will continue to evaluate the release of the valuation allowance on a quarterly basis.

After examination of the Company’s projected offshore cash flows, and global cash requirements, the Company determined that beginning in fiscal year 2016, the Company would no longer require 100% of its foreign generated cash to support its foreign operations. The Company plans to repatriate a portion of its current year offshore earnings to the U.S. for domestic operations. For earnings accumulated as of March 29, 2015, the Company continues to permanently reinvest such amounts in its foreign jurisdictions, except to the extent there is any previously taxed income which is expected to be repatriated. If circumstances change and it becomes apparent that some or all of those undistributed earnings of the Company's offshore subsidiary will be remitted in the foreseeable future but income taxes have not been recognized, the Company will accrue income taxes attributable to that remittance.

The Company benefits from tax incentives granted by local tax authorities in certain foreign jurisdictions. In the fourth quarter of fiscal 2011, the Company agreed with the Malaysia Industrial Development Board to enter into a new tax incentive agreement which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. This tax incentive agreement is subject to the Company meeting certain financial targets, investments, headcounts and activities in Malaysia.

During the quarter ended June 28, 2015, the Company reached an understanding regarding the terms for settling with the U.S. Internal Revenue Service ("IRS") and closed out all positions as part of the examination of the Company's income tax returns for the fiscal years 2010 through 2012. As a result, the Company remeasured its tax positions based on the facts, circumstances, and information available at the reporting date. The outcome did not have a material effect on the Company’s financial position, cash flows or results of operations due to its tax attributes, which are fully offset by a valuation allowance.

As of June 28, 2015, the Company was under examination in Singapore. The Company's fiscal years 2009 through 2012 are under audit by the Inland Revenue Authority of Singapore. Although the final outcome is uncertain, based on currently available information, the Company believes that the ultimate outcome will not have a material adverse effect on its financial position, cash flows or results of operations.

The Company's open years in the U.S. federal jurisdiction are fiscal 2013 and later years. In addition, the Company is effectively subject to federal tax examination adjustments for tax years ended on or after fiscal year 1999, in that the Company has tax attribute carryforwards from these years that could be subject to adjustments, if and when utilized. The Company's open years in various state and foreign jurisdictions are fiscal years 2008 and later.

The Company does not expect a material change in unrecognized tax benefits within the next twelve months.

Note 16. Segment Information

The Chief Operating Decision Maker is the Company’s President and Chief Executive Officer.

The Company's reportable segments include the following:

- Communications segment: includes clock and timing solutions, flow-control management devices including Serial RapidIO® switching solutions, multi-port products, telecommunications products, high-speed static random access memory, first in and first out, digital logic, radio frequency, and frequency control solutions.
- Computing and Consumer segment: includes clock generation and distribution products, high-performance server memory interfaces, PCI Express switching solutions, power management solutions and signal integrity products.

The tables below provide information about these segments:

Revenues by segment	Three Months Ended	
(in thousands)	June 28, 2015	June 29, 2014
Communications	$64,893	$80,986
Computing and Consumer	96,014	45,316
Total revenues	$160,907	$126,302

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Income by segment from continuing operations	Three Months Ended	
	June 28,	June 29,
(in thousands)	2015	2014
Communications	$22,950	$29,109
Computing and Consumer	24,269	(1,732)
Unallocated expenses:		
Amortization of intangible assets	(831)	(2,549)
Assets impairment and recoveries	(147)	(2,302)
Stock-based compensation expense	(7,867)	(4,959)
Severance, retention and facility closure costs	(921)	(573)
Interest income and other, net	1,702	368
Income from continuing operations, before income taxes	$39,155	$17,362

The Company does not allocate goodwill and intangible assets impairment charge, severance and retention costs, acquisition-related costs, stock-based compensation, interest income and other, and interest expense to its segments. In addition, the Company does not allocate assets to its segments. The Company excludes these items consistent with the manner in which it internally evaluates its results of operations.

Revenues from unaffiliated customers by geographic area, based on the customers' shipment locations, were as follows:

	Three Months Ended	
(in thousands)	June 28, 2015	June 29, 2014
APAC	$117,585	$81,799
Americas (1)	21,744	17,008
Japan	9,220	10,242
Europe	12,358	17,253
Total revenues	$160,907	$126,302

(1) The revenues from the customers in the U.S. were $20.7 million and $15.1 million in the three months ended June 28, 2015 and June 29, 2014, respectively.

The Company utilizes global and regional distributors around the world, that buy product directly from the Company on behalf of their customers. Two distributors, Uniquest and Avnet and its affiliates accounted for 21% and 15%, respectively, of the Company's revenues in the three months ended June 28, 2015. No distributor accounted for 10% or more of the Company's revenue for the three months ended June 29, 2014.

At June 28, 2015, three distributors represented approximately 15%, 11% and 10%, respectively, of the Company’s gross accounts receivable. At March 29, 2015, two distributors represented approximately 11% and 10%, respectively, of the Company’s gross accounts receivable.

The Company’s significant operations outside of the United States include test facility in Malaysia, design centers in Canada and China, and sales subsidiaries in Japan, APAC and Europe. The Company's net property, plant and equipment, are summarized below by geographic area:

	June 28,	March 29,
(in thousands)	2015	2015
United States	$38,588	$38,879
Canada	4,030	3,997
Malaysia	20,260	21,244
All other countries	1,543	1,388
Total property, plant and equipment, net	$64,421	$65,508

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Note 17. Derivative Financial Instruments

As of June 28, 2015 and March 29, 2015, the Company did not have any outstanding foreign currency contracts that were designated as hedges of forecasted cash flows or capital equipment purchases. The Company does not enter into derivative financial instruments for speculative or trading purposes. The Company also has foreign exchange facilities used for hedging arrangements with banks that allow the Company to enter into foreign exchange contracts totaling approximately $20 million, all of which was available at June 28, 2015.

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

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking. Forward-looking statements, which are generally identified by words such as “anticipates,” “expects,” “plans,” “intends,” “seeks,” “targets,” “believes,” “can,” “may,” “might,” “could,” “should,” “would,” “will” and similar terms, include statements related to, among revenues and gross profit, research and development activities, selling, general and administrative expenses, restructuring costs, intangible expenses, interest income and other, taxes, capital spending and financing transactions, as well as statements regarding successful development and market acceptance of new products, industry and overall economic conditions and demand, and capacity utilization. Forward-looking statements are based upon current expectations, estimates, forecasts and projections that involve a number of risks and uncertainties. These risks and uncertainties include, but are not limited to: global business and economic conditions; operating results; new product introductions and sales; competitive conditions; capital expenditures and resources; manufacturing capacity utilization; customer demand and inventory levels; product performance; intellectual property matters; mergers and acquisitions and integration activities; and the risk factors set forth in Part II, Item 1A, “Risk Factors” to this Quarterly Report on Form 10-Q. As a result of these risks and uncertainties, actual results could differ significantly from those expressed or implied in the forward-looking statements. Unless otherwise required by law, we undertake no obligation to publicly revise these statements for future events or new information after the date of this Quarterly Report on Form 10-Q.

This discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and accompanying Notes included in this report and the Audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended March 29, 2015 filed with the SEC. Operating results for the three months ended June 28, 2015 are not necessarily indicative of operating results for an entire fiscal year.

Critical Accounting Policies

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of such statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. Our estimates and assumptions are based on historical experience and other factors that we consider to be appropriate in the circumstances. However, actual future results may vary from our estimates and assumptions.

For a discussion of our critical accounting policies, see Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended March 29, 2015. We believe that these accounting policies are "critical," as defined by the SEC, in that they are both highly important to the portrayal of our financial condition and results, and they require difficult management judgments, estimates and assumptions about matters that are inherently uncertain. We believe that there have been no significant changes during the three months ended June 28, 2015 to the items that we disclosed as our critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended March 29, 2015.

Business Overview

We develop a broad range of low-power, high-performance mixed-signal semiconductor solutions that optimize our customers’ applications in key markets. In addition to our market-leading timing products, we offer semiconductors targeting communications infrastructure - both wired and wireless - high-performance computing and power management. These products are used for next-generation development in areas such as 4G infrastructure, network communications, cloud data centers and power management for computing and mobile devices.

Our top talent and technology paired with an innovative product-development philosophy allows us to solve complex customer problems when designing communications, computing and consumer applications. Through system-level analog and digital innovation, we consistently deliver extraordinary value to our customers.

For more information on our business, please see Part I, Item 1, “Business,” in our Annual Report on Form 10-K for the fiscal year ended March 29, 2015.

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Recent developments

High-Speed Converter ("HSC") Business

In fiscal 2014, we initiated a project to divest our HSC business and have classified the related assets, as held for sale. The HSC business included the assets of NXP B.V.'s Data Converter Business and Alvand Technologies, Inc., which were acquired in fiscal 2013.

On May 30, 2014, we completed the sale of certain assets related to the Alvand portion of the HSC business to a buyer pursuant to an Asset Purchase Agreement. Upon the closing of the transaction, the buyer paid us $18.0 million in cash consideration, of which $2.7 million has been held in an escrow account for a period of 18 months. We recorded a gain of $16.8 million in discontinued operations related to this divestiture during the first quarter of fiscal 2015.

Following the sale of assets related to the Alvand portion of the HSC business, the business had remaining long-lived assets classified as held for sale amounting to $8.5 million, which consisted of $2.9 million in fixed assets and $5.6 million in intangible assets. We evaluated the carrying value of the disposal group and determined that it exceeded its estimated fair value based on estimated selling price less cost to sell. Accordingly, total impairment charge of $8.5 million was recorded as loss from discontinued operations on the Condensed Consolidated Statement of Operations in the first quarter of fiscal 2015.

As of March 29, 2015, all long-lived assets related to the HSC business were fully impaired.

On April 27, 2015, we completed the sale of the remaining HSC business to eSilicon Corporation ("eSilicon"), for $1.5 million which will be paid on or before April 27, 2017. In connection with the sale, we entered into an Exclusive Intellectual Property License Agreement with eSilicon, whereby we provided an exclusive license to eSilicon to develop, manufacture, sell and maintain HSC products. In connection with the sale, the Company and eSilicon also entered into a Transition Services Agreement, whereby we will provide certain transition services over a specific period from the effective date of the sale. The transition services do not represent significant continuing involvement of the Company in the HSC business. Also, as part of the sale, we transferred to eSilicon certain equipment and inventory with net carrying value of $0.1 million.

As of June 28, 2015, we had a receivable of $1.5 million representing uncollected proceeds from the sale that was included under Other Assets on the Condensed Consolidated Balance Sheet. Given the term of the sale, we deferred the gain from this divestiture amounting to $1.4 million will recognize it into discontinued operations when collectibility becomes certain.

The HSC business was included in the Communications reportable segment. For financial statements purposes, the results of operations for the HSC business have been segregated from those of the continuing operations and are presented in the condensed consolidated financial statements as discontinued operations.

Overview

The following table and discussion provides an overview of our operating results from continuing operations for the three months ended June 28, 2015 and June 29, 2014:

	Three Months Ended			
(in thousands, except for percentage)	June 28, 2015		June 29, 2014	
Revenues	$160,907		$126,302	
Gross profit	$99,234		$74,009	
As a % of revenues	62	%	59	%
Operating income	$37,337		$16,500	
As a % of revenues	23	%	13	%
Net income from continuing operations	$38,720		$17,111	
As a % of revenues	24	%	14	%

Our revenues increased by $34.6 million, or 27%, to $160.9 million in the quarter ended June 28, 2015 compared to the quarter ended June 29, 2014. The increase was primarily due to increased unit shipments in our Computing and Consumer segment as we continued to experience increased demand for our memory interface and wireless power products. Gross profit percentage improved for the three months ended June 28, 2015 compared to the same period in fiscal 2015 primarily due to reduced manufacturing costs and improved inventory management. Net income from continuing operations was $38.7 million in the first quarter of fiscal 2016, as compared to $17.1 million in the first quarter of fiscal 2015. The increase in net income was primarily due to increased revenues and gross margin.

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Results of Continuing Operations

Revenues

Revenues by segment:

(in thousands)	Three Months Ended June 28, 2015	Three Months Ended June 29, 2014
Communications	$64,893	$80,986
Computing and Consumer	96,014	45,316
Total revenues	$160,907	$126,302

Product groups representing greater than 10% of net revenues:

As a percentage of net revenues	Three Months Ended June 28, 2015		Three Months Ended June 29, 2014	
Communications:				
Communications timing products	17	%	26	%
Serial RapidIO products	*		20	%
All others less than 10% individually	23	%	18	%
Total communications	40	%	64	%
Computing and Consumer:				
Consumer and computing timing products	11	%	16	%
Memory interface products	37	%	15	%
All others less than 10% individually	12	%	5	%
Total computing and consumer	60	%	36	%
Total	100	%	100	%

* Represents less than 10% of net revenues

Communications Segment

Revenues in our Communications segment decreased $16.1 million, or 20%, to $64.9 million in the quarter ended June 28, 2015 as compared to the quarter ended June 29, 2014. The decrease was primarily due to a $12.2 million decrease in shipments of our RapidIO switching solutions products as a result of lower demand combined with $2.4 million and $2.1 million decreases in networking and communications products and in legacy products, respectively.

Computing and Consumer Segment

Revenues in our Computing and Consumer segment increased $50.7 million, or 112% to $96.0 million in the quarter ended June 28, 2015 as compared to the quarter ended June 29, 2014. The increase was primarily due to a $40.6 million increase in memory interface product revenues as a result of stronger demand combined with a $9.2 million increase in shipments of wireless power products as our wireless business continues to grow.

Revenues by Region

Revenues in the quarter ended June 28, 2015 increased primarily in APAC (Asia Pacific region excluding Japan) as compared to the quarter ended June 29, 2014. Revenues in APAC, the Americas, Japan and Europe accounted for 73%, 13%, 6% and 8%, respectively, of consolidated revenues in the quarter ended June 28, 2015 compared to 65%, 13%, 8% and 14% of our consolidated revenues in the quarter ended June 29, 2014. The APAC region continues to be our strongest region, as many of our largest customers utilize manufacturers in that region.

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Gross Profit

	Three Months Ended	
	June 28, 2015	June 29, 2014
Gross Profit (in thousands)	$99,234	$74,009
Gross Profit Percentage	61.7 %	58.6 %

Gross profit increased $25.2 million in the three months ended June 28, 2015 compared to the three months ended June 29, 2014, as a result of increased revenues combined with a higher gross margin percentage. Gross profit as a percentage of revenues increased 3.1% in the three months ended June 28, 2015 compared to the three months ended June 29, 2014. Gross profit percentage improved primarily due to reduced manufacturing costs and improved inventory management. As of June 28, 2015 and March 29, 2015, the balance of net buffer stock inventory which was built in anticipation of the transition of wafer fabrication activities to third party foundries totaled approximately $0.3 million and $0.4 million, respectively.

Operating Expenses

The following table presents our operating expenses for the three months ended June 28, 2015 and June 29, 2014:

	Three Months Ended			
	June 28, 2015		June 29, 2014	
(in thousands, except for percentages)	Dollar Amount	% of Net Revenue	Dollar Amount	% of Net Revenue
Research and development	$33,754	21 %	$32,050	25 %
Selling, general and administrative	$28,143	17 %	$25,459	20 %

Research and Development (R&D)

R&D expense increased $1.7 million, or 5.3%, to $33.8 million in the quarter ended June 28, 2015 compared to the quarter ended June 29, 2014. The increase was primarily due to $1.5 million increase in R&D labor and benefit related costs and a $1.1 million increase in stock-based compensation. These increases were partly offset by a $0.5 million decrease in engineering design tool license costs and a $0.4 million decrease in facilities related costs.

Selling, General and Administrative (SG&A)

SG&A expense increased $2.7 million, or 10.5%, to $28.1 million in the quarter ended June 28, 2015 as compared to the quarter ended June 29, 2014. The increase was primarily driven by a $1.4 million increase in stock-based compensation, a $1.2 million increase in labor and benefit related costs and a $0.4 million increase in accrued employee bonus expense. These increases were partly offset by $0.6 million lower amortization of intangible assets.

Interest Income and Other, Net

The components of interest income and other, net are summarized as follows:

	Three Months Ended	
(in thousands)	June 28, 2015	June 29, 2014
Interest income	$1,035	$552
Other income, net	783	310
Interest income and other, net	$1,818	$862

Interest income is derived from earnings on our cash and short-term investments. Other income, net primarily consists of gains or losses in the value of deferred compensation plan assets, foreign currency gains or losses and other non-operating gains or losses. The increase in interest income in the three months ended June 28, 2015 as compared to the same periods in prior year was primarily attributable to higher level of short-term investments and interest rates. The increase in other income in the quarter ended June 28, 2015 as compared to the same quarter in prior year was primarily due to favorable impact of foreign currency fluctuations.

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Income Tax Expense

During the three months ended June 28, 2015 and June 29, 2014, we recorded an income tax expense from continuing operations of $0.4 million and $0.3 million, respectively. The income tax expense recorded during the three months ended June 28, 2015 was primarily due to taxes on earnings in foreign jurisdictions. The income tax expense recorded during the three months ended June 29, 2014 was primarily due to U.S. federal and state tax on U.S. earnings.

As of June 28, 2015, we continued to maintain a valuation allowance against our net U.S. and foreign deferred tax assets, as we could not conclude that it was more likely than not that we would be able to realize our U.S. and foreign deferred tax assets. Given the continued improvement in our operations combined with certain tax strategies, it is reasonably possible that within the next 12 months, positive evidence will be sufficient to release a material amount of our valuation allowance. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. The exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that we are able to actually achieve. We will continue to evaluate the release of the valuation allowance on a quarterly basis.

After examination of our projected offshore cash flows, and global cash requirements, we determined that beginning in fiscal year 2016, we would no longer require 100% of our foreign generated cash to support our foreign operations. We plan to repatriate a portion of our current year offshore earnings to the U.S. for domestic operations. For earnings accumulated as of March 29, 2015, we continue to permanently reinvest such amounts in our foreign jurisdictions, except to the extent there is any previously taxed income which is expected to be repatriated. If circumstances change and it becomes apparent that some or all of those undistributed earnings of our offshore subsidiary will be remitted in the foreseeable future but income taxes have not been recognized, we will accrue income taxes attributable to that remittance.

We benefit from tax incentives granted by local tax authorities in certain foreign jurisdictions. In the fourth quarter of fiscal 2011, we agreed with the Malaysia Industrial Development Board to enter into a new tax incentive agreement which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. This tax incentive agreement is subject to the Company meeting certain financial targets, investments, headcounts and activities in Malaysia.

During the quarter ended June 28, 2015, we reached an understanding regarding the terms for settling with the U.S. Internal Revenue Service ("IRS") and closed out all positions as part of the examination of our income tax returns for the fiscal years 2010 through 2012. As a result, we remeasured our tax positions based on the facts, circumstances, and information available at the reporting date. The outcome did not have a material effect on our financial position, cash flows or results of operations due to our tax attributes, which are fully offset by a valuation allowance.

As of June 28, 2015, we were under examination in Singapore. Our fiscal years 2009 through 2012 are under audit by the Inland Revenue Authority of Singapore. Although the final outcome is uncertain, based on currently available information, we believe that the ultimate outcome will not have a material adverse effect on our financial position, cash flows or results of operations.

Our open years in the U.S. federal jurisdiction are fiscal 2013 and later years. In addition, we are effectively subject to federal tax examination adjustments for tax years ended on or after fiscal year 1999, in that we have tax attribute carryforwards from these years that could be subject to adjustments, if and when utilized. Our open years in various state and foreign jurisdictions are fiscal years 2008 and later.

We do not expect a material change in unrecognized tax benefits within the next twelve months.

Liquidity and Capital Resources

Our cash and cash equivalents and short-term investments were $541.0 million at June 28, 2015, an increase of $14.1 million compared to March 29, 2015.

We had no outstanding debt at June 28, 2015 and March 29, 2015.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled $13.1 million in the three months ended June 28, 2015 compared to $24.1 million in the three months ended June 29, 2014. Cash provided by operating activities in the three months ended June 28, 2015 consisted of our net income of $38.2 million, adjusted to add back stock-based compensation, depreciation, amortization, impairment charges and other non-cash items which totaled $13.3 million less net gain on sale of asset of $0.3 million; and cash provided by working capital requirements. In the three months ended June 28, 2015, excluding the effects of non-cash activities, cash used by working capital requirements was $38.0 million and consisted primarily of a $19.8 million decrease in accrued compensation and related expenses, a $6.8 million increase in accounts receivable, a $6.0 million decrease in accounts payable, a $5.3 million decrease in deferred income and a $3.3 million decrease in other accrued liabilities. These working capital uses were offset in part by cash provided from a $2.7 million decrease in inventories and a $0.6 million decrease in prepaid and other assets.

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Cash Flows from Investing Activities

Net cash used in investing activities in the three months ended June 28, 2015 was $6.3 million compared to net cash provided of$14.8 million in the three months ended June 29, 2014. Net cash used in investing activities in the three months ended June 28, 2015 was primarily due to $3.6 million of expenditures to purchase capital equipment and $2.7 million for the net purchase of short-term investments.

Cash Flows from Financing Activities

Net cash used in financing activities was $23.4 million in the three months ended June 28, 2015 as compared to net cash used of $26.1 million in the three months ended June 29, 2014. Cash used in financing activities in the three months ended June 28, 2015 was primarily due to $30.6 million in stock buyback, offset in part by proceeds of $7.2 million from the exercise of employee stock options and the issuance of stock under our employee stock purchase plan.

We anticipate capital expenditures of approximately $15 million to $25 million during the next 12 months to be financed through cash generated from operations and existing cash and investments.

In addition, as much of our revenues are generated outside the U.S., a significant portion of our cash and investment portfolio accumulates in the foreign countries in which we operate. At June 28, 2015, we had cash, cash equivalents and investments of approximately $450.4 million invested overseas in accounts belonging to various IDT foreign operating entities. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies, and all offshore balances are exposed to local political, banking, currency control and other risks. In addition, these amounts may be subject to tax and other transfer restrictions.

We believe that existing cash and investment balances, together with cash flows from operations, will be sufficient to meet our working capital and capital expenditure needs through at least the next 12 months. We may choose to investigate other financing alternatives to supplement U.S. liquidity; however, we cannot be certain that additional financing will be available on satisfactory terms.

Off-Balance Sheet Arrangements

As of June 28, 2015, we did not have any off-balance sheet arrangements, as defined under SEC Regulation S-K Item 303(a)(4)(ii).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our interest rate risk relates primarily to our short-term investments of $439.9 million and $438.1 million as of June 28, 2015 and March 29, 2015, respectively. By policy, we limit our exposure to long-term investments and mitigate the credit risk through diversification and adherence to a policy requiring the purchase of highly rated securities. As of June 28, 2015 and March 29, 2015, the Company’s cash, cash equivalents and investment portfolio was concentrated in securities with same day liquidity and a substantial majority of securities in our investment portfolio had maturities of less than two years. A hypothetical 10% change in interest rates would not have a material effect on the value of our investment portfolio as of June 28, 2015. We do not currently use derivative financial instruments in our investment portfolio.

At June 28, 2015 and March 29, 2015, we had no outstanding debt.

We are exposed to foreign currency exchange rate risk as a result of international sales, assets and liabilities of foreign subsidiaries, local operating expenses of our foreign entities and capital purchases denominated in foreign currencies. We may use derivative financial instruments to help manage our foreign currency exchange exposures. We do not enter into derivatives for speculative or trading purposes. We have foreign exchange facilities used for hedging arrangements with banks that allow the Company to enter into foreign exchange contracts totaling approximately $20.0 million, all of which was available at June 28, 2015. We performed a sensitivity analysis as of June 28, 2015 and March 29, 2015 and determined that, without hedging the exposure, a 10% change in the value of the U.S. dollar would result in an approximate 0.3% and 0.4% impact on gross profit margin percentage, respectively, as we operate a manufacturing testing facility in Malaysia, and an approximate 0.7% and 0.6% impact to operating expenses (as a percentage of revenue), respectively, as we operate sales offices in Japan, Taiwan and South Korea and throughout Europe and design centers in China and Canada. At June 28, 2015 and March 29, 2015, we had no outstanding foreign exchange contracts.

We did not have any material currency exposure related to any outstanding capital purchases as of June 28, 2015 and March 29, 2015.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified

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in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

At June 28, 2015, the end of the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure control and procedures were effective at a reasonable assurance level. There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonable likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Litigation

In January 2012, Maxim I Properties, a general partnership that had purchased a certain parcel of real property (the Property) in 2003, filed a complaint in the Northern District of California naming approximately 30 defendants, including the Company ("Defendants"), alleging various environmental violations of the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and Resource Conservation and Recovery Act (RCRA), the California Hazardous Substance Account Act (HSAA), and other common law claims (the Complaint). The Complaint alleges that Defendants including the Company "…generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." The Complaint further alleges that Defendants are liable for the costs of investigation and remediation of the Property due to the release of hazardous substances, and that Defendants violated their duty to prevent the release of such hazardous substances. On August 15, 2012, the plaintiff voluntarily dismissed its Complaint against the Company without prejudice. However, Moyer Products, Inc., another defendant, counter-claimed against the plaintiff Maxim and cross-claimed against Defendants, including the Company, and thus the Company remains a cross-defendant in this action. In September 2012, the California Department of Toxic Substances Control (DTSC) notified the Company that it identified the Company, along with more than 50 other entities, as a respondent to DTSC's Enforcement Order, as "a generator of hazardous waste" that was sent to the Property. In April 2013, the Company, along with the other "respondent" parties, entered into a Corrective Action Consent Agreement (CACA) to conduct the Property investigation and corrective action selection. The CACA supersedes the Enforcement Order. In February 2013, the court stayed the Maxim/Moyer litigation pending the Property investigation under the CACA and DTSC's corrective action selection. On June 23, 2015, the Property investigation was deemed completed by the DTSC. The DTSC continues to evaluate corrective action. The Company will continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon notification from DTSC of its corrective action selection. Because no specific corrective action has been selected yet, and thus no specific monetary demands have been made, it is not possible for the Company to estimate the potential loss or range of potential losses for these actions.

The Company is also party to various other legal proceedings and claims arising in the normal course of business. As of June 28, 2015, while the Company has accrued for specific amounts based on the probability of settlement in some of these matters, those amounts, both individually and in total, are not material to any aspect of business operations and to the consolidated financial statements. Further, with regard to these other matters, potential liability and probable losses or ranges of possible losses cannot be reasonably estimated at this time. Generally, litigation is subject to inherent uncertainties, and no assurance can be given that the Company will prevail in any particular lawsuit.

Accordingly, pending lawsuits, as well as potential future litigation with other companies, could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and all information contained in this report before you decide to purchase our common stock. These risk factors are intended to highlight certain factors that may affect our financial condition and results of operations and are not meant to be an exhaustive discussion of risks that we may face. Our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risk and uncertainties, both known and unknown, we may be unable to conduct our business as currently planned and our financial condition and operating results could be adversely impacted.

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In addition, the price of our securities is subject to volatility and could decline due to the occurrence of any of these risks, causing investors to lose all or part of their investment.

Our operating results can fluctuate dramatically. Our operating results have fluctuated in the past and are likely to vary in the future. Past financial results may not be a reliable indicator of future performance. Fluctuations in operating results can result from a wide variety of factors, including:

- global economic conditions, including those related to the credit markets;
- the cyclicality of the semiconductor industry;
- changes in the demand for and mix of products sold and in the markets we and our customers serve;
- the availability of industry-wide wafer processing capacity;
- the availability of industry-wide and package specific assembly subcontract capacity and related raw materials;
- competitive pricing pressures;
- the success and timing of new product and process technology announcements and introductions from us or our competitors;
- potential loss of market share among a concentrated group of customers;
- difficulty in attracting and retaining key personnel;
- difficulty in predicting customer product requirements;
- production difficulties and interruptions caused by our complex manufacturing and logistics operations;
- limited control over our manufacturing and product delivery as a result of our reliance on subcontractors, foundry and other manufacturing services;
- unrealized potential of acquired businesses and resulting assets impairment;
- availability and costs of raw materials from a limited number of suppliers;
- political, economic and health conditions in various geographic areas;
- timing and execution of plans and programs subject to foreign labor law requirements, including consultation with work councils;
- reduced customer demand as a result of the impact from natural and/or man-made disasters which may adversely impact our customer's manufacturing capability or reduce our customer's ability to acquire critical materials or components to manufacture their end products;
- costs associated with other events, such as intellectual property disputes or other litigation; and
- legislative, tax, accounting, or regulatory changes or changes in their interpretation.

Global economic and geo-political conditions may adversely affect our business and results of operations.

We have and/or rely on facilities and operations in many countries throughout the world and some of our operations are concentrated in one or more geographic regions. Further, approximately 89% of our revenue comes from shipments to locations outside the United States. As a result of the breadth of our international operations, we are subject to the potential for substantial volatility in global capital markets and the global demand for semiconductor product. Our financial results and operations, including our ability to manufacture, assemble and test, design, develop and sell products, may be adversely affected by various global economic and geo-political conditions which can include:

- slow, uneven economic growth throughout the world;
- uncertainty regarding macroeconomic conditions and/or an institutional or economic collapse in a geographic region;
- geo-political events and security breaches throughout the world, such as armed conflict, civil or military unrest, political instability, terrorist activity, cyber attacks and data fraud or theft;
- natural disasters and public health issues including pandemics and outbreaks of infectious diseases; and
- large scale disruptions in transportation, communications and information technology networks.

The cyclicality of the semiconductor industry exacerbates the volatility of our operating results.

The semiconductor industry is highly cyclical and has experienced significant downturns, often in connection with product cycles of both semiconductor companies and their customers, but also related to declines in general economic conditions. These downturns have been characterized by volatile customer demand, high inventory levels and accelerated erosion of average selling prices. Any future economic downturns could materially and adversely affect our business from one period to the next relative to demand and product pricing. In addition, the semiconductor industry may experience periods of increased demand, during which we may experience internal and external manufacturing constraints. We may also experience substantial changes in future operating results due to the cyclical nature of the semiconductor industry.

Demand for our products depends primarily on demand in the communications, enterprise computing, personal computer (PC), and consumer markets which can be significantly affected by concerns over macroeconomic issues. Our product portfolio consists predominantly of semiconductor solutions for the communications, computing, and consumer markets. Our strategy and resources are directed at the development, production and marketing of products for these markets.

The markets for our products will depend on continued and growing demand for communications equipment, servers, PCs and consumer electronics. These end-user markets may experience changes in demand that could adversely affect our business and could be greater in periods of economic uncertainty and contraction. To the extent demand or markets for our products do not grow, our business could be adversely affected.

We rely upon subcontractors and third-party foundries.

We are dependent on third-party subcontractors for all of our assembly operations. We are also dependent on third-party outside foundries for the manufacture of our silicon wafers. Our reliance on subcontractors and third-party foundries for our current products presents certain risks because we will have less control over manufacturing quality and delivery schedules, maintenance of sufficient capacity to meet our orders and maintaining in place the manufacturing processes we require. During the fourth quarter of fiscal 2012, we completed the transfer of our internal wafer fabrication production to outside foundries. Due to production lead times and potential capacity constraints, any failure on our part to adequately forecast the mix of product demand and resulting foundry and subcontractor requirements could adversely affect our operating results. In addition, we cannot be certain that these foundries and subcontractors will continue to manufacture, assemble, package and test products for us on acceptable economic and quality terms, or at all, and it may be difficult for us to find alternatives in a timely and cost-effective manner if they do not do so.

We build most of our products based on estimated demand forecasts.

Demand for our products can change rapidly and without advance notice. Demand can also be affected by changes in our customers' levels of inventory and differences in the timing and pattern of orders from their end customers. A large percentage of our revenue in the APAC region is recognized upon shipment to our distributors. Consequently, we have less visibility over both inventory levels at our distributors and end customer demand for our products. Further, the distributors have assumed more risk associated with changes in end demand for our products. Accordingly, significant changes in end demand in the semiconductor business in general, or for our products in particular, may be difficult for us to detect or otherwise measure, which could cause us to incorrectly forecast end-market demand for our products. If we are not able to accurately forecast end demand for our products, we may be left with large amounts of unsold products, may not be able to fill all actual orders, and may not be able to efficiently utilize our existing manufacturing capacity or make optimal investment and other business decisions. As a result, we may end up with excess and obsolete inventory or we may be unable to meet customer short-term demands, either of which could have an adverse impact on our operating results.

If we are unable to execute our business strategy successfully, our revenues and profitability may be adversely affected.

Our future financial performance and success are largely dependent on our ability to execute our business strategy successfully. Our present business strategy to be a leading provider of essential mixed signal semiconductor solutions will be affected, without limitation, by: (1) our ability to continue to aggressively manage, maintain and refine our product portfolio including focus on the development and growth of new applications; (2) our ability to continue to maintain existing customers, aggressively pursue and win new customers; (3) our ability to successfully develop, manufacture and market new products in a timely manner; (4) our ability to develop new products in a more efficient manner; (5) our ability to sufficiently differentiate and enhance our products; (6) our ability to successfully deploy research and development (R&D) investment in the areas of displays, silicon timing, power management, signal integrity and radio frequency, and (7) our ability to improve our results of operations.

Our business strategy is based on our assumptions about the future demand for our current products and the new products and applications that we are developing and on our ability to produce our products profitably. We may not be successful in carrying out our business strategy. Further, some or all of our assumptions may be incorrect and our business strategy may not sustain or improve our results of operations. In particular, we may not be able to build our position in markets with high growth potential, increase our volume or revenue, rationalize our manufacturing operations or reduce our costs and expenses.

In addition, circumstances beyond our control and changes in our business or industry may require us to change our business strategy at any given time.

We face significant competition.

The semiconductor industry is highly competitive and subject to rapid market developments and changes in industry standards, trends and desirable technology. If we do not anticipate and respond to these developments, our competitive position may weaken and our products and/or technologies may become undesirable or obsolete. Further, the price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price decline or cost efficiencies or advancements of our competitors.

Our results are dependent on the success of new products.

The markets we serve are characterized by competition, rapid technological change, evolving standards, short product life cycles and continuous erosion of average selling prices. Consequently, our future success will be highly dependent upon our ability to

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continually develop new products using the latest and most cost-effective technologies, introduce our products in commercial quantities to the marketplace ahead of the competition and have our products selected for inclusion in leading system manufacturers' products. In addition, the development of new products will continue to require significant R&D expenditures. If we are unable to successfully develop, produce and market new products in a timely manner, have our products available in commercial quantities ahead of competitive products or have our products selected for inclusion in products of systems manufacturers and sell them at gross margins comparable to or better than our current products, our future results of operations could be adversely affected. In addition, our future revenue growth is also partially dependent on our ability to penetrate new markets in which we have limited experience and where competitors are already entrenched. Future success for certain new products will also depend on the development of product solutions for new emerging markets and new applications for existing markets. The success of such products is dependent on the ability of our customers and their customers to successfully develop new markets and gain market acceptance for new product solutions in those markets. Even if we are able to develop, produce and successfully market new products in a timely manner, such new products may not achieve market acceptance. The above described events could have a variety of negative effects on our competitive position and our financial results, such as reducing our revenue, increasing our costs, lowering our gross margin percentage, and ultimately leading to impairment of assets.

The loss of the services of any key personnel may adversely affect our business and growth prospects.

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of any of our executive officers, technical personnel or other key employees could adversely affect our business. In addition, our future success depends on our ability to successfully compete with other technology firms in attracting and retaining specialized technical and management personnel. If we are unable to identify, hire, and retain highly qualified technical and managerial personnel, our business and growth prospects could be adversely affected.

We are dependent on a concentrated group of customers for a significant part of our revenues.

A large portion of our revenues depends on sales to a limited number of customers. If these relationships were to diminish, or if these customers were to develop their own solutions or adopt a competitor's solution instead of buying our products, our results could be adversely affected.

Many of our end-customer OEMs have outsourced their manufacturing to a concentrated group of global EMSs and original design manufacturers (ODMs) who then buy products directly from us or from our distributors on behalf of the OEM. These EMSs and ODMs have achieved greater autonomy in the design win, product qualification and product purchasing decisions, especially for commodity products. Competition for the business from EMSs and ODMs is intense and there is no assurance we can remain competitive and retain our existing market share with these customers. If these companies were to allocate a higher share of commodity or second-source business to our competitors instead of buying our products, our results would be adversely affected. Furthermore, as EMSs and ODMs have represented a growing percentage of our overall business, our concentration of credit and other business risks with these customers has increased. Competition among global EMSs and ODMs is intense as they operate on very low margins. If any one or more of our global EMSs or ODMs customers were to file for bankruptcy or otherwise experience significantly adverse financial conditions, our business would be adversely affected as well.

In addition, we utilize a relatively small number of global and regional distributors around the world, who buy product directly from us on behalf of their customers. If our business relationships with any of these distributors were to diminish or any of these distributors were to file for bankruptcy or otherwise experience significantly adverse financial conditions, our business could be adversely affected. Because we continue to be dependent on product demand from a small group of OEM end customers and global and regional distributors, any material delay, cancellation or reduction of orders from or loss of these or other major customers could cause our revenue to decline significantly.

We are dependent on a limited number of suppliers.

Our manufacturing operations depend upon obtaining adequate raw materials on a timely basis. The number of suppliers of certain raw materials, such as silicon wafers, ultra-pure metals and certain chemicals and gases needed for our products, is very limited. In addition, certain packages for our products require long lead times and are available from only a few suppliers. From time to time, suppliers have extended lead times or limited supply to us due to capacity constraints. Our results of operations would be materially and adversely affected if we were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials, or if foundry or assembly subcontractor capacity were not available, or if capacity were only available at unfavorable prices.

Our operations and business could be significantly harmed by natural disasters or acts of terrorism.

A majority of the third-party foundries and subcontractors we currently use are located in Malaysia, South Korea, the Philippines, Taiwan, Thailand, and China. In addition, we own a test facility in Malaysia. The risk of an earthquake or tsunami in these Pacific Rim locations is significant. The occurrence of an earthquake, drought, flood, fire, or other natural disaster near any of these locations could cause a significant reduction of end-customer demand and/or availability of materials, a disruption of the global supply chain, an increase in the cost of products that we purchase, and otherwise interfere with our ability to conduct business. In addition, public health issues, acts of terrorism, armed conflicts or other catastrophic events could significantly delay the production or shipment of our products. Although we maintain insurance for some of the damage that may be caused by natural disasters, our insurance coverage may not be sufficient to cover all of our potential losses and would not cover us for lost business. As a result, a natural disaster in one or more of these regions could have a material adverse effect on our financial condition and results of operations.

Costs related to product defects and errata may harm our results of operations and business.

Costs associated with unexpected product defects and errata, or deviations from published specifications, due to, for example, unanticipated problems in our design and manufacturing processes, could include:

- writing off the value of inventory of such products;
- disposing of products that cannot be fixed;
- recalling such products that have been shipped to customers;
- providing product replacements for, or modifications to, such products; and
- defending against litigation related to such products.

These costs could be substantial and may therefore increase our expenses and lower our gross margin. In addition, our reputation with our customers or users of our products could be damaged as a result of such product defects and errata, and the demand for our products could be reduced. The announcement of product defects and/or errata could cause customers to purchase products from our competitors as a result of anticipated shortages of our components or for other reasons. These factors could harm our financial results and the prospects for our business.

Intellectual property claims against and/or on behalf of us could adversely affect our business and operations.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which has resulted in significant and often protracted and expensive litigation. We have been involved with patent litigation and asserted intellectual property claims in the past, both as a plaintiff and a defendant, some of which have adversely affected our operating results. Although we have obtained patent licenses from certain semiconductor manufacturers, we do not have licenses from a number of semiconductor manufacturers that have broad patent portfolios. Claims alleging infringement of intellectual property rights have been asserted against us in the past and could be asserted against us in the future.

As a result of these claims, we may have to discontinue the use of certain processes, license certain technologies, cease the manufacture, use, and sale of infringing products, incur significant litigation costs and damages, indemnify customers against certain claims made against them, and develop non-infringing technology. We might not be able to obtain such licenses on acceptable terms or develop non-infringing technology. Further, the failure to renew or renegotiate existing licenses on favorable terms, or the inability to obtain a key license, could materially and adversely affect our business. Future litigation, either as a plaintiff or a defendant, could adversely affect our operating results, as a result of increased expenses, the cost of settled claims, and/or payment of damages.

We may be unable to enforce or protect our intellectual property rights.

We rely on patents, copyrights, trade secrets, mask rights, and other intellectual property rights as well as confidentiality and licensing agreements to protect our intellectual property interests. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of these rights in various countries. Should we seek to enforce our intellectual property rights, we could be subject to claims that our intellectual property rights are invalid or otherwise not enforceable. Our assertion of our intellectual property rights may result in the other party seeking to assert claims against us, which could be disruptive to and/or harm our business. Our inability to enforce our intellectual property rights under any of these circumstances may harm our competitive position and business.

We rely on access to third-party intellectual property, which may not be available to us on commercially reasonable terms or at all.

Some of our products include third-party intellectual property and/or implement industry standards, which may require licenses from third parties. Based on past experience and industry practice, we believe such licenses generally can be obtained on commercially reasonable terms. However, there is no assurance that the necessary licenses can be obtained on acceptable terms or at all. Failure to obtain the right to use third-party intellectual property, or to use such intellectual property on commercially reasonable terms, could preclude us from selling certain products or otherwise have a material adverse impact on our financial condition and operating results.

Our product manufacturing operations are complex and subject to interruption.

From time to time, we have experienced production difficulties, including lower manufacturing yields or products that do not meet our or our customers' specifications, which has resulted in delivery delays, quality problems and lost revenue opportunities. While delivery delays have been infrequent and generally short in duration, we could experience manufacturing problems, capacity constraints and/or product delivery delays in the future as a result of, among other things, the complexity of our manufacturing processes, changes to our process technologies (including transfers to other facilities and die size reduction efforts), and difficulties in ramping production. In addition, any significant quality problems could damage our reputation with our customers and could take focus away from the development of new and enhanced products. These could have a significant negative impact on our financial results.

We are dependent upon electric power and water provided by public utilities where we operate our manufacturing facility. We maintain limited backup generating capability, but the amount of electric power that we can generate on our own is insufficient to fully operate this facility, and prolonged power interruptions and restrictions on our access to water could have a significant adverse impact on our business.

We have made and may continue to make acquisitions and divestitures which could divert management's attention, cause ownership dilution to our stockholders, be difficult to integrate, and/or adversely affect our financial results.

Acquisitions and divestitures are commonplace in the semiconductor industry and we have acquired and divested, and may continue to acquire or divest, businesses and technologies. Integrating newly acquired businesses or technologies could put a strain on our resources, could be costly and time consuming, and might not be successful. Acquisitions or divestitures could divert our management's attention and other resources from other business concerns. In addition, we might lose key employees while integrating new organizations. Acquisitions and divestitures could also result in customer dissatisfaction, performance problems with an acquired company or technology, dilutive or potentially dilutive issuances of equity securities, the incurrence of debt, the assumption or incurrence of contingent liabilities, or other unanticipated events or circumstances, any of which could harm our business. Consequently, we might not be successful in acquiring or integrating any new businesses, products, or technologies, and might not achieve anticipated revenues and cost benefits. In addition, we might be unsuccessful in finding or completing acquisition or divestiture opportunities on acceptable terms in a timely manner.

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

As a result of our international manufacturing operations, a significant portion of our worldwide profits are in jurisdictions outside the United States, primarily Malaysia, which has granted the Company significant reductions in tax rates. These lower tax rates allow us to record a relatively low tax expense on a worldwide basis. If U.S. corporate income tax laws were to change regarding deferral of U.S. income tax on foreign earnings or other matters impacting our operating structure, this would have a significant impact to our financial results.

We were granted a tax incentive in Malaysia during fiscal 2009. The tax incentive was contingent upon us continuing to meet specified investment criteria in fixed assets, and to operate as an APAC regional headquarters center. In the first quarter of fiscal 2012, we entered into an agreement with the Malaysia Industrial Development Board (MIDA) who agreed to cancel the previously granted tax incentive and entered into a new tax incentive. The updated tax incentive provides for a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. We are required to meet several conditions as to financial targets, investment, headcount and activities in Malaysia to retain this status. Our inability to renew this tax incentive when it expires or meet certain conditions of the agreement with MIDA may adversely impact our effective tax rate.

Our financial results may be adversely affected by higher than expected tax rates or exposure to additional tax liabilities. Tax audits may have a material adverse effect on our profitability.

As a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region in which we operate. We are subject to income taxes in the United States and various foreign jurisdictions, and significant judgment is required to determine worldwide tax liabilities. The United States and other countries where we do business have been considering changes in relevant tax laws applicable to multinational corporations such as ours. These potential changes could adversely affect our effective tax rate or result in higher cash tax liabilities. In addition, our effective tax rate could be adversely affected by changes in the mix of earnings between countries with differing statutory tax rates, by changes in the valuation of deferred tax assets, or by material audit assessments, which could affect our profitability. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent upon our ability to generate future taxable income in the United States. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority such as the Internal Revenue Service in the United States could have a material effect on our profitability.

Also, we have not made a provision for U.S. income tax on the portion of our undistributed earnings of our non-US subsidiaries that is considered permanently reinvested outside the U.S. If in the future we repatriate any of these foreign earnings, we might incur incremental U.S. income tax, which could affect our results of operations.

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The costs associated with legal proceedings can be substantial, specific costs are unpredictable and not completely within our control, and unexpected increases in litigation costs could adversely affect our operating results.

We have been, and continue to be, involved in various legal proceedings, such as those described below in Part I, Item 3 "Legal Proceedings." We may face legal claims or regulatory matters involving stockholder, consumer, competition and other issues on a global basis. The costs associated with legal proceedings are typically high, relatively unpredictable, and are not completely within our control. The costs may be materially more than expected, which could adversely affect our operating results. Moreover, we may become involved in unexpected litigation with additional litigants at any time, which would increase our aggregate litigation costs, and could adversely affect our operating results. We are not able to predict the outcome of any legal action, and an adverse decision in any legal action could significantly harm our business and financial performance.

If the credit market conditions deteriorate, it could have a material adverse impact on our investment portfolio.

Although we manage our investment portfolio by purchasing only highly-rated securities and diversifying our investments across various sectors, investment types, and underlying issuers, recent volatility in the short-term financial markets has been high. We have no securities in asset-backed commercial paper and hold no auction rated or mortgage-backed securities. However, it is uncertain as to the full extent of the current credit and liquidity crisis and with possible further deterioration, particularly within one or several of the large financial institutions, the value of our investments could be negatively impacted.

Our results of operations could vary as a result of the methods, estimates, and judgments we use in applying our accounting policies.

The methods, estimates, and judgments we use in applying our accounting policies have a significant impact on our results of operations. Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the calculation of stock-based compensation expense under the authoritative guidance requires us to use valuation methodologies that were not developed for use in valuing employee stock options and make a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price and the exercise behavior of our employees. Changes in these variables could affect our stock-based compensation expense and have a significant and potentially adverse effect on our gross margins, research and development expense and selling, general and administrative expense.

International operations add increased volatility to our operating results.

A substantial percentage of our total revenues are derived from international sales, as summarized below:

(percentage of total revenues)	First Three Months of Fiscal 2016		Fiscal 2015	
APAC	73	%	70	%
Americas	13	%	12	%
Japan	6	%	7	%
Europe	8	%	11	%
Total	100	%	100	%

In addition, our test facility in Malaysia, our design centers in Canada and China, and our foreign sales offices incur payroll, facility, and other expenses in local currencies. Accordingly, movements in foreign currency exchange rates can impact our revenues and costs of goods sold, as well as both pricing and demand for our products.

Our non-U.S. offshore sites, manufacturing subcontractors and export sales are also subject to risks associated with foreign operations, including:

- political instability and acts of war or terrorism, which could disrupt our manufacturing and logistical activities;
- regulations regarding use of local employees and suppliers;
- exposure to foreign employment practices and labor laws;
-

currency controls and fluctuations, devaluation of foreign currencies, hard currency shortages and exchange rate fluctuations;

- changes in local economic conditions;
- governmental regulation of taxation of our earnings and those of our personnel; and
- changes in tax laws, import and export controls, tariffs and freight rates.

Our international locations are subject to local labor laws, which are often significantly different from U.S. labor laws and which may under certain conditions result in large separation costs upon termination.

Contract pricing for raw materials and equipment used in the fabrication and assembly processes, as well as for foundry and subcontract assembly services, may also be affected by currency controls, exchange rate fluctuations and currency devaluations. We sometimes hedge currency risk for currencies that are highly liquid and freely quoted, but may not enter into hedge contracts for currencies with limited trading volume. In addition, as much of our revenues are generated outside the United States, a significant portion of our cash and investment portfolio accumulates in the foreign countries in which we operate. On June 28, 2015, we had cash, cash equivalents and investments of approximately $450.4 million invested overseas in accounts belonging to our foreign subsidiaries. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies, and all offshore balances are exposed to local political, banking, currency control and other risks. In addition, these amounts may be subject to tax and other transfer restrictions.

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

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

We are exposed to potential impairment charges on certain assets.

Over the past several years, we have made several acquisitions. As a result of these acquisitions, we had $135.6 million of goodwill and $4.7 million of intangible assets on our Condensed Consolidated Balance Sheet as of June 28, 2015. In determining fair value, we consider various factors, including our market capitalization, forecasted revenue and costs, risk-adjusted discount rates, future economic and market conditions, determination of appropriate market comparables and expected periods over which our assets will be utilized and other variables. If our assumptions regarding forecasted cash flow, revenue and margin growth rates of certain long-lived asset groups and reporting units are not achieved, an impairment review may be triggered for the remaining balance of goodwill and long-lived assets prior to the next annual review in the fourth quarter of fiscal 2016, which could result in material charges that could impact our operating results and financial position.

Our reported financial results may be adversely affected by new accounting pronouncements or changes in existing accounting standards and practices.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board (FASB), SEC and various organizations formed to interpret and create appropriate accounting standards and practices. New accounting pronouncements and varying interpretations of accounting standards and practices have occurred and may occur in the future. New accounting pronouncements or a change in the interpretation of existing accounting standards or practices may have a significant effect on our reported financial results and may even affect our reporting of transactions completed before the change is announced or effective.

Our common stock may experience substantial price volatility.

Our stock price has experienced volatility in the past, and volatility in the price of our common stock may occur in the future, particularly as a result of fluctuations in global economic conditions and quarter-to-quarter variations in our actual or anticipated financial results, or the financial results of other semiconductor companies or our customers. Stock price volatility may also result from product announcements by us or our competitors, or from changes in perceptions about the various types of products we manufacture and sell. In addition, our stock price may fluctuate due to price and volume fluctuations in the stock market, especially in the technology sector, and as a result of other considerations or events described in this section.

We depend on the ability of our personnel, raw materials, equipment and products to move reasonably unimpeded around the world.

Any political, military, world health or other issue which hinders the worldwide movement of our personnel, raw materials, equipment or products or restricts the import or export of materials could lead to significant business disruptions. Furthermore, any strike, economic failure, or other material disruption on the part of major airlines or other transportation companies could also adversely affect our ability to conduct business. If such disruptions result in cancellations of customer orders or contribute to a general decrease in economic activity or corporate spending on information technology, or directly affect our marketing, manufacturing, financial and logistics functions, our results of operations and financial condition could be materially and adversely affected.

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We invest in companies for strategic reasons and may not realize a return on our investments.

We make investments in companies around the world to further our strategic objectives and support our key business initiatives. Such investments include equity instruments of private companies, and many of these instruments are non-marketable at the time of our initial investment. These companies range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. The success of these companies is dependent on product development, market acceptance, operational efficiency, and other key business factors as well as their ability to secure additional funding, obtain favorable investment terms for future financings, or participate in liquidity events such as public offerings, mergers, and private sales. If any of these private companies fail, we could lose all or part of our investment in that company. If we determine that other-than-temporary decline in the fair value exists for an equity investment in a private company in which we have invested, we write down the investment to its fair value and recognize the related write-down as an investment loss.

When the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may decide to dispose of the investment. We may incur losses on the disposal of our non-marketable investments.

We are subject to a variety of environmental and other regulations related to hazardous materials used in our manufacturing processes.

The manufacturing and testing of our products require the use of hazardous materials that are subject to a broad array of environmental, health and safety laws and regulations. Any failure by us to adequately control the use or discharge of hazardous materials under present or future regulations could subject us to substantial costs or liabilities or cause our manufacturing operations to be suspended.

Existing and future environmental, health and safety laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify our product designs, or incur other expenses associated with such laws and regulations. Many new materials that we are evaluating for use in our operations may be subject to regulation under existing or future environmental laws and regulations that may restrict our use of one or more of such materials in our manufacturing, and test processes, or products. Any of these restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter our manufacturing and test processes.

Our operations could be affected by the complex laws, rules and regulations to which our business is subject.

We are subject to complex laws, rules and regulations affecting our domestic and international operations relating to, for example, environmental, safety and health; exports and imports; bribery and corruption; tax; data privacy; labor and employment; competition; and intellectual property ownership and infringement. Compliance with these laws, rules and regulations may be onerous and expensive, and if we fail to comply or if we become subject to enforcement activity, our ability to manufacture our products and operate our business could be restricted and we could be subject to fines, penalties or other legal liability. Furthermore, should these laws, rules and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs or restrictions on our ability to manufacture our products and operate our business.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information with respect to repurchases of our common stock during the first quarter of fiscal 2016:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
March 30, 2015 - April 26, 2015	287,100	$20.02	287,100	$20,996,321
April 27, 2015 - May 24, 2015	731,400	$20.88	731,400	$293,383,824
May 25, 2015 - June 28, 2015	405,400	$23.54	405,400	$278,100,474
Total	1,423,900	$21.47	1,423,900	

In April 2015, our Board of Directors approved a new share repurchase program authorization from $300 million. As of June 28, 2015, approximately $278.1 million was available for future purchases under the share repurchase program. Share repurchases were recorded as treasury stock and resulted in a reduction of stockholders' equity. The program is intended to reduce the number of outstanding shares of our common stock to offset dilution from employee equity grants and increase shareholder value.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

(a) The following exhibits are filed herewith:

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation, as amended to date. Incorporated by reference to Exhibit 3.1 to Form 10-K filed on May 21, 2012.
3.2	Certificate of Designations specifying the terms of the Series A Junior Participating Preferred Stock of Integrated Device Technology, Inc., as filed with the Secretary of State of the State of Delaware. Incorporated by reference to Exhibit 3.6 to Form 8-A filed on December 23, 1998.
3.3	Amended and Restated Bylaws of the Company, as amended and restated. Incorporated by reference to Exhibit 3.3 to Form 10-Q filed on November 6, 2013.
31.1	Certification of Chief Executive Officer as required by Rule 13a-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer as required by Rule 13a-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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SIGNATURES

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

	INTEGRATED DEVICE TECHNOLOGY, INC. Registrant
August 5, 2015	By: /s/ Gregory L. Waters Gregory L. Waters President and Chief Executive Officer
August 5, 2015	/s/ Brian C. White Brian C. White Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)