

INTEGRATED DEVICE TECHNOLOGY INC
Form 10-Q
August 06, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 29, 2014 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

(State or Other Jurisdiction of Incorporation or Organization)

6024 SILVER CREEK VALLEY ROAD, SAN JOSE, CALIFORNIA

(Address of Principal Executive Offices)

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

94-2669985

(I.R.S. Employer Identification No.)

95138

(Zip Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 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.

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 No

The number of outstanding shares of the registrant's Common Stock, \$.001 par value, as of July 31, 2014 was approximately 148,795,925.

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PART I. FINANCIAL INFORMATION

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

(Unaudited, in thousands)	June 29, 2014	March 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 104,384	\$ 91,211
Short-term investments	359,819	362,604
Accounts receivable, net of allowances of \$3,066 and \$3,134	72,058	68,904
Inventories	45,749	49,622
Income tax receivable	124	195
Prepayments and other current assets	10,423	12,839
Total current assets	592,557	585,375
Property, plant and equipment, net	65,941	69,827
Goodwill	135,644	135,644
Other intangible assets, net	9,558	18,741
Deferred non-current tax assets	762	762
Other assets	23,316	20,611
Total assets	\$ 827,778	\$ 830,960
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 23,230	\$ 25,442
Accrued compensation and related expenses	23,252	24,343
Deferred income on shipments to distributors	14,126	14,006
Deferred tax liabilities	1,393	1,346
Other accrued liabilities	7,745	11,525
Total current liabilities	69,746	76,662
Deferred tax liabilities	1,494	1,494
Long-term income tax payable	270	266
Other long-term liabilities	19,254	18,683
Total liabilities	90,764	97,105
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock: \$.001 par value: 10,000 shares authorized; no shares issued	—	—
Common stock: \$.001 par value: 350,000 shares authorized; 149,202 and 149,996 shares outstanding at June 29, 2014 and March 30, 2014, respectively	149	150
Additional paid-in capital	2,478,641	2,467,341
Treasury stock at cost: 97,006 shares at June 29, 2014 and 94,556 shares at March 30, 2014, respectively	(1,052,043	) (1,021,301
Accumulated deficit	(692,101	) (713,944
Accumulated other comprehensive income	2,368	1,609
Total stockholders' equity	737,014	733,855
Total liabilities and stockholders' equity	\$ 827,778	\$ 830,960

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	June 29, 2014	June 30, 2013
(Unaudited, in thousands, except per share data)		
Revenues	\$126,302	\$117,464
Cost of revenues	52,293	51,342
Gross profit	74,009	66,122
Operating expenses:		
Research and development	32,050	37,939
Selling, general and administrative	25,459	26,838
Total operating expenses	57,509	64,777
Operating income	16,500	1,345
Interest income and other, net	862	57
Income before income taxes from continuing operations	17,362	1,402
Income tax provision (benefit)	251	(99)
Net income from continuing operations	\$17,111	\$1,501
Discontinued operations:		
Gain from divestiture before income taxes	16,840	—
Loss from discontinued operations before income taxes	(12,153)	(3,864)
Income tax benefit	(45)	(99)
Net income (loss) from discontinued operations	4,732	(3,765)
Net income (loss)	\$21,843	\$(2,264)
Basic net income per share - continuing operations	\$0.11	\$0.01
Basic net income (loss) per share - discontinued operations	\$0.04	\$(0.03)
Basic net income (loss) per share	\$0.15	\$(0.02)
Diluted net income per share - continuing operations	\$0.11	\$0.01
Diluted net income (loss) per share - discontinued operations	\$0.03	\$(0.03)
Diluted net income (loss) per share	\$0.14	\$(0.02)
Weighted average shares:		
Basic	149,283	147,056
Diluted	153,741	150,241

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

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited, in thousands)	Three Months Ended	
	June 29, 2014	June 30, 2013
Net income (loss)	\$21,843	\$(2,264)
Other comprehensive income (loss), net of taxes:		
Currency translation adjustments, net of tax	330	(209)
Change in net unrealized gain (loss) on investments, net of tax	431	(730)
Actuarial loss on post-employment and post-retirement benefit plans, net of tax	(2)	(2)
Total other comprehensive income (loss)	759	(941)
Comprehensive income (loss)	\$22,602	\$(3,205)

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	June 29, 2014	June 30, 2013
(Unaudited, in thousands)		
Cash flows from operating activities:		
Net income (loss)	\$21,843	\$(2,264)
Adjustments:		
Depreciation	5,713	5,471
Amortization of intangible assets	2,548	4,321
Impairment of assets held for sale	8,471	—
Gain from divestitures, net	(16,840)) —
Stock-based compensation expense, net of amounts capitalized in inventory	5,013	4,986
Deferred tax provision	47	5
Changes in assets and liabilities:		
Accounts receivable, net	(3,154)	) (3,564)
Inventories	3,938	(179)
Prepayments and other assets	1,330	3,312
Accounts payable	(2,114)	) 1,930
Accrued compensation and related expenses	(1,091)	) 1,499
Deferred income on shipments to distributors	120	(577)
Income taxes payable and receivable	(258)	) (1,143)
Other accrued liabilities and long-term liabilities	(1,446)	) 109
Net cash provided by operating activities	24,120	13,906
Cash flows from investing activities:		
Cash in escrow related to acquisitions	1,026	—
Proceeds from divestitures	15,300	—
Purchases of property, plant and equipment	(4,753)	) (3,981)
Purchases of short-term investments	(46,659)	) (115,695)
Proceeds from sales of short-term investments	30,988	75,027
Proceeds from maturities of short-term investments	18,942	9,721
Net cash provided by (used in) investing activities	14,844	(34,928)
Cash flows from financing activities:		
Proceeds from issuance of common stock	6,221	7,719
Repurchase of common stock	(30,742)) —
Payment of acquisition related contingent consideration	(1,600)	) (3,330)
Net cash (used in) provided by financing activities	(26,121)	) 4,389
Effect of exchange rates on cash and cash equivalents	330	(209)
Net increase (decrease) in cash and cash equivalents	13,173	(16,842)
Cash and cash equivalents at beginning of period	91,211	130,837
Cash and cash equivalents at end of period	\$104,384	\$113,995

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 2015 and fiscal 2014 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 30, 2014. 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 Recently Adopted

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance for the recognition, measurement, and disclosure of certain obligations resulting from joint and several liability arrangements for which the total amount is fixed. Such obligations may include debt arrangements, legal settlements, and other contractual arrangements. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2013 and should be applied retrospectively to all prior periods presented for those obligations within the scope which existed as of the beginning of the fiscal year of adoption. The Company adopted this guidance in the first quarter of fiscal 2015 and the adoption did not have a significant impact on the Company's condensed consolidated financial statements.

In March 2013, the FASB issued guidance on the accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The guidance is effective prospectively for fiscal years and interim periods within those fiscal years beginning after December 15, 2013. The Company adopted this guidance in the first quarter of fiscal 2015 and the adoption did not have a significant impact on the Company's condensed consolidated financial statements.

In July 2013, FASB issued an Accounting Standards Update (ASU) on Income Taxes, to improve the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance is expected to reduce diversity in practice and is expected to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exists. This guidance is effective for interim and annual periods beginning after December 15, 2013, which, for the Company, is the first quarter of fiscal 2015. The Company has historically accounted for its unrecognized tax benefits in accordance with this guidance and as such, adoption of this guidance had no impact on its condensed consolidated financial statements.

Accounting Pronouncements Not Yet Effective for Fiscal 2015

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 new standard is effective for the Company starting fiscal 2018. Early application is not

permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is 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.

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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.

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

(in thousands, except per share amounts)	Three Months Ended	
	June 29, 2014	June 30, 2013
Numerator (basic and diluted):		
Net income from continuing operations	\$17,111	\$1,501
Denominator:		
Weighted average common shares outstanding, basic	149,283	147,056
Dilutive effect of employee stock options and restricted stock units	4,458	3,185
Weighted average common shares outstanding, diluted	153,741	150,241
Basic net income per share from continuing operations	\$0.11	\$0.01
Diluted net income per share from continuing operations	\$0.11	\$0.01

Potential dilutive common shares of 0.7 million and 4.8 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 29, 2014 and June 30, 2013, respectively, because the effect would have been anti-dilutive.

Note 3. Discontinued Operations

High-Speed Converter (“HSC”) Business

In the third quarter of fiscal 2014, the Company initiated a project to divest its HSC business. The Company believes that this divestiture would allow it to strengthen its focus on its analog-intensive mixed-signal, timing and synchronization, and interface and connectivity solutions. The Company envisions fully divesting its HSC business within the twelve months from the initiation date of the plan and has classified these assets as held for sale and accordingly these assets are no longer being depreciated or amortized.

The HSC business includes the assets of NXP B.V.’s Data Converter Business and Alvand Technologies, Inc., which were acquired by the Company during fiscal 2013. The total purchase consideration paid by the Company to acquire Alvand Technologies, Inc. included a liability representing the fair value of contingent cash consideration which is paid based upon the achievement of future product development milestones to be completed within 3 years following the acquisition date. As of March 30, 2014, the remaining estimated fair value of the unpaid contingent consideration was \$2.1 million, of which the Company paid \$1.6 million and released the remaining contingent consideration of \$0.5 million to discontinued operations in the Condensed Consolidated Statement of Operations for the three months ended June 29, 2014, as the remaining future milestones will not be achieved as a result of the asset sale discussed below.

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 will be held in an escrow account for a period of 18 months. For the three months ended June 29, 2014, the Company recorded a gain of \$16.8 million related to this divestiture. The following table summarizes the components of the gain (in thousands):

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	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 these assets 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 to loss from discontinued operations in the Condensed Consolidated Statement of Operations for the three months ended June 29, 2014.

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 discontinued operations of the HSC business for the three months ended June 29, 2014 and June 30, 2013 were as follows (in thousands):

	Three Months Ended	
	June 29, 2014	June 30, 2013
Revenues	\$ 1,006	\$ 518
Cost of revenues	(605)	(467)
Long-lived assets impairment	(8,471)	—
Operating expenses	(4,083)	(3,915)
Gain on divestiture	16,840	—
Income tax benefit	45	99
Net income (loss) from discontinued operations	\$ 4,732	\$ (3,765)

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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 29, 2014:

(in thousands)	Fair Value at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash Equivalents and Short-Term investments:				
US government treasuries and agencies securities	\$ 110,814	\$—	\$—	\$ 110,814
Money market funds	42,737	—	—	42,737
Asset-backed securities	—	25,019	—	25,019
Corporate bonds	—	199,783	—	199,783
International government bonds	—	1,006	—	1,006
Corporate commercial paper	—	5,295	—	5,295
Bank deposits	—	13,934	—	13,934
Repurchase agreement	—	164	—	164
Municipal bonds	—	10,107	—	10,107
Total assets measured at fair value	\$ 153,551	\$ 255,308	\$—	\$ 408,859

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 30, 2014:

(in thousands)	Fair Value at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash Equivalents and Short-Term investments:				
US government treasuries and agencies securities	\$ 112,253	\$—	\$—	\$ 112,253
Money market funds	53,430	—	—	53,430
Asset-backed securities	—	22,332	—	22,332
Corporate bonds	—	199,806	—	199,806
International government bonds	—	3,014	—	3,014
Corporate commercial paper	—	6,246	—	6,246
Bank deposits	—	18,538	—	18,538
Repurchase agreements	—	46	—	46
Municipal bonds	—	9,210	—	9,210
Total assets measured at fair value	\$ 165,683	\$ 259,192	\$—	\$ 424,875
Liabilities:				
Fair value of contingent consideration	—	—	2,140	2,140
Total liabilities measured at fair value	\$—	\$—	\$ 2,140	\$ 2,140

U.S. government treasuries and U.S. government agency securities as of June 29, 2014 and March 30, 2014 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).

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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.

In connection with the acquisition of Alvand Technologies in fiscal 2013, liability was recognized for the Company's estimate of the fair value of contingent consideration on the acquisition date based on probability-based forecasted revenues, gross profits and attainment of product development milestones. These fair value measurements are based on significant inputs not observed in the market and thus represent a Level 3 measurement, which reflect the Company's own assumptions concerning future revenues, gross profit and product development milestones of the acquired businesses in measuring fair value.

The following table summarizes the change in the fair value of the contingent consideration measured using significant unobservable inputs (Level 3) for the three months ended June 29, 2014:

(in thousands)	Estimated Fair Value
Balance as of March 30, 2014	\$2,140
Payment, net of fair value adjustments	(1,600)
Release	(540)
Balance as of June 29, 2014	\$—

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 29, 2014 and June 30, 2013.

Note 5. Investments

Available-for-Sale Securities

Available-for-sale investments at June 29, 2014 were as follows:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	\$ 110,656	\$ 175	\$(17)	\$ 110,814
Money market funds	42,737	—	—	42,737
Asset-backed securities	24,989	31	(1)	25,019
Corporate bonds	199,375	456	(48)	199,783
International government bonds	1,013	—	(7)	1,006
Corporate commercial paper	5,295	—	—	5,295
Bank deposits	13,934	—	—	13,934
Repurchase agreements	164	—	—	164
Municipal bonds	10,065	48	(6)	10,107
Total available-for-sale investments	408,228	710	(79)	408,859
Less amounts classified as cash equivalents	(49,040)	—	—	(49,040)
Short-term investments	\$ 359,188	\$ 710	\$(79)	\$ 359,819

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Available-for-sale investments at March 30, 2014 were as follows:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	\$ 112,268	\$76	\$(91)	) \$ 112,253
Money market funds	53,430	—	—	53,430
Asset-backed securities	22,330	11	(9)	) 22,332
Corporate bonds	199,598	335	(127)	) 199,806
International government bonds	3,023	—	(9)	) 3,014
Corporate commercial paper	6,246	—	—	6,246
Bank deposits	18,538	—	—	18,538
Repurchase agreements	46	—	—	46
Municipal bonds	9,196	32	(18)	) 9,210
Total available-for-sale investments	424,675	454	(254)	) 424,875
Less amounts classified as cash equivalents	(62,271)	) —	—	(62,271)
Short-term investments	\$ 362,404	\$ 454	\$(254)	) \$ 362,604

The cost and estimated fair value of available-for-sale securities at June 29, 2014, by contractual maturity, were as follows:

(in thousands)	Amortized Cost	Estimated Fair Value
Due in 1 year or less	\$150,108	\$150,210
Due in 1-2 years	103,666	103,888
Due in 2-5 years	154,454	154,761
Total investments in available-for-sale securities	\$408,228	\$408,859

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses as of June 29, 2014, aggregated by investment category and length of time that individual securities have been in a continuous loss position.

(in thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	\$32,381	\$(40)	) \$724	\$(8)	) \$33,105	\$(48)
Asset-backed securities	999	—	950	(1)	) 1,949	(1)
U.S. government treasuries and agencies securities	18,246	(17)	) —	—	18,246	(17)
Municipal bonds	1,901	(6)	) —	—	1,901	(6)
International government bonds	—	—	1,006	(7)) 1,006	(7)
Total	\$53,527	\$(63)) \$2,680	\$(16)) \$56,207	\$(79)

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The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, as of March 30, 2014, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

(in thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	\$52,783	\$(127)	\$—	\$—	\$52,783	\$(127)
Asset-backed securities	11,156	(9)	—	—	11,156	(9)
U.S. government treasuries and agencies securities	36,403	(91)	—	—	36,403	(91)
Municipal bonds	4,000	(18)	—	—	4,000	(18)
International government bonds	3,014	(9)	—	—	3,014	(9)
Total	\$107,356	\$(254)	\$—	\$—	\$107,356	\$(254)

Currently, a significant portion of the Company's available-for-sale investments that it holds are high grade instruments. As of June 29, 2014, 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 are primarily driven by declines in interest rates or as a result of 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 29, 2014 and March 30, 2014.

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 one-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 three 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 29, 2014, there were 11.1 million shares available for future grant under the 2004 Plan.

Compensation Expense

The following table summarizes stock-based compensation expense by category appearing in the Company's Condensed Consolidated Statement of Operations:

(in thousands)	Three Months Ended	
	June 29, 2014	June 30, 2013
Cost of revenue	\$316	\$333
Research and development	2,521	2,315
Selling, general and administrative	2,122	2,172
Discontinued operations	54	166
Total stock-based compensation expense	\$5,013	\$4,986

The amount of stock-based compensation expense that was capitalized during the periods presented above was not material.

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Stock Options

The following is a summary of the Company's stock option activity and related weighted average exercise prices for each category:

(shares in thousands)	Three Months Ended June 29, 2014	
	Shares	Price
Beginning stock options outstanding	5,602	\$7.21
Granted	407	12.03
Exercised (1)	(544	) 7.00
Canceled	(195	) 10.26
Ending stock options outstanding	5,270	\$7.49
Ending stock options exercisable	2,978	\$6.74

(1) Upon exercise, the Company issues new shares of common stock.

As of June 29, 2014, the unrecognized compensation cost related to nonvested stock options, net of estimated forfeitures, was \$2.7 million and will be recognized over a weighted-average period of 1.28 years.

As of June 29, 2014, stock options vested and expected to vest totaled approximately 4.8 million with a weighted-average exercise price of \$7.32 and a weighted-average remaining contractual life of 4.03 years. The aggregate intrinsic value was approximately \$37.9 million.

As of June 29, 2014, fully vested stock options totaled approximately 3.0 million with a weighted-average exercise price of \$6.74 and a weighted-average remaining contractual life of 3.16 years. The aggregate intrinsic value was approximately \$25.3 million.

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 29, 2014, 3.5 million restricted stock unit awards were outstanding under the 2004 Plan.

The following table summarizes the Company's restricted stock unit activity for each category for the three months ended June 29, 2014:

(shares in thousands)	Three Months Ended June 29, 2014	
	Shares	Weighted-average grant date fair value per share
Beginning RSUs outstanding	2,923	\$7.44
Granted	1,555	12.22
Released	(758	) 7.01
Forfeited	(186	) 8.02
Ending RSUs outstanding	3,534	\$9.60

As of June 29, 2014, restricted stock units vested and expected to vest totaled approximately 2.7 million with a weighted-average remaining contract life of 1.77 years. The aggregate intrinsic value was approximately \$40.8 million.

As of June 29, 2014, the unrecognized compensation cost related to restricted stock units granted under the Company's equity incentive plan was approximately \$18.4 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.94 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 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.

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The following table summarizes the Company's performance stock unit activity for each category for the three months ended June 29, 2014:

(shares in thousands)	Three Months Ended June 29, 2014	
	Shares	Weighted-average grant date fair value per share
Beginning PSUs outstanding	804	\$7.79
Granted	23	13.47
Released	(117	) 7.76
Forfeited	(71	) 7.66
Ending PSUs outstanding	639	\$8.02

As of June 29, 2014, performance stock units vested and expected to vest totaled approximately 0.5 million with a weighted-average remaining contract life of 1.34 years. The aggregate intrinsic value was approximately \$7.3 million. As of June 29, 2014, the unrecognized compensation cost related to performance stock units granted under the Company's equity incentive plan was approximately \$1.6 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.38 years.

Market-Based Stock Units

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 two 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:

Estimated fair value	June 15, 2014	
	\$21.00	
Expected volatility	34.6	%
Expected term (in years)	1.80	
Risk-free interest rate	0.38	%
Dividend yield	—	%

As of June 29, 2014, the total market-based stock units outstanding was approximately 0.5 million.

As of June 29, 2014, market-based stock units vested and expected to vest totaled approximately 0.4 million with a weighted-average remaining contract life of 2.42 years. The aggregate intrinsic value was approximately \$5.7 million. As of June 29, 2014, the unrecognized compensation cost related to market-based stock units granted under the Company's equity incentive plans was approximately \$7.7 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 2.46 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

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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 shares at the 2012 Annual meeting of Stockholders. On July 12, 2013, the Company filed a registration statement on Form S-8 with the SEC to add the shares to the 2009 ESPP. 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 29, 2014 is summarized in the following table: (in thousands, except per share amounts)

Number of shares issued	236
Average issuance price	\$10.15
Number of shares available at June 29, 2014	4,783

Note 7. Stockholders' Equity

Stock Repurchase Program. On October 22, 2013, the Company's Board increased the Company's share repurchase authorization to \$150.0 million. In the three months ended June 29, 2014, the Company repurchased 2.4 million shares for \$30.7 million. As of June 29, 2014, approximately \$75.3 million was available for future purchases under the share repurchase program. In fiscal 2014, the Company repurchased 4.1 million shares for \$44.0 million. Share repurchases were recorded as treasury stock and resulted in a reduction of stockholders' equity.

Note 8. Balance Sheet Detail

(in thousands)	June 29, 2014	March 30, 2014
Inventories, net		
Raw materials	\$6,059	\$7,745
Work-in-process	19,359	18,436
Finished goods	20,331	23,441
Total inventories, net	\$45,749	\$49,622
Property, plant and equipment, net		
Land	\$11,765	\$11,724
Machinery and equipment	288,055	289,393
Building and leasehold improvements	48,716	48,558
Total property, plant and equipment, gross	348,536	349,675
Less: accumulated depreciation	(282,595)	(279,848)
Total property, plant and equipment, net (1)	\$65,941	\$69,827
Other accrued liabilities		
Short-term portion of supplier obligations (2)	\$793	\$762
Other (3)	6,952	10,763
Total other accrued liabilities	\$7,745	\$11,525
Other long-term obligations		
Deferred compensation related liabilities	\$14,370	\$13,786
Other	4,884	4,897
Total other long-term liabilities	\$19,254	\$18,683

(1) As of March 30, 2014, total property, plant and equipment, net includes the HSC business assets held for sale of \$2.9 million. See Note 3 for additional information.

(2) Supplier obligations represent payments due under various software design tool and technology license agreements.

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(3) Other current liabilities consist primarily of acquisition related accrued contingent liabilities, accrued royalties and outside commissions, accrued severance costs 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 Condensed Consolidated Balance Sheets are amounts related to shipments to certain distributors for which revenue is not recognized until our product has been sold by the distributor to an end customer. The components of deferred income on shipments to distributors as of June 29, 2014 and March 30, 2014 are as follows:

(in thousands)	June 29, 2014	March 30, 2014
Gross deferred revenue	\$17,194	\$17,261
Gross deferred costs	(3,068	) (3,255
Deferred income on shipments to distributors	\$14,126	\$14,006

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 issued in connection with the sell through of the Company's products to end customers. Historically, this amount represents on average approximately 36% 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 29, 2014 consisted of the following:

(in thousands)	Cumulative translation adjustments	Unrealized gain on available-for-sale investments	Pension adjustments	Total
Balance as of March 30, 2014	\$1,497	\$ 194	\$(82	) \$1,609
Other comprehensive income before reclassifications	330	452	—	782
Amounts reclassified out of accumulated other comprehensive income (loss)	—	(21	) (2	) (23
Net current-period other comprehensive income (loss)	330	431	(2	) 759
Balance as of June 29, 2014	\$1,827	\$ 625	\$(84	) \$2,368

Comprehensive income components consisted of:

(in thousands)	Three Months Ended June 29, 2014	Location
Unrealized holding losses on available-for-sale investments	\$(21	) interest and other, net
Amortization of pension benefits prior service credits	(2	) operating expense
Total amounts reclassified out of accumulated other comprehensive income (loss)	\$(23)

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Note 11. Goodwill and Intangible Assets, Net

Goodwill balances by reportable segment as of June 29, 2014 and March 30, 2014 are as follows:

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

Goodwill balances as of June 29, 2014 and March 30, 2014 are net of \$922.5 million in accumulated impairment losses.

Intangible asset balances as of June 29, 2014 and March 30, 2014 are summarized as follows:

(in thousands)	June 29, 2014		
	Gross Assets	Accumulated Amortization	Net Assets
Purchased intangible assets:			
Existing technology	\$217,694	\$(210,168)	) \$7,526
Trademarks	4,411	(3,163)	) 1,248
Customer relationships	131,045	(130,261)	) 784
Non-compete agreements	251	(251)) —
Total purchased intangible assets	\$353,401	\$(343,843)	) \$9,558
March 30, 2014			
(in thousands)	Gross Assets	Accumulated Amortization	Net Assets (1)
Purchased intangible assets:			
Existing technology	\$217,923	\$(203,888)	) \$14,035
Trademarks	4,411	(2,934)	) 1,477
Customer relationships	131,093	(128,681)	) 2,412
Non-compete agreements	2,275	(1,458)	) 817
Total purchased intangible assets	\$355,702	\$(336,961)	) \$18,741

(1) Includes \$6.6 million in HSC assets held for sale.

Amortization expense for the three months ended June 29, 2014 and June 30, 2013 was \$2.5 million and \$4.3 million, respectively. During the three months ended June 29, 2014, 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 twelve months to seven years.

Based on the intangible assets recorded at June 29, 2014, 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
2015 (Remaining 9 months)	\$4,023
2016	3,084
2017	2,185
2018	256
2019 and thereafter	10
Total purchased intangible assets	\$9,558

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Note 12. Restructuring

The following table shows the provision of the restructuring charges and the liability remaining as of June 29, 2014: (in thousands)

	Total
Balance as of March 30, 2014	\$638
Provision	378
Cash payments	(502)
Balance as of June 29, 2014	\$514

During the first quarter of fiscal 2015, the Company recorded restructuring charges of \$0.4 million and reduced headcount by 12 employees. As of June 29, 2014, the total accrued balance for employee severance costs related to these restructuring actions was \$0.4 million.

During fiscal 2014, the Company recorded restructuring charges of \$5.5 million and reduced headcount by 117 employees for multiple reductions in workforce actions. During fiscal 2014, the Company paid \$4.9 million related to these actions. During the first quarter of fiscal 2015, the Company paid \$0.5 million related to these actions. As of June 29, 2014, the total accrued balance for employee severance costs related to these restructuring actions was \$0.1 million.

The Company expects to complete these restructuring actions by the second quarter of fiscal 2015.

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 \$0.4 million and \$0.3 million as of June 29, 2014 and March 30, 2014, respectively.

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, 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 with regard to the Company that IDT "...generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." The Complaint further alleges that the 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. In March 2012, the Company was served with and filed an answer to the Complaint, denying the various allegations in the Complaint. In April 2012, the Company filed an amended answer to the Complaint, including a counterclaim against the plaintiff. On August 15, 2012, the plaintiff voluntarily dismissed its Complaint against the Company without prejudice. Moyer Products, Inc., another defendant, has counter-claimed against Maxim and cross-claimed against Defendants, including the Company, and thus the Company remains a 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, and included the Company 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. The Company will

continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon completion of the Property investigation and corrective action selection. Because the case is at an early stage and no specific monetary demands have been made, it is not possible for us to estimate the potential loss or range of potential losses.

The Company is also a party to various other legal proceedings and claims arising in the normal course of business. As of June 29, 2014, the Company has not recorded any accrual for contingent liabilities associated with its legal proceedings based on the belief that liabilities, while possible, are not probable. Further, probable losses or ranges of possible losses in these matters cannot be

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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 \$0.7 million and \$0.6 million in matching contributions under the plan during the three months ended June 29, 2014 and June 30, 2013, 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 29, 2014 and March 30, 2014, obligations under the plan totaled approximately \$14.4 million and \$13.8 million, respectively. 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 29, 2014 and March 30, 2014, the deferred compensation plan assets were approximately \$16.1 million.

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 29, 2014 and March 30, 2014, the deferred compensation plan assets under this plan were approximately \$0.7 million. As of June 29, 2014 and March 30, 2014, the deferred compensation plan liabilities under this plan were approximately \$1.6 million.

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 29, 2014 and March 30, 2014, the net liability for all of these international benefit plans totaled \$1.4 million.

Note 15. Income Taxes

During the three months ended June 29, 2014, the Company recorded an income tax expense of \$0.3 million from continuing operations. The Company recorded an income tax benefit of \$0.1 million in the three months ended June 30, 2013 from continuing operations. The income tax expense recorded in the three months ended June 29, 2014 was primarily due to U.S. federal and state taxes on U.S. earnings. The income tax benefit recorded in the three months ended June 30, 2013 was primarily due to the reversal of uncertain tax positions resulting from statute lapse. The Company continued to maintain a valuation allowance as a result of uncertainties related to the realization of its net deferred tax assets at June 29, 2014. The valuation allowance was established as a result of weighing all positive and negative evidence. The valuation allowance reflects the conclusion of management that it is more likely than not that benefits from certain deferred tax assets will not be realized. If actual results differ from estimates or the Company's estimates are adjusted in future periods, the valuation allowance may require adjustment which could materially impact the Company's financial position and results of operations. It is reasonably possible that sometime in the next twelve months, positive evidence will be sufficient to release a material amount of the Company's valuation allowance; however, there is no assurance that this will occur. The required accounting for the potential release would have significant deferred tax consequences and would increase earnings in the quarter in which the allowance is released.

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 holiday which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011.

This tax holiday is subject to the Company meeting certain financial targets, investments, headcounts and activities in Malaysia.

The Company believes that it is reasonably possible that a decrease of up to \$2.0 million in unrecognized tax benefits may occur within the next twelve months due to settlements with tax authorities or statute lapses.

In fiscal 2013, the Internal Revenue Service commenced a tax audit for fiscal years beginning 2011 through 2012.

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.

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As of June 29, 2014, the Company was subject to examination in various state and foreign jurisdictions for tax years 2007 forward, none of which were individually material.

Note 16. Segment Information

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

Our 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 MEMS Oscillator solutions.

Computing and Consumer segment: includes clock generation and distribution products, high-performance server memory interfaces, PCI Express switching solutions, power management solutions, signal integrity products and PC audio.

The tables below provide information about these segments:

Revenue by segment (in thousands)	Three Months Ended	
	June 29, 2014	June 30, 2013
Communications	\$80,986	\$67,687
Computing and Consumer	45,316	49,777
Total revenues	\$126,302	\$117,464
Income (loss) by segment from continuing operations (in thousands)	Three Months Ended	
	June 29, 2014	June 30, 2013
Communications	\$29,109	\$18,998
Computing and Consumer	(1,732)	(7,998)
Unallocated expenses:		
Amortization of intangible assets	(2,549)	(3,321)
Assets impairment and recoveries	(2,302)	36
Stock-based compensation expense	(4,959)	(4,820)
Severance, retention and facility closure costs	(573)	(1,182)
Acquisition-related costs and other	—	(468)
Deferred compensation plan expense, net	(14)	(1)
Interest income and other, net	382	158
Income from continuing operations, before income taxes	\$17,362	\$1,402

The Company does not allocate goodwill and intangible assets impairment charge, intangible assets amortization, severance and retention costs, acquisition-related costs, stock-based compensation, deferred compensation plan expense, 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.

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

(in thousands)	Three Months Ended	
	June 29, 2014	June 30, 2013
Asia Pacific	\$81,799	\$72,282
Americas (1)	17,008	18,646
Japan	10,242	10,101
Europe	17,253	16,435
Total revenues	\$126,302	\$117,464

(1) The revenues from the customers in the U.S. were \$15.1 million and \$16.1 million in the three months ended June 29, 2014 and June 30, 2013, respectively.

The Company utilizes global and regional distributors around the world, who buy product directly from the Company on behalf of their customers. No distributor accounted for 10% or more of Company's revenues in the three months ended June 29, 2014. One distributor, Avnet represented approximately 13% of the Company's revenues for the three month periods ended June 30, 2013.

At June 29, 2014, two distributors represented approximately 15% and 13% of the Company's gross accounts receivable. At March 30, 2014, four distributors represented approximately 15%, 15%, 12% and 11% of the Company's gross accounts receivable.

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

(in thousands)	June 29, 2014	March 30, 2014
United States	\$40,791	\$40,561
Canada	4,814	4,660
Malaysia	18,801	20,972
All other countries	1,535	3,634
Total property, plant and equipment, net	\$65,941	\$69,827

Note 17. Derivative Financial Instruments

As of June 29, 2014 and March 30, 2014, 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.

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

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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 30, 2014 filed with the SEC. Operating results for the three months ended June 29, 2014 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 30, 2014. 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 29, 2014 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 30, 2014.

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 30, 2014.

Recent developments

Discontinued Operations - High-Speed Converter ("HSC") Business

In the third quarter of fiscal 2014, we initiated a project to divest our HSC business. We believe that this divestiture will allow us to strengthen our focus on analog-intensive mixed-signal, timing and synchronization, and interface and connectivity solutions. We envision fully divesting our HSC business within the twelve months from the initiation date of the plan and have classified these assets as held for sale and accordingly these assets are no longer being depreciated or amortized.

The HSC business includes the assets of NXP B.V.'s Data Converter Business and Alvand Technologies, Inc., which we acquired during fiscal 2013. The total purchase consideration we paid to acquire Alvand Technologies, Inc. included a liability representing the fair value of contingent cash consideration which is paid based upon the achievement of future product development milestones to be completed within 3 years following the acquisition date. As of March 30, 2014, the remaining estimated fair value of the unpaid contingent consideration was \$2.1 million, of which the Company paid \$1.6 million and released the remaining contingent consideration of \$0.5 million to discontinued operations in the Condensed Consolidated Statement of Operations for the three months ended June 29, 2014, as the remaining future milestones will not be achieved as a result of the asset sale discussed below.

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 the Company \$18.0 million in cash consideration, of which \$2.7 million will be held in an escrow account for a period of 18 months. For

the three months ended June 29, 2014, we recorded a gain of \$16.8 million related to this divestiture. 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 these assets and determined that it exceeded estimated fair value based on estimated selling price less cost to sell. Accordingly, we recorded total impairment charge of \$8.5 million for the three months ended June 29, 2014.

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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.

Overview

The following table and discussion provides an overview of our operating results from continuing operations for the three months ended June 29, 2014 and June 30, 2013:

(in thousands, except for percentage)	Three Months Ended			
	June 29, 2014	June 30, 2013		
Revenues	\$126,302	\$117,464		
Gross profit	\$74,009	\$66,122		
As a % of revenues	59	% 56		%
Operating income	\$16,500	\$1,345		
As a % of revenues	13	% 1		%
Net income from continuing operations	\$17,111	\$1,501		
As a % of revenues	14	% 1		%

Our revenues increased by \$8.8 million, or 8%, to \$126.3 million in the quarter ended June 29, 2014 compared to the quarter ended June 30, 2013. The increase was primarily due to increased unit shipments in our Communications segment as we continued to experience increased demand for our Rapid I/O switching solutions products. This was partly offset by the loss of revenue from the sale of our Audio business during the quarter ended December 29, 2013. Gross profit percentage improved primarily due to an improved shipment mix of higher margin products, reduced manufacturing costs and improved inventory management. Net income from continuing operations was \$17.1 million in the first quarter of fiscal 2015 as compared to \$1.5 million in the first quarter of fiscal 2014. This increase in net income was primarily due to increased revenues and gross margin combined with decreased operating expenses.

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Results of Continuing Operations

Revenues

Revenues by segment:

(in thousands)	Three Months Ended	
	June 29, 2014	June 30, 2013
Communications	\$80,986	\$67,687
Computing and Consumer	45,316	49,777
Total revenues	\$126,302	\$117,464

Product groups representing greater than 10% of net revenues:

As a percentage of net revenues	Three Months Ended		
	June 29, 2014	June 30, 2013	
Communications:			
Communications timing products	26	% 28	%
Serial RapidIO products	20	% 13	%
All others less than 10% individually	18	% 17	%
Total communications	64	% 58	%
Computing and Consumer:			
Consumer and computing timing products	16	% 18	%
Memory interface products	15	% 16	%
All others less than 10% individually	5	% 8	%
Total computing and consumer	36	% 42	%
Total	100	% 100	%

Communications Segment

Revenues in our Communications segment increased \$13.3 million, or 20%, to \$81.0 million in the quarter ended June 29, 2014 as compared to the quarter ended June 30, 2013. The increase was primarily due to a \$10.3 million increase in shipments of our Rapid I/O switching solutions products combined with \$2.9 million increase in Radio Frequency product revenues, offset in part by lower revenue from legacy products.

Computing and Consumer Segment

Revenues in our Computing and Consumer segment decreased \$4.5 million, to \$45.3 million in the quarter ended June 29, 2014 as compared to the quarter ended June 30, 2013. The decrease was primarily due to the loss of revenue amounting to \$5.4 million from sale of our Audio business and PCIe enterprise flash controller business during the three month periods ended December 29 and September 29, 2013 and respectively. This was offset in part by the \$1.1 million increase in shipments of our wireless power products.

Revenues by Region

Revenues in the quarter ended June 29, 2014 increased primarily in APAC (Asia Pacific region excluding Japan), which was offset by decreases in Europe as compared to the quarter ended June 30, 2013. Revenues in APAC, the Americas, Japan and Europe accounted for 65%, 13%, 8% and 14%, respectively, of consolidated revenues in the quarter ended June 29, 2014 compared to 61%, 16%, 9% and 14% of our consolidated revenues in the quarter ended June 30, 2013. 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 29, 2014	June 30, 2013
Gross Profit (in thousands)	\$74,009	\$66,122
Gross Profit Percentage	58.6	% 56.3

Gross profit increased \$7.9 million in the quarter ended June 29, 2014 compared to the quarter ended June 30, 2013 as a result of increased revenues combined with a higher gross margin percentage. Gross profit as a percentage of revenues increased 2.3% in the quarter ended June 29, 2014 compared to the quarter ended June 30, 2013. Gross profit percentage improved primarily due to an improved shipment mix of higher margin products, reduced manufacturing costs and improved inventory management. During the fourth quarter of fiscal 2012, we completed the transition of wafer fabrication activities from our Oregon fab to third party foundries. As of June 29, 2014 and March 30, 2014, 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 \$0.7 million and \$1.0 million, respectively.

Operating Expenses

The following table presents our operating expenses for the three months ended June 29, 2014 and June 30, 2013:

	Three Months Ended				
	June 29, 2014		June 30, 2013		
(in thousands, except for percentages)	Dollar	% of Net	Dollar	% of Net	
	Amount	Revenue	Amount	Revenue	
Research and development	\$32,050	25	% \$37,939	32	%
Selling, general and administrative	\$25,459	20	% \$26,838	23	%

Research and Development (R&D)

R&D expense decreased \$5.9 million, or 15.5%, to \$32.1 million in the quarter ended June 29, 2014 compared to the quarter ended June 30, 2013. The decrease was primarily due to a \$4.8 million decrease in R&D labor and benefits related costs and a \$1.5 million decrease in engineering design tool license costs resulting from the divestitures of our Audio business and PCIe enterprise flash controller business, combined with other headcount reduction actions taken in fiscal 2014. Other significant decreases included \$0.8 million in outside services and \$0.6 million in R&D materials. These decreases were partly offset by a \$1.6 million increase in accrued employee bonus expense.

Selling, General and Administrative (SG&A)

SG&A expense decreased \$1.4 million, or 5.1%, to \$25.5 million in the quarter ended June 29, 2014 as compared to the quarter ended June 30, 2013. The decrease was primarily driven by reduced headcount costs of \$1.5 million resulting from the divestitures of our Audio business and PCIe enterprise flash controller business, combined with other headcount reduction actions taken in fiscal 2014. Other significant decreases included \$0.8 million in acquisition related legal and consulting costs due to a reduction in acquisition and divestiture related activities as compared to the same period last year, and \$0.2 million in sales commissions. These decreases were partly offset by a \$1.2 million increase in accrued employee bonus expense.

Interest Income and Other, Net

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

	Three Months Ended	
	June 29, 2014	June 30, 2013
(in thousands)		
Interest income	\$552	\$264
Other income (expense), net	310	(207)
Interest income and other, net	\$862	\$57

Interest income is derived from earnings on our cash and short-term investments. Other income (expense), 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 quarter ended June 29, 2014 as

compared to the same quarter in the prior

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year was primarily attributable to higher level of short-term investments. The increase in other income in the quarter ended June 29, 2014 as compared to the same quarter in the prior year was primarily due to gains in the value of deferred compensation plan assets and favorable impact of foreign exchange fluctuations.

Income Tax Expense (Benefit)

During quarter ended June 29, 2014 and June 30, 2013, we recorded income tax expense (benefit) from continuing operations of \$0.3 million and \$(0.1) million, respectively. The income tax expense recorded in the quarter ended June 29, 2014 was primarily due to U.S. federal and state taxes on U.S. earnings. The income tax benefit recorded in the quarter ended June 30, 2013 was primarily due to the reversal of uncertain tax positions resulting from statute lapse.

We continued to maintain a valuation allowance as a result of uncertainties related to the realization of our net deferred tax assets at June 29, 2014. The valuation allowance was established as a result of weighing all positive and negative evidence. The valuation allowance reflects the conclusion of management that it is more likely than not that benefits from certain deferred tax assets will not be realized. If actual results differ from estimates or management estimates are adjusted in future periods, the valuation allowance may require adjustment which could materially impact the Company's financial position and results of operations. It is reasonably possible that sometime in the next twelve months, positive evidence will be sufficient to release a material amount of the Company's valuation allowance; however, there is no assurance that this will occur. The required accounting for the potential release would have significant deferred tax consequences and would increase earnings in the quarter in which the allowance is released.

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 holiday which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. This tax holiday is subject to the Company meeting certain financial targets, investments, headcounts and activities in Malaysia.

We believe that it is reasonably possible that a decrease of up to \$2.0 million in unrecognized tax benefits may occur within the next twelve months due to settlements with tax authorities or statute lapses.

Liquidity and Capital Resources

Our cash and cash equivalents and short-term investments were \$464.2 million at June 29, 2014, an increase of \$10.4 million compared to March 30, 2014.

We had no outstanding debt at June 29, 2014 and March 30, 2014.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled \$24.1 million in the three months ended June 29, 2014 compared to \$13.9 million in the three months ended June 30, 2013. Cash provided by operating activities in the three months ended June 29, 2014 consisted of our net income of \$21.8 million, adjusted to add back depreciation, amortization, impairment charges and other non-cash items which totaled \$21.8 million less net gain on divestitures of \$16.8 million; and cash used by working capital requirements. In the three months ended June 29, 2014, excluding the effects of non-cash activities, cash used by working capital requirements was \$2.7 million and consisted primarily of a \$3.2 million increase in accounts receivable due to an increase in revenues as compared to the fourth quarter of fiscal 2014, a \$2.1 million decrease in accounts payables, a \$1.4 million decrease in other accrued liabilities, and a \$1.1 million decrease in accrued compensation. These working capital uses were offset in part by cash provided from a \$3.9 million decrease in inventories and \$1.3 million decrease in prepaid and other assets.

Cash Flows from Investing Activities

Net cash used by investing activities in the three months ended June 29, 2014 was \$14.8 million compared to cash used of \$34.9 million in the three months ended June 30, 2013. Net cash provided by investing activities in the three months ended June 29, 2014 was primarily due to \$15.3 million of proceeds from divestiture of assets of Alvand portion of HSC business and \$3.3 million for the net sale of short-term investments, offset in part by \$4.8 million of expenditures to purchase capital equipment.

Cash Flows from Financing Activities

Net cash used by financing activities was \$26.1 million in the three months ended June 29, 2014 as compared to net cash provided by financing activities of \$4.4 million in the three months ended June 30, 2013. Cash used by financing activities in the three months ended June 29, 2014, was primarily due to \$30.7 million in stock buyback, offset in part by proceeds of approximately \$6.2 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 29, 2014, we had cash, cash equivalents and investments of

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approximately \$355.4 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 29, 2014, 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 \$359.8 million and \$362.6 million as of June 29, 2014 and March 30, 2014, 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 29, 2014 and March 30, 2014, 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 29, 2014. We do not currently use derivative financial instruments in our investment portfolio.

At June 29, 2014 and March 30, 2014, 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 29, 2014. We performed a sensitivity analysis as of June 29, 2014 and March 30, 2014 and determined that, without hedging the exposure, a 10% change in the value of the U.S. dollar would result in an approximate 0.4% impact on gross profit margin percentage, as we operate a manufacturing testing facility in Malaysia, and an approximate 1.3% and 1.0% impact to operating expenses (as a percentage of revenue), respectively, as we operate sales offices in Japan and throughout Europe and design centers in the U.S., China, and Canada. At June 29, 2014 and March 30, 2014, we had no outstanding foreign exchange contracts.

We did not have any currency exposure related to any outstanding capital purchases as of June 29, 2014 and March 30, 2014.

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 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 29, 2014, 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

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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, 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 with regard to the Company that IDT "...generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." The Complaint further alleges that the 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. In March 2012, the Company was served with and filed an answer to the Complaint, denying the various allegations in the Complaint. In April 2012, the Company filed an amended answer to the Complaint, including a counterclaim against the plaintiff. On August 15, 2012, the plaintiff voluntarily dismissed its Complaint against the Company without prejudice. Moyer Products, Inc., another defendant, has counter-claimed against Maxim and cross-claimed against Defendants, including the Company, and thus the Company remains a 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, and included the Company 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. The Company will continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon completion of the Property investigation and corrective action selection. Because the case is at an early stage and no specific monetary demands have been made, it is not possible for us to estimate the potential loss or range of potential losses.

The Company is also a party to various other legal proceedings and claims arising in the normal course of business. As of June 29, 2014, the Company has not recorded any accrual for contingent liabilities associated with its legal proceedings based on the belief that liabilities, while possible, are not probable. Further, probable ranges of losses in these matters 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. If any of the possible adverse events described below actually occurs, we may be unable to conduct our business as currently planned and our financial condition and operating results could be harmed. In addition, the trading price of our common stock could decline due to the occurrence of any of these risks, and you may lose all or part of your investment. The risks described below are not the only risks facing us. Additional risks not currently known to us or that we currently believe are immaterial may also impair our business, results of operations, and financial condition.

Our operating results can fluctuate dramatically. Our operating results have fluctuated in the past and are likely to vary in the future. Fluctuations in operating results can result from a wide variety of factors, including:

- global economic conditions, including those related to the credit markets;
- the cyclical nature 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;
reduced control over our manufacturing and product delivery as a result of our increasing reliance on subcontractors, foundry and other manufacturing services;

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unrealized potential of acquired businesses and resulting assets impairment;
availability and costs of raw materials from a limited number of suppliers;
political and economic 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 conditions may adversely affect our business and results of operations.

Adverse changes in global economic business conditions may negatively affect customer demand for our products. Continuing concerns about the impact of geopolitical issues, the availability and cost of credit, the debt crises in Europe, low business and consumer confidence, high unemployment and high energy costs, have contributed to substantial volatility in global capital markets and uncertain demand for the semiconductor industry and our products. If economic conditions are not sustained or begin to deteriorate, or if we are unable to timely adapt to changes in macroeconomic conditions, our business, financial condition and results of operations may be adversely affected. The cyclicity 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 are reliant 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 increased reliance on subcontractors and third-party foundries for our current products increases certain risks because we will have less control over manufacturing quality and delivery schedules, maintenance of sufficient capacity to meet our orders and maintaining 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

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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.

We cannot assure you that we will successfully implement our business strategy or that implementing our strategy will sustain or improve our results of operations. In particular, we cannot assure you that we will 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.

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. Each of these factors is subject to one or more of the risk factors set forth in this report. Several risks that could affect our ability to implement our business strategy are beyond our control. In addition, circumstances beyond our control and changes in our business or industry may require us to change our business strategy.

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 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 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.

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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, Singapore, 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 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.

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Intellectual property claims against and/or on behalf of the Company 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 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.

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.

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. Under current Malaysia law, we are not subject to tax on our operational and investment income. 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.

In addition, we were granted a tax holiday in Malaysia during fiscal 2009. The tax holiday 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 holiday and entered into a new tax holiday which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. We are required to meet several requirements as to financial targets, investment, headcount and activities in Malaysia to retain this status. Our inability to renew this tax holiday 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.

Our effective tax rate could be adversely affected by changes in the mix of earnings between countries with differing statutory tax rates, in the valuation of deferred tax assets, in tax laws 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.

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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 involved in various legal proceedings, such as those described below in Part I, Item 3 "Legal Proceedings." 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 2015	Fiscal 2014		
APAC	65	% 64		%
Americas	13	% 15		%
Japan	8	% 8		%
Europe	14	% 13		%
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.

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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 29, 2014, we had cash, cash equivalents and investments of approximately \$355.4 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 \$9.6 million of intangible assets on our Condensed Consolidated Balance Sheet as of June 29, 2014. 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 2015, 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. Additionally, for cases in which we are required under equity method accounting to recognize a proportionate share of another company's income or loss, such income or loss may impact our earnings. Gains or losses from equity securities could vary from expectations depending on gains or losses realized on the sale or exchange of securities, gains or losses from equity method investments, and impairment charges for equity and other 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.

New regulations related to "conflict minerals" may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements will require companies to disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these new requirements could adversely affect the sourcing, availability and pricing of such minerals if they are found to be used in the manufacture of our products. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, and may face difficulties in satisfying customers who require that all of the components of our products are certified as free of any conflict minerals. We filed with the SEC our report for the 2013 calendar year on May 30, 2014.

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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 2015:

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 31, 2014 - April 27, 2014	805,700	\$11.77	805,700	\$95,506,535
April 28, 2014 - May 25, 2014	825,400	\$12.10	825,400	\$86,522,012
May 26, 2014 - June 29, 2014	818,633	\$13.77	818,633	\$75,251,078
Total	2,449,733	\$12.55	2,449,733	

On July 21, 2010, our Board of Directors approved a share repurchase plan to purchase up to \$225.0 million of our common stock. On October 22, 2013, our Board of Directors approved a new share repurchase authorization for \$150.0 million. As of June 29, 2014, approximately \$75.3 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

By: /s/ Gregory L. Waters
Gregory L. Waters
President and Chief Executive Officer

August 6, 2014

/s/ Brian C. White
Brian C. White
Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

August 6, 2014