CIRRUS LOGIC INC
Form 10-K
May 30, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For The Fiscal Year Ended March 31, 2012

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

For the Transition Period from ________ to ________

Commission File Number 0-17795

CIRRUS LOGIC, INC.

DELAWARE	**77-0024818**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2901 Via Fortuna, Austin, TX 78746
(Address of principal executive offices)

Registrant s telephone number, including area code: (512) 851-4000
Securities registered pursuant to Section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES þ NO £

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES £ NO þ

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 þ NO £

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in

Part III of this Form 10-K or any amendment to this Form 10-K. £

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

Large accelerated filer þ 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 Act). YES £ NO þ

The aggregate market value of the registrant s voting and non-voting common equity held by non-affiliates was $863,787,764 based upon the closing price reported on the NASDAQ Global Select Market as of September 23, 2011. Stock held by directors, officers and stockholders owning 5 percent or more of the outstanding common stock were excluded as they may be deemed affiliates. This determination of affiliate status is not a conclusive determination for any other purpose.

As of May 29, 2012, the number of outstanding shares of the registrant s Common Stock, $0.001 par value, was 64,479,256.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant s proxy statement for its annual meeting of stockholders to be held July 26, 2012 is incorporated by reference in Part II Item 5. and Part III of this Annual Report on Form 10-K.

CIRRUS LOGIC, INC.

FORM 10-K

For The Fiscal Year Ended March 31, 2012

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PART I

ITEM 1. *Business*

Cirrus Logic, Inc. (Cirrus Logic, Cirrus, We, Us, Our, or the Company) develops high-precision, analog and mixed-signal integrated c (ICs) for a broad range of audio and energy markets. Building on our diverse analog mixed-signal patent portfolio, Cirrus Logic delivers highly optimized products for consumer and commercial audio, automotive entertainment, and targeted industrial and energy-related applications. We also develop ICs, board-level modules and hybrids for high-power amplifier applications branded as the Apex Precision Power (Apex) line of products.

We were incorporated in California in 1984, became a public company in 1989 and were reincorporated in the State of Delaware in February 1999. Our primary facility housing engineering, sales and marketing, and administrative functions is located in Austin, Texas. In addition, we have engineering, administrative, and assembly facilities in Tucson, Arizona, as well as sales locations throughout the United States. We also serve customers from international sales offices in Europe and Asia, including the People s Republic of China, Hong Kong, South Korea, Japan, Singapore, Taiwan and the United Kingdom. Our common stock, which has been publicly traded since 1989, is listed on the NASDAQ Global Select Market under the symbol CRUS.

We maintain a Web site with the address www.cirrus.com. We are not including the information contained on our Web site as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our Web site our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (the SEC). To receive a free copy of this Form 10-K, please forward your written request to Cirrus Logic, Inc., Attn: Investor Relations, 2901 Via Fortuna, Austin, Texas 78746, or via email at Investor.Relations@cirrus.com. In addition, the SEC maintains a website at http://www.sec.gov that contains reports, proxy and information statements filed electronically with the SEC by Cirrus Logic.

Background of the Semiconductor Industry

In general, the semiconductor industry produces three types of products: analog, digital and mixed-signal. Analog semiconductors process a continuous range of signals that can represent functions such as temperature, speed, pressure and sound. Digital semiconductors process information represented by discrete values, for example, 0s and 1s. Mixed-signal semiconductors combine analog and digital circuits in a single product. The design of the analog component of a mixed-signal IC is particularly complex and difficult, and requires experienced engineers to optimize speed, power and resolution within standard manufacturing processes.

The convergence and sophistication of our customers products, such as portable audio applications, home entertainment and automotive audio devices, is made possible in part by advances in semiconductor technology. Semiconductor companies are attempting to differentiate their products based on offering new features and functionality to customers, while at the same time shrinking product sizes, reducing power consumption, and lowering overall system costs.

Due to the extremely high costs involved in developing and operating a wafer fabrication facility, many semiconductor companies, including Cirrus, rely on third party foundries to manufacture their IC s. We believe that our fabless manufacturing model significantly reduces our capital requirements and allows us to focus our resources on the design, development, and marketing of our ICs.

Segments

We determine our operating segments in accordance with Financial Accounting Standards Board (FASB) guidelines. Our Chief Executive Officer (CEO) has been identified as the chief operating decision maker as defined by these guidelines.

The Company operates and tracks its results in one reportable segment based on the aggregation of activity from its two product lines. Our CEO receives and uses enterprise-wide financial information to assess financial performance and allocate resources, rather than detailed information at a product line level. Additionally, our product lines have similar characteristics and customers. They share operations support functions such as sales, public relations, supply chain management, various research and development and engineering support, in addition to the general and administrative functions of human resources, legal, finance and information technology. Therefore, there is no discrete financial information maintained for these product lines. We report revenue in two product categories: audio products and energy products. For fiscal years 2012, 2011, and 2010, audio product sales were $350.7 million, $264.8 million, and $153.7 million, respectively. For fiscal years 2012, 2011, and 2010, energy product sales were $76.1 million, $104.7 million, and $67.3 million, respectively.

See Note 15 - Segment Information, of the Notes to Consolidated Financial Statements contained in Item 8 for further details including sales and property, plant and equipment, net, by geographic locations.

Company Strategy

Our strategy is somewhat different from many mixed-signal semiconductor companies. In addition to developing a few catalog-type products that can be used by a broad array of customers, we are particularly focused on providing innovative custom products to market leading customers in the various markets we serve.

Specifically, we target growing markets where we can showcase our expertise in analog and digital signal processing to solve challenging problems. Our approach has been to develop new catalog components that embody our latest innovations, which we then use to engage with the leading customers in a particular market or application. We then focus on building a strong engineering relationship with the design teams at these customers and work to develop highly differentiated products that address their specific needs using our own intellectual property (IP), sometimes in combination with theirs. When we have been successful with this approach, one initial design win has expanded into many additional products. This strategy gives us the opportunity to increase our content per box with a customer over time through the addition of new features and the integration of other system components into our products.

Markets and Products

The following provides a detailed discussion regarding our audio and energy product lines:

Audio Products: High-precision analog and mixed-signal components, as well as audio digital signal processor (DSP) products for consumer, professional and automotive entertainment markets.

Energy Products: High-precision analog and mixed-signal components for energy-related applications, such as light emitting diode (LED) lighting, energy measurement, energy exploration and energy control systems. Energy products also include ICs, board-level modules and hybrids for high-power pulse width modulation (PWM) and power amplifier applications.

AUDIO PRODUCTS

We are a recognized leader in analog and mixed-signal audio converter and audio DSP products that enable today s new consumer, professional and automotive entertainment applications. Our broad portfolio of approximately 250 active proprietary products includes analog-to-digital converters (ADCs), digital-to-analog converters (DACs), codecs - chips that integrate ADCs and DACs into a single IC, digital interface ICs, volume

controls and digital amplifiers, as well as audio DSPs for consumer electronics applications such as audio/video receivers (AVRs) and digital TVs. Our products are used in a wide array of consumer applications, including portable media players, smartphones, tablets, AVRs, DVD and Blu-ray Disc players, complete home theater systems, set-top boxes, gaming devices, sound cards and digital televisions. Applications for products within professional markets include digital mixing consoles, multi-track digital recorders and effects processors. Applications for products within automotive markets include amplifiers, satellite radio systems, telematics and multi-speaker car-audio systems.

ENERGY PRODUCTS

We provide high-precision analog and mixed-signal ICs for targeted energy control, energy measurement and energy exploration applications, as well as ICs, board-level modules, and hybrids from the Apex brand of products for high-power PWM and power amplifier applications. We have approximately 450 active proprietary products which include LED driver ICs, power factor correction ICs, ADCs, DACs, linear amplifiers, PWM amplifiers, and amplifier ICs. Our products are used in a wide array of high-precision, energy-related applications including LED retrofit lamps, digital utility meters, power supplies, lighting ballasts, motor control, energy exploration, and high-power systems. New additions to our proprietary product portfolio in the past fiscal year include:

1. The CS1501/1601 are digitally controlled, variable frequency discontinuous conduction mode (VF-DCM), active power factor correction ICs intended for use in switch-mode power supplies rated up to 300 watts. The CS1501 is designed to address power supplies, such as laptop adapters, digital TVs and PC power, while the CS1601 targets lighting applications, such as LED and fluorescent electronic lighting ballasts.

2. The CS161X family of TRIAC dimmable LED drivers, which have been tested to provide near 100 percent compatibility with the world s base of installed dimmers, is the first LED driver IC product family from Cirrus Logic that targets the retrofit incandescent replacement market, which many analysts believe will grow to 1 billion units by 2015.

Customers, Marketing, and Sales

We offer approximately 700 products to more than 3,000 active customers worldwide through both direct and indirect sales channels. Our major customers are among the world s leading electronics manufacturers. We target both large existing and emerging growth consumer electronic and energy markets that derive value from our expertise in advanced analog and mixed-signal design processing, systems-level integrated circuit engineering and embedded software development. We derive our sales both domestically and from a variety of locations across the world, including the People s Republic of China, the European Union, Hong Kong, Japan, South Korea, Taiwan, and the United Kingdom. Our domestic sales force includes a network of regional direct sales offices located in California, Massachusetts, Ohio, Nevada, North Carolina, and Texas. International sales offices and staff are located in Germany, Hong Kong, Shanghai and Shenzhen in the People s Republic of China, Singapore, South Korea, Taiwan, Japan and the United Kingdom. We supplement our direct sales force with external sales representatives and distributors. Our technical support staff is located in Texas and Arizona. Our worldwide sales force provides geographically specific support to our customers and specialized selling of product lines with unique customer bases. See Note 15 - Segment Information, of the Notes to Consolidated Financial Statements contained in Item 8 for further detail and for additional disclosure regarding sales and property, plant and equipment, net, by geographic locations.

Since the components we produce are largely proprietary and generally not available from second sources, we generally consider our end customer to be the entity specifying the use of our component in their design. These end customers may then purchase our products directly from us, from an external sales representative or distributor, or through a third party manufacturer contracted to produce their designs. For fiscal years 2012, 2011, and 2010, our ten largest end customers represented approximately 74 percent, 62 percent, and 54 percent, of our sales, respectively. For fiscal years 2012, 2011, and 2010, we had one end customer, Apple Inc., who purchased through multiple contract manufacturers and represented approximately 62 percent, 47 percent, and 35 percent, of the Company s total sales, respectively. For fiscal years 2012, 2011, and 2010, we had one distributor, Avnet Inc., who represented 15 percent, 24 percent, and 26 percent, of our sales, respectively.

Manufacturing

As a fabless semiconductor company, we contract with third parties for wafer fabrication and nearly all of our assembly and test operations. We use multiple wafer foundries, assembly sources and test houses in the production of our inventory. The Company owns a 54,000 square foot facility in Tucson, Arizona, which serves as the assembly and test facility for its Apex product line. With the exception of these Apex products, our outsourced manufacturing strategy allows us to concentrate on our design strengths, minimize fixed costs and capital expenditures while giving us access to advanced manufacturing facilities, and provide the flexibility to source multiple leading-edge technologies through strategic relationships. After wafer fabrication by the foundry, third-party assembly vendors package the wafer die. The finished products are then tested before shipment to our customers. While we do have some redundancy of fabrication processes by using multiple outside foundries, any interruption of supply by one or more of these foundries could materially impact us. As a result, we maintain some amount of business interruption insurance to help reduce the risk of wafer supply interruption, but we are not fully insured against such risk. Our supply chain management organization is responsible for the management of all aspects of the manufacturing, assembly, and testing of our products, including process and package development, test program development, and production testing of products in accordance with our ISO-certified quality management system.

Although our products are made from basic materials (principally silicon, metals and plastics), all of which are available from a number of suppliers, capacity at wafer foundries sometimes becomes constrained. The limited availability of certain materials may impact our suppliers ability to meet our demand needs or impact the price we are charged. The prices of certain other basic materials, such as metals, gases and chemicals used in the production of circuits can increase as demand grows for these basic commodities. In most cases, we do not procure these materials ourselves; nevertheless, we are reliant on such materials for producing our products because our outside foundry and package and test subcontractors must procure them. To help mitigate risks associated with constrained capacity, we use multiple foundries, assembly and test sources.

Patents, Licenses and Trademarks

We rely on patent, copyright, trademark, and trade secret laws to protect our intellectual property, products, and technology. As of March 31, 2012, we held approximately 1,027 granted U.S. patents, 109 U.S. pending patent applications and various corresponding international patents and applications. Our U.S. patents expire in calendar years 2012 through 2030. While our patents are an important element of our success, our business as a whole is not dependent on any one patent or group of patents. We do not anticipate any material effect on our business due to any patents expiring in 2012, and we continue to obtain new patents through our ongoing research and development.

We have maintained U.S. federal trademark registrations for CIRRUS LOGIC, CIRRUS, Cirrus Logic logo designs, CRYSTAL, APEX and APEX PRECISION POWER. These U.S. registrations may be renewed as long as the marks continue to be used in interstate commerce. We have also filed or obtained foreign registration for these marks in other countries or jurisdictions where we conduct, or anticipate conducting, international business.

To complement our own research and development efforts, we have also licensed and expect to continue to license, a variety of intellectual property and technologies important to our business from third parties.

Research and Development

We concentrate our research and development efforts on the design and development of new products for each of our principal markets. We also fund certain advanced-process technology development, as well as other emerging product opportunities. Expenditures for research and development in fiscal years 2012, 2011, and 2010 were $85.7 million, $63.9 million, and $51.4 million, respectively. Our future success is highly dependent upon our ability to develop complex new products, to transfer new products to volume production, to introduce them into the marketplace in a timely fashion, and to have them selected for design into products of systems manufacturers. Our future success may also depend on assisting our customers with integration of our components into their new products, including providing support from the concept stage through design, launch and production ramp.

Competition

Markets for our products are highly competitive and we expect that competition will continue to increase. Our ability to compete effectively and to expand our business will depend on our ability to continue to recruit key engineering talent, to execute on new product developments, to persuade customers to design-in these new products into their applications, and to provide lower-cost versions of existing products. We compete with other semiconductor suppliers that offer standard semiconductors, application-specific standard product and fully customized ICs, including embedded software, chip and board-level products.

While no single company competes with us in all of our product lines, we face significant competition in all markets where our products are available. We expect to face additional competition from new entrants in our markets, which may include both large domestic and international IC manufacturers and smaller, emerging companies.

The principal competitive factors in our markets include: time to market; quality of hardware/software design and end-market systems expertise; price; product benefits that are characterized by performance, features, quality and compatibility with standards; access to advanced process and packaging technologies at competitive prices; and sales and technical support, which includes assisting our customers with integration of our components into their new products and providing support from the concept stage through design, launch and production ramp.

Product life cycles may vary greatly by product category. For example, many consumer electronic devices have shorter design-in cycles; therefore, our competitors have increasingly frequent opportunities to achieve design wins in next-generation systems. Conversely, this also provides us frequent opportunities to displace competitors in products that have previously not utilized our design. The industrial and automotive markets typically have longer life cycles, which provide continued revenue streams over long periods of time.

Backlog

Sales are made primarily pursuant to short-term purchase orders for delivery of products. The quantity actually ordered by the customer, as well as the shipment schedules, are frequently revised, without significant penalty, to reflect changes in the customer s needs. The majority of our backlog is typically requested for delivery within six months. In markets where the end system life cycles are relatively short, customers typically request delivery in six to ten weeks. We believe a backlog analysis at any given time gives little indication of our future business except on a short-term basis, principally within the next 60 days.

We utilize backlog as an indicator to assist us in production planning. However, backlog is influenced by several factors including market demand, pricing, and customer order patterns in reaction to product lead times. Quantities actually purchased by customers, as well as prices, are subject to variations between booking and delivery because of changes in customer needs or industry conditions. As a result, we believe that our backlog at any given time is an incomplete indicator of future sales.

Employees

As of March 31, 2012, we had 676 full-time employees, an increase of 106 employees, or 19 percent, over the end of fiscal year 2011. Of our full-time employees, 54 percent were engaged in research and product development activities, 34 percent in sales, marketing, general and administrative activities, and 12 percent in manufacturing-related activities. Our future success depends, in part, on our ability to continue to attract, retain and motivate highly qualified technical, marketing, engineering, and administrative personnel.

We have never had a work stoppage and none of our employees are represented by collective bargaining agreements. We consider our employee relations to be good.

Forward--Looking Statements

This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities the Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements included or incorporated by reference in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements. In some cases, forward-looking statements are identified by words such as expect, anticipate, target, project, believe, goals, estimates, and intend. Variations of these types of words and similar are intended to identify these forward-looking statements. Any statements that refer to our plans, expectations, strategies or other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by our forward-looking statements are those discussed in *Item 1A. Risk Factors* and elsewhere in this report, as well as in the documents filed by us with the SEC, specifically the most recent reports on Form 10-Q and 8-K, each as it may be amended from time to time.

We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report, and we undertake no obligation to update this information to reflect events or circumstances after the filing of this report with the SEC, except as required by law. All forward-looking statements, expressed or implied, included in this Form 10-K and attributable to Cirrus Logic are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we may make or persons acting on our behalf may issue. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

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

Our business faces significant risks. The risk factors set forth below may not be the only risks that we face and there is a risk that we may have failed to identify all possible risk factors. Additional risks that we are not aware of yet or that currently are not significant may adversely affect our business operations. You should read the following cautionary statements in conjunction with the factors discussed elsewhere in this and other Cirrus Logic filings with the SEC. These cautionary statements are intended to highlight certain factors that may affect the financial condition and results of operations of Cirrus Logic and are not meant to be an exhaustive discussion of risks that apply to companies such as ours.

We depend on a limited number of customers and distributors for a substantial portion of our sales, and the loss of, or a significant reduction in orders from, any key customer or distributor could significantly reduce our sales.

While we generate sales from a broad base of customers worldwide, the loss of any of our key customers, or a significant reduction in sales to any one of them, would significantly reduce our sales and adversely affect our business. For the twelve month periods ending March 31, 2012, and March 26, 2011, our ten largest end customers represented approximately 74 percent and 62 percent of our sales, respectively. For the twelve month periods ending March 31, 2012, and March 26, 2011, we had one end customer, Apple Inc., who purchased through multiple contract manufacturers and represented approximately 62 percent and 47 percent of the Company s total sales, respectively. For the twelve month periods ending March 31, 2012, and March 26, 2011, we had one distributor, Avnet Inc., who represented 15 percent and 24 percent of our sales, respectively.

We may not be able to maintain or increase sales to certain of our key customers for a variety of reasons, including the following:

- most of our customers can stop incorporating our products into their own products with limited notice to us and suffer little or no penalty;

- our agreements with our customers typically do not require them to purchase a minimum quantity of our products;
- many of our customers have pre-existing or concurrent relationships with our current or potential competitors that may affect the customers decisions to purchase our products;
- our customers face intense competition from other manufacturers that do not use our products; and
- our customers regularly evaluate alternative sources of supply in order to diversify their supplier base, which increases their negotiating leverage with us and their ability to obtain components from alternative sources.

Our key customer relationships often require us to develop new products that may involve significant technological challenges. Our customers frequently place considerable pressure on us to meet their tight development schedules. In addition, we may from time to time enter into customer agreements providing for exclusivity periods during which we may only sell specified products or technology to that customer. Accordingly, we may have to devote a substantial amount of resources to strategic relationships, which could detract from or delay our completion of other important development projects or the development of next generation products and technologies.

Our failure to develop and ramp new products into production in a timely manner could harm our operating results.

Our success depends upon our ability to develop new products for new and existing customers, and to introduce these products in a timely and cost-effective manner. New product introductions involve significant investment of resources and potential risks. Delays in new product introductions or less-than-anticipated market acceptance of our new products are possible and would have an adverse effect on our sales and earnings. The development of new products is highly complex and, from time-to-time, we have experienced delays in developing and introducing these new products. Successful product development and introduction depend on a number of factors including, but not limited to:

- proper new product definition;
- timely completion of design and testing of new products;
- assisting our customers with integration of our components into their new products, including providing support from the concept stage through design, launch and production ramp;
- successfully developing and implementing the software necessary to integrate our products into our customers products;
- achievement of acceptable manufacturing yields;
- availability of wafer fabrication, assembly, and test capacity; and
- market acceptance of our products and the products of our customers.

Both sales and margins may be materially affected if new product introductions are delayed, or if our products are not designed into successive generations of new or existing customers products. Our failure to develop and introduce new products successfully could harm our business and operating results.

In addition, difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of outside foundries can lead to reduced yields of our products. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems may require cooperation between us and our manufacturer. This risk could be compounded by the offshore location of certain of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Manufacturing defects that we do not discover during the manufacturing or testing process may lead to costly product recalls. These risks may lead to increased costs or delayed product delivery, which would harm our profitability and customer relationships.

Shifts in industry-wide capacity and our practice of ordering and purchasing our products based on sales forecasts may result in significant fluctuations in inventory and our quarterly and annual operating results.

We rely on independent foundries and assembly and test houses to manufacture our products. Our reliance on these third party suppliers involves certain risks and uncertainties. For example, shifts in industry-wide capacity from shortages to oversupply, or from oversupply to shortages, may result in significant fluctuations in our quarterly and annual operating results. In addition, we may order wafers and build inventory in advance of receiving purchase orders from our customers. Because our industry is highly cyclical and is subject to significant downturns resulting from excess capacity, overproduction, reduced demand, order cancellations, or technological obsolescence, there is a risk that we will forecast inaccurately and produce excess inventories of particular products. In addition, if we experience supply constraints or manufacturing problems at a particular supplier, we could be required to switch suppliers or qualify additional suppliers. Switching and/or qualifying additional suppliers could be an expensive process and take as long as six to twelve months to complete, which could result in material adverse fluctuations to our operating results.

We generally order our products through non-cancelable purchase orders from third-party foundries based on our sales forecasts, and our customers can generally cancel or reschedule orders they place with us without significant penalties. If we do not receive orders as anticipated by our forecasts, or our customers cancel orders that are placed, we may experience increased inventory levels.

Due to the product manufacturing cycle characteristic of IC manufacturing and the inherent imprecision in the accuracy of our customers forecasts, product inventories may not always correspond to product demand, leading to shortages or surpluses of certain products. As a result of such inventory imbalances, future inventory write-downs and charges to gross margin may occur due to lower of cost or market accounting, excess inventory, and inventory obsolescence. The risks associated with building excess inventory levels may increase during a significant production ramp along the lines of the ramp the Company anticipates in fiscal year 2013.

In general, our customers may cancel or reschedule orders on short notice without incurring significant penalties; therefore, our sales and operating results in any quarter are difficult to forecast.

In general, we rely on customers issuing purchases order to buy our products rather than long-term supply contracts. Customers may cancel or reschedule orders on short notice without incurring significant penalties. Therefore, cancellations, reductions, or delays of orders from any significant customer could have a material adverse effect on our business, financial condition, and results of operations.

In addition, a significant portion of our sales and earnings in any quarter depends upon customer orders for our products that we receive and fulfill in that quarter. Because our expense levels are based in part on our expectations as to future revenue and to a large extent are fixed in the short term, we likely will be unable to adjust spending on a timely basis to compensate for any unexpected shortfall in sales. Accordingly, any significant shortfall of sales in relation to our expectations could hurt our operating results.

Our sales could be materially impacted by the failure of other component suppliers to deliver required parts needed in the final assembly of our customer s end products.

The products we supply our customers are typically a portion of the many components provided from multiple suppliers in order to complete the final assembly of an end product. If one or more of these other component suppliers are unable to deliver their required component(s) in order for the final product to be assembled, our customer may delay, or ultimately cancel, their orders from us.

We are dependent on third-party manufacturing and supply relationships for the majority of our products. Our reliance on third-party foundries and suppliers involves certain risks that may result in increased costs, delays in meeting our customers demand, and loss of revenue.

We do not own or operate a semiconductor fabrication facility and do not have the resources to manufacture the majority of our products internally. We depend upon third parties to manufacture, assemble, package and test the majority of our products. As a result, we are subject to risks associated with these third parties, including:

- insufficient capacity available to meet our demand;
- inadequate manufacturing yields and excessive costs;
- inability of these third parties to obtain an adequate supply of raw materials;
- difficulties selecting and integrating new subcontractors;
- limited warranties on products supplied to us;
- potential increases in prices; and
- increased exposure to potential misappropriation of our intellectual property.

Our outside foundries and assembly and test suppliers generally manufacture our products on a purchase order basis, and we have few long-term supply arrangements with these suppliers. Therefore, our third party manufacturers and suppliers are not obligated to supply us with products for any specific period of time, quantity, or price, except as may be provided in any particular purchase order or in relation to an existing supply agreement. A manufacturing or supply disruption experienced by one or more of our outside suppliers or a disruption of our relationship with an outside foundry could negatively impact the production of certain of our products for a substantial period of time.

In addition, difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of outside foundries can lead to reduced yields of our products. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems may require cooperation between us and our manufacturer. This risk could be compounded by the offshore location of certain of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Manufacturing defects that we do not discover during the manufacturing or testing process may lead to costly product recalls. These risks may lead to increased costs or delayed product delivery, which would harm our profitability and customer relationships.

In some cases, our requirements may represent a small portion of the total production of the third-party suppliers. As a result, we are subject to the risk that a producer will cease production of an older or lower-volume process that it uses to produce our parts. We cannot assure you that our external foundries will continue to devote resources to the production of parts for our products or continue to advance the process design technologies on which the manufacturing of our products are based. Each of these events could increase our costs, lower our gross margin, cause us to hold more inventories, or materially impact our ability to deliver our products on time.

Because we depend on subcontractors internationally to perform key manufacturing functions for us, we are subject to political, economic, and natural disaster risks that could disrupt the fabrication, assembly, packaging, or testing of our products.

We depend on third-party subcontractors, primarily in Asia, for the fabrication, assembly, packaging, and testing of most of our products. International operations may be subject to a variety of risks, including political instability, global health conditions, currency controls, exchange rate fluctuations, changes in import/export regulations, tariff and freight rates, as well as the risks of natural disasters such as earthquakes, tsunamis, and floods. Although we seek to reduce our dependence on any one subcontractor, this concentration of subcontractors and manufacturing operations in Asia subjects us to the risks of conducting business internationally, including associated

political and economic conditions. If we experience manufacturing problems at a particular location, or a supplier is unable to continue operating due to financial difficulties, natural disasters, or other reasons, we would be required to transfer manufacturing to a backup supplier. Converting or transferring manufacturing from a primary supplier to a backup facility could be expensive and time consuming. As a result, delays in our production or shipping by the parties to whom we outsource these functions could reduce our sales, damage our customer relationships, and damage our reputation in the marketplace, any of which could harm our business, results of operations, and financial condition.

Our products are complex and could contain defects, which could result in material costs to us.

Product development in the markets we serve is becoming more focused on the integration of multiple functions on individual devices. There is a general trend towards increasingly complex products. The greater integration of functions and complexity of operations of our products increases the risk that we or our customers or end users could discover latent defects or subtle faults after volumes of product have been shipped. This could result in material costs to us, including, but not limited to:

- reduced margins;
- damage to our reputation;
- a material recall and replacement costs for product warranty and support;
- payments to our customer related to the recall claims as a result of various industry or business practices, contractual requirements, or in order to maintain good customer relationships;
- an adverse impact to our customer relationships by the occurrence of significant defects;
- a delay in recognition or loss of revenues, loss of market share, or failure to achieve market acceptance; and
- a diversion of the attention of our engineering personnel from our product development efforts.

In addition, any defects or other problems with our products could result in financial losses or other damages to our customers who could seek damages from us for their losses. A product liability or warranty claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. In particular, the sale of systems and components that are incorporated into certain applications for the automotive industry involves a high degree of risk that such claims may be made.

While we believe that we are reasonably insured against some of these risks and that we have attempted to contractually limit our financial exposure with many of our customers, a warranty or product liability claim against us in excess of our available insurance coverage and established reserves, or a requirement that we participate in a customer product recall, would have adverse effects (that could be material) on our business, results of operations, and financial condition.

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

Costs associated with unexpected product defects and errata (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 increase our expenses and lower our profitability. 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.

As we carry only limited insurance coverage, any incurred liability resulting from uncovered claims could adversely affect our financial condition and results of operations.

Our insurance policies may not be adequate to fully offset losses from covered incidents, and we do not have coverage for certain losses. For example, there is limited coverage available with respect to the services provided by our third party foundries and assembly and test subcontractors. Although we believe that our existing insurance coverage is consistent with common practices of companies in our industry, our insurance coverage may be inadequate to protect us against product recalls, natural disasters, and other unforeseen catastrophes that could adversely affect our financial condition and results of operations.

We have historically experienced fluctuations in our operating results and expect these fluctuations to continue in future periods.

Our quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect our net sales, gross margin, and operating results. If our operating results fall below expectations of market analysts or investors, the market price of our common stock could decrease significantly. We are subject to business cycles and it is difficult to predict the timing, length, or volatility of these cycles. These business cycles may create pressure on our sales, gross margin, and/or operating results.

Factors that could cause fluctuations and materially and adversely affect our net sales, gross margin and operating results include, but are not limited to:

- the volume and timing of orders received;
- changes in the mix of our products sold;
- market acceptance of our products and the products of our customers;
- excess or obsolete inventory;
- competitive pricing pressures;
- our ability to introduce new products on a timely basis;
- the timing and extent of our research and development expenses;
- the failure to anticipate changing customer product requirements;
- disruption in the supply of wafers, assembly, or test services;
- reduction of manufacturing yields;
- certain production and other risks associated with using independent manufacturers, assembly houses, and testers; and
- product obsolescence, price erosion, competitive developments, and other competitive factors.

We may be adversely impacted by current global economic conditions. As a result, our financial results and the market price of our common shares may decline.

Current global economic conditions could make it difficult for our customers, our suppliers, and us to accurately forecast and plan future business activities, and could cause global businesses to defer or reduce spending on our products, or increase the costs of manufacturing our products. During challenging economic times our customers and distributors may face issues gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our days sales outstanding would increase.

We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery. If the economy or markets in which we operate were to deteriorate, our business, financial condition, and results of operations will likely be materially and/or adversely affected.

Our results may be affected by the fluctuation in sales in the consumer entertainment market.

Because we sell products in the consumer entertainment market, we are likely to be affected by seasonality in the sales of our products. Further, a decline in consumer confidence and consumer spending relating to economic conditions, terrorist attacks, armed conflicts, oil prices, global health conditions, natural disasters, and/or the political stability of countries that we operate in or sell into could have a material adverse effect on our business.

Our products may be subject to average selling prices that decline over short time periods. If we are unable to increase our volumes, introduce new or enhanced products with higher selling prices, or reduce our costs, our business and operating results could be harmed.

Historically in the semiconductor industry, average selling prices of products have decreased over time. If the average selling price of any of our products decline and we are unable to increase our unit volumes, introduce new or enhanced products with higher margins, and/or reduce manufacturing costs to offset anticipated decreases in the prices of our existing products, our operating results may be adversely affected. In addition, because of procurement lead times, we are limited in our ability to reduce total costs quickly in response to any sales shortfalls. Because of these factors, we may experience material adverse fluctuations in our future operating results on a quarterly or annual basis.

We have significant international sales, and risks associated with these sales could harm our operating results.

Export sales, principally to Asia, include sales to U.S-based customers with overseas manufacturing plants or manufacturing sub-contractors. These export sales represented 88 percent, 82 percent, and 79 percent of our net sales in fiscal years 2012, 2011, and 2010, respectively. We expect export sales to continue to represent a significant portion of product sales. This reliance on international sales subjects us to the risks of conducting business internationally, including risks associated with political and economic instability, global health conditions, currency controls, exchange rate fluctuations and changes in import/export regulations, tariff and freight rates, as well as the risks of natural disaster, especially in Asia. For example, the political or economic instability in a given region may have an adverse impact on the financial position of end users in the region, which could affect future orders and harm our results of operations. Our international sales operations involve a number of other risks including, but not limited to:

- unexpected changes in government regulatory requirements;
- changes to countries   banking and credit requirements;
- changes in diplomatic and trade relationships;
- delays resulting from difficulty in obtaining export licenses for technology;
- tariffs and other barriers and restrictions;
- competition with non-U.S. companies or other domestic companies entering the non-U.S. markets in which we operate;
- longer sales and payment cycles;
- problems in collecting accounts receivable; and
- the burdens of complying with a variety of non-U.S. laws.

In addition, our competitive position may be affected by the exchange rate of the U.S. dollar against other currencies. Consequently, increases in the value of the dollar would increase the price in local currencies of our products in non-U.S. markets and make our products relatively more expensive. Alternatively, decreases in the

value of the dollar will increase the relative cost of operations that are based overseas. We cannot provide assurances that regulatory, political and other factors will not adversely affect our operations in the future or require us to modify our current business practices.

We are subject to the export control regulations of the U.S. Department of State and the Department of Commerce. A violation of these export control regulations could have a material adverse effect on our business or our results of operations, cash flows, or financial position.

The nature of our international business, and in particular, the manufacture and sale of certain products from our Apex Precision Power Product line, subjects us to the export control regulations of the U.S. Department of State and the Department of Commerce. If these export control regulations are violated, it could result in monetary penalties and denial of export privileges. The U.S. government is very strict with respect to compliance and has served notice generally that failure to comply with these regulations may subject violators to fines and/or imprisonment. Although we are not aware of any material violation of any export control regulations, a failure to comply with any of the above mentioned regulations could have a material adverse effect on our business.

Our international operations subject our business to additional political and economic risks that could have an adverse impact on our business.

In addition to export sales constituting a large portion of our net sales, we maintain international operations, sales, and technical support personnel. International expansion has required, and will continue to require, significant management attention and resources. There are risks inherent in expanding our presence into non-U.S. regions, including, but not limited to:

- difficulties in staffing and managing non-U.S. operations;
- failure of non-U.S. laws to adequately protect our U.S. intellectual property, patent, trademarks, copyrights know-how and other proprietary rights;
- global health conditions and potential natural disasters;
- political and economic instability in international regions;
- international currency controls and exchange rate fluctuations;
- vulnerability to terrorist groups targeting American interests abroad; and
- legal uncertainty regarding liability and compliance with non-U.S. laws and regulatory requirements.

If we are unable to successfully manage the demands of our international operations, it may have a material adverse effect on our business, financial condition, or results of operations.

Our failure to manage our distribution channel relationships could adversely affect our business.

The future of our business, as well as the future growth of our business, will depend in part on our ability to manage our relationships with current and future distributors and external sales representatives and to develop additional channels for the distribution and sale of our products. The inability to successfully manage these relationships could adversely affect our business.

Strong competition in the semiconductor market may harm our business.

The IC industry is intensely competitive and is frequently characterized by rapid technological change, price erosion, technological obsolescence, and a push towards IC component integration. Because of shortened product life cycles and even shorter design-in cycles in a number of the markets that we serve, our competitors have increasingly frequent opportunities to achieve design wins in next-generation systems. In the event that competitors succeed in supplanting our products, our market share may not be sustainable and our net sales, gross margin and operating results would be adversely affected. Additionally, further component integration could eliminate the need for our products.

We compete in a number of fragmented markets. Our principal competitors in these markets include AKM Semiconductor Inc., Analog Devices Inc., Austriamicrosystems AG, Dialog Semiconductor, Freescale Semiconductor Inc., Integrated Device Technology Inc., iWatt Inc., Infineon Technologies AG, Linear Technologies Corporation, Maxim Integrated Products Inc., NXP Semiconductors N.V., ON Semiconductor Corporation, Power Integrations Inc., Realtek Semiconductor Corporation, ST Microelectronics N.V., Texas Instruments, Inc., and Wolfson Microelectronics plc. Many of these competitors have greater financial, engineering, manufacturing, marketing, technical, distribution, and other resources; broader product lines; broader intellectual property portfolios; and longer relationships with customers. We also expect intensified competition from emerging companies and from customers who develop their own IC products. In addition, some of our current and future competitors maintain their own fabrication facilities, which could benefit them in connection with cost, capacity, and technical issues.

Increased competition could adversely affect our business. We cannot provide assurances that we will be able to compete successfully in the future or that competitive pressures will not adversely affect our financial condition and results of operations. Competitive pressures could reduce market acceptance of our products and result in price reductions and increases in expenses that could adversely affect our business and our financial condition.

We may be unable to protect our intellectual property rights.

Our success depends in part on our ability to obtain patents and to preserve our other intellectual property rights covering our products. We seek patent protection for those inventions and technologies for which we believe such protection is suitable and is likely to provide a competitive advantage to us. We also rely on trade secrets, proprietary technology, non-disclosure and other contractual terms, and technical measures to protect our technology and manufacturing knowledge. We work actively to foster continuing technological innovation to maintain and protect our competitive position. We cannot provide assurances that steps taken by us to protect our intellectual property will be adequate, that our competitors will not independently develop or design around our patents, or that our intellectual property will not be misappropriated. In addition, the laws of some non-U.S. countries may not protect our intellectual property as well as the laws of the United States.

Any of these events could materially and adversely affect our business, operating results, and financial condition. Policing infringement of our technology is difficult, and litigation may be necessary in the future to enforce our intellectual property rights. Any such litigation could be expensive, take significant time, and divert management s attention from other business concerns.

Potential intellectual property claims and litigation could subject us to significant liability for damages and could invalidate our proprietary rights.

The IC industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may find it necessary to initiate a lawsuit to assert our patent or other intellectual property rights. These legal proceedings could be expensive, take significant time, and divert management s attention from other business concerns. We cannot provide assurances that we will ultimately be successful in any lawsuit, nor can we provide assurances that any patent owned by us will not be invalidated, circumvented, or challenged. We cannot provide assurances that rights granted under our patents will provide competitive advantages to us, or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all.

As is typical in the IC industry, we and our customers have, from time to time, received and may in the future receive, communications from third parties asserting patents, mask work rights, or copyrights. In the event third parties were to make a valid intellectual property claim and a license was not available on commercially reasonable terms, our operating results could be harmed. Litigation, which could result in substantial cost to us and diversion of our management, technical and financial resources, may also be necessary to defend us against claimed infringement of the rights of others. An unfavorable outcome in any such suit could have an adverse effect on our future operations and/or liquidity.

If we fail to attract, hire and retain qualified personnel, we may not be able to develop, market, or sell our products or successfully manage our business.

Competition for highly qualified personnel in our industry is intense. The number of technology companies in the geographic areas in which we operate is greater than it has been historically and we expect competition for qualified personnel to intensify. There are only a limited number of individuals in the job market with the requisite skills. Our Human Resources organization focuses significant efforts on attracting and retaining individuals in key technology positions. The loss of the services of key personnel or our inability to hire new personnel with the requisite skills could restrict our ability to develop new products or enhance existing products in a timely manner, sell products to our customers, or manage our business effectively.

We may acquire other companies or technologies, which may create additional risks associated with our ability to successfully integrate them into our business.

We continue to consider future acquisitions of other companies, or their technologies or products, to improve our market position, broaden our technological capabilities, and expand our product offerings. If we are able to acquire companies, products or technologies that would enhance our business, we could experience difficulties in integrating them. Integrating acquired businesses involves a number of risks, including, but not limited to:

- the potential disruption of our ongoing business;
- unexpected costs or incurring unknown liabilities;
- the diversion of management resources from other strategic and operational issues;
- the inability to retain the employees of the acquired businesses;
- difficulties relating to integrating the operations and personnel of the acquired businesses;
- adverse effects on the existing customer relationships of acquired companies;
- the potential incompatibility of business cultures;
- adverse effects associated with entering into markets and acquiring technologies in areas in which we have little experience; and
- acquired intangible assets becoming impaired as a result of technological advancements, or worse-than-expected performance of the acquired company.

If we are unable to successfully address any of these risks, our business could be harmed.

We may not be able to borrow funds under our credit facility or secure future financing.

On April 19, 2012, we entered into a Credit Agreement (the Credit Agreement) with Wells Fargo Bank, National Association, as Administrative Agent and Issuing Lender, Barclays Bank, as Syndication Agent, Wells Fargo Securities, LLC and Barclays Capital, as Joint Lead Arrangers and Co-Book Managers, and the lenders referred to therein (the Lenders). The Credit Agreement provides for a $100 million unsecured revolving credit facility (the Credit Facility) with a $15 million letter of credit sublimit. We view this Credit Facility as a source of available liquidity to fund fluctuations in our working capital requirements. For example, if we experience an increase in order activity from our customers, our cash balance may decrease due to the need to purchase inventories to fulfill those orders. If this occurs, we may need to draw on this facility. This facility contains various conditions, covenants and representations with which we must be in compliance in order to borrow funds. We cannot assure that we will be in compliance with these conditions, covenants and representations in the future when we may need to borrow funds under this facility. In addition, this facility expires on April 18, 2013, after which time we may need to secure new financing to continue funding fluctuations in our working capital requirements. We cannot assure that we will be able to secure new financing, or financing on terms that are acceptable to us.

Our ability to service our indebtedness will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory, and other factors, some of which are beyond our control. If our operating results are not sufficient to service our

future indebtedness, we will be forced to take actions such as reducing or delaying business activities, acquisitions, investments, and/or capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms or at all.

Our financial results may be adversely affected by changes in the valuation allowance on our deferred tax assets.

The Company has a significant amount of deferred tax assets. Our ability to recognize these deferred tax assets is dependent upon our ability to determine whether it is more likely than not that we will be able to realize, or actually use, these deferred tax assets. That determination depends primarily on our ability to generate future U.S. taxable income. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. These changes, if any, may require possible material adjustments to the net deferred tax asset and an accompanying reduction or increase in net income in the period in which such determinations are made.

Our stock price has been and is likely to continue to be volatile.

The market price of our common stock fluctuates significantly. This fluctuation has been or may be the result of numerous factors, including, but not limited to:

- actual or anticipated fluctuations in our operating results;
- announcements concerning our business or those of our competitors, customers, or suppliers;
- loss of a significant customer, or customers;
- changes in financial estimates by securities analysts or our failure to perform as anticipated by the analysts;
- news, commentary, and rumors emanating from the media relating to us, our customers, or the industry. These reports may be unrelated to the actual operating performance of the Company, and in some cases, may be potentially misleading or incorrect;
- announcements regarding technological innovations or new products by us or our competitors;
- announcements by us of significant acquisitions, strategic partnerships, joint ventures, or capital commitments;
- announcements by us of significant divestitures or sale of certain assets or intellectual property;
- litigation arising out of a wide variety of matters, including, among others, employment matters and intellectual property matters;
- departure of key personnel;
- single significant stockholders selling for any reason;
- general conditions in the IC industry; and
- general market conditions and interest rates.

We have provisions in our Certification of Incorporation and Bylaws, and are subject to certain provisions of Delaware law, which could prevent, delay or impede a change of control of our company. These provisions could affect the market price of our stock.

Certain provisions of Delaware law and of our Certificate of Incorporation and Bylaws could make it more difficult for a third party to acquire us, even if our stockholders support the acquisition. These provisions include, but are not limited to:

- the inability of stockholders to call a special meeting of stockholders;
- a prohibition on stockholder action by written consent; and

- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders.

We are also subject to the anti-takeover laws of Delaware that may prevent, delay or impede a third party from acquiring or merging with us, which may adversely affect the market price of our common stock.

We are subject to the risks of owning real property.

We are nearing completion of construction of our U.S. headquarters in Austin, Texas, and we own our facility in Tucson, Arizona. The ownership of our U.S. headquarters, along with the ownership of our facility in Tucson, subject us to the risks of owning real property, which may include:

- the possibility of environmental contamination and the costs associated with correcting any environmental problems;
- adverse changes in the value of these properties, due to interest rate changes, changes in the neighborhood in which the property is located, or other factors;
- increased cash commitments for constructing a new building in Austin, Texas, or improving the current building and property in Tucson, Arizona; and
- the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of fire, floods, or other natural disasters.

ITEM 1B. ***Unresolved Staff Comments***

None.

ITEM 2. ***Properties***

As of May 1, 2012, our principal leased facilities, located in Austin, Texas, consisted of approximately 214,000 square feet of office space. This leased space includes our headquarters and engineering facility, which has 197,000 square feet, of which we have subleased approximately 15,000 square feet. Our principal leased facilities in Austin, Texas also include 17,000 square feet of leased space at our failure analysis facility with lease terms that extend into calendar year 2013. Both the lease and subleases at our current headquarters and engineering facility have terms ending in August 2012. In lieu of renewing this lease and its subleases, we will be moving the Austin employees staffed there into the Company s new corporate headquarters in Austin, Texas. We anticipate completing the construction of this facility in the summer of 2012. The new headquarters facility will consist of approximately 135,000 square feet of office space and will primarily be occupied by research and development personnel. With the sharp increase in staffing levels following construction commencement, it was necessary to obtain additional office space to fulfill these needs. The Company purchased an adjacent property in May 2011 and, in February 2012, entered into a lease agreement for nearby office space. The purchased property consists of about 16,000 square feet of space, 7,000 square feet of which is currently subleased through November 2014. We expect to staff this facility with a mixture of administrative personnel, research and development personnel, and testing equipment once the current subleases expire and renovations are complete. The leased property consists of approximately 30,000 square feet. We expect the five year lease term to commence on our anticipated arrival date beginning June 2012. This facility will primarily be occupied by administrative personnel.

Our operations in Tucson, Arizona are supported by two facilities, which house the employees who design, manufacture, and sell our Apex brand of products. The first facility is a 56,000 square foot building owned by the Company which includes an assembly facility as well as engineering and administrative personnel that supports the manufacture and sale of our Apex brand of products. The second facility is 28,000 square feet of leased office space primarily occupied by engineering personnel. The term of this lease extends through May 2015.

Below is a detailed schedule that identifies our occupied leased and owned property locations as of May 1, 2012, with various lease terms through fiscal year 2015:

Design Centers	Sales Support Offices USA	Sales Support Offices International
Austin, Texas	Burlington, Massachusetts	Hong Kong, China
Tucson, Arizona		Shanghai, China
		Shenzhen, China
		Tokyo, Japan
		Singapore
		Seoul, South Korea
		Taipei, Taiwan
		Buckinghamshire, United Kingdom

See Note 9 - Commitments and Contingencies of the Notes to Consolidated Financial Statements contained in Item 8 for further detail.

ITEM 3. ***Legal Proceedings***

As of the balance sheet date, to the best of our knowledge, the Company is not a party to any material pending litigation. From time to time, various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, intellectual property, employment disputes, as well as other issues. Frequent claims and litigation involving these types of issues are not uncommon in our industry. As to any of these potential claims or litigation, we cannot predict the ultimate outcome with certainty.

ITEM 4. ***Mine Safety Disclosures***

Not applicable.

PART II

ITEM 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol CRUS. The following table shows, for the periods indicated, the high and low intra-day sales prices for our Common Stock.

	High	Low
Fiscal year ended March 31, 2012		
First quarter	$ 21.96	$ 13.13
Second quarter	18.51	12.52
Third quarter	18.35	13.40
Fourth quarter	24.85	15.69
Fiscal year ended March 26, 2011		
First quarter	$ 18.85	$ 7.86
Second quarter	21.20	14.55
Third quarter	19.07	12.39
Fourth quarter	25.48	15.86

As of May 29, 2012, there were approximately 710 holders of record of our Common Stock.

We have not paid cash dividends on our Common Stock and currently intend to continue a policy of retaining any earnings for reinvestment in our business.

The information under the caption Equity Compensation Plan Information in our 2012 Proxy Statement is incorporated herein by reference.

Stock Price Performance Graph

The following graph and table show a comparison of the five-year cumulative total stockholder return, calculated on a dividend reinvestment basis, for Cirrus Logic, the S&P 500 Composite Index (the S&P 500), and the Semiconductor Subgroup of the S&P Electronics Index (the S&P Semiconductors Index).

	3/31/07	3/29/08	3/28/09	3/27/10	3/26/11	3/31/12
Cirrus Logic, Inc.	**100.00**	**86.55**	**52.22**	**103.00**	**276.24**	**310.70**
S&P 500 Index	**100.00**	**94.38**	**60.10**	**87.78**	**100.83**	**110.48**
S&P 500 Semiconductors Index	**100.00**	**93.62**	**69.29**	**105.35**	**117.51**	**135.18**

(1) The graph assumes that $100 was invested in our common stock and in each index at the market close on March 31, 2007, and that all dividends were reinvested. No cash dividends were declared on our common stock during the periods presented.

(2) Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

The information in this Form 10-K appearing under the heading Stock Price Performance Graph is being furnished pursuant to Item 2.01(e) of Regulation S-K under the securities Act of 1933, as amended, and shall not be deemed to be soliciting material or filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C, other than as provided in Item 201(e) of Regulation S-K, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 6. ***Selected Consolidated Financial Data***

The information contained below should be read along with *Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8 Financial Statements and Supplementary Data* (Amounts in thousands, except per share amounts).

	Fiscal Years				
	2012 (1)	**2011** (1)	**2010** (1)	**2009** (2)	**2008** (3)
Net sales	$ 426,843	$ 369,571	$ 220,989	$ 174,642	$ 181,885
Net Income (loss)	87,983	203,503	38,398	3,475	(5,846)
Basic earnings (loss) per share	$ 1.35	$ 3.00	$ 0.59	$ 0.05	$ (0.07)
Diluted earnings (loss) per share	$ 1.29	$ 2.82	$ 0.59	$ 0.05	$ (0.07)
Financial position at year end:					
Cash, cash equivalents, restricted investments and marketable securities	$ 184,788	$ 215,055	$ 141,626	$ 120,232	$ 187,498
Total assets	544,462	496,621	267,610	207,004	298,306
Working capital	278,602	267,416	142,965	126,908	194,665
Long-term obligations	5,620	6,188	7,119	8,328	9,381
Total stockholders equity	$ 465,857	$ 438,379	$ 218,601	$ 172,928	$ 240,935

1) Refer to the consolidated financial statements and the Notes thereto contained in Item 8 of this Form 10-K for fiscal years 2012, 2011, and 2010 for an expanded discussion of factors that materially affect the comparability of the information reflected in the selected consolidated financial data presented above.

2) The reduction in cash, cash equivalents, restricted investments, and marketable securities, as well as total stockholders equity, in fiscal year 2009 was primarily attributable to the completion of a $150 million stock repurchase program, which commenced in late fiscal year 2008 and was completed in fiscal year 2009.

3) Net income in fiscal year 2008 was unfavorably impacted by a $10.5 million restructuring charge, a $4.6 million charge to increase the valuation allowance on our U.S. deferred tax assets, a $4.5 million increase in research and development expenses primarily attributable to the acquisition of Apex Microtechnology, a $3.7 million charge for an impairment of non-marketable securities, and a $1.8 million charge for acquired in-process research and development associated with the Apex Microtechnology acquisition.

ITEM 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

You should read the following discussion in conjunction with our audited historical consolidated financial statements and notes thereto, which are included elsewhere in this Form 10-K. Management s Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. Actual results could differ materially because of the factors discussed in Part I, Item 1A. Risk Factors of this Form 10-K.

Critical Accounting Policies

Our discussion and analysis of the Company s financial condition and results of operations are based upon the consolidated financial statements included in this report, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts. We evaluate the estimates on an on-going basis. We base these estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

We believe the following critical accounting policies involve significant judgments and estimates that are used in the preparation of the consolidated financial statements:

- For purposes of determining the variables used in the calculation of stock compensation expense for stock options, we perform an analysis of current market data and historical company data to calculate an estimate of implied volatility, the expected term of the option, and the expected forfeiture rate. With the exception of the expected forfeiture rate, which is not an input, we use these estimates as variables in the Black-Scholes option pricing model. Depending upon the number of stock options granted, any fluctuations in these calculations could have a material effect on the results presented in our Consolidated Statement of Operations. In addition, any differences between estimated forfeitures and actual forfeitures could also have a material impact on our financial statements. See Note 8 Equity Compensation of the Notes to Consolidated Financial Statements for additional details.

- We recognize revenue when all of the following criteria are met: persuasive evidence that an arrangement exists, delivery of goods has occurred, the sales price is fixed or determinable and collectability is reasonably assured. We evaluate our distributor arrangements, on a distributor by distributor basis, with respect to each of the four criteria above. For a majority of our distributor arrangements, we provide rights of price protection and stock rotation. As a result, revenue is deferred at the time of shipment to our domestic distributors and certain international distributors due to the determination that the ultimate sales price to the distributor is not fixed or determinable. Once the distributor has resold the product, and our final sales price is fixed or determinable, we recognize revenue for the final sales price and record the related costs of sales. For certain of our smaller international distributors, we do not grant price protection rights and provide minimal stock rotation rights. For these distributors, revenue is recognized upon delivery to the distributor, less an allowance for estimated returns, as the revenue recognition criteria have been met upon shipment.

  Further, the Company defers the associated cost of goods sold on our consolidated balance sheet, net within the deferred income caption. The Company routinely evaluates the products held by our distributors for impairment to the extent such products may be returned by the distributor within these limited rights and such products would be considered excess or obsolete if included within our own inventory. Products returned by distributors and subsequently scrapped have historically been immaterial to the Company.

- We provide for the recognition of deferred tax assets if realization of such assets is more likely than not. The Company evaluates the ability to realize its deferred tax assets by using a three year forecast to determine the amount of net operating losses and other deferred tax assets that would be utilized if we achieved the results set

forth in the three year forecast. The Company limited the forecast period to three years because of the cyclical and competitive nature of the semiconductor industry, and the Company s reliance on a key customer who represented approximately 62 percent of total sales in fiscal year 2012. There can be no assurance that we will achieve the results set forth in our three year forecast and our actual results may differ materially from our forecast.

We have provided a valuation allowance against a portion of our net U.S. deferred tax assets due to uncertainties regarding their realization. We evaluate our ability to realize our deferred tax assets basis by determining whether or not the anticipated future taxable income is expected to be sufficient to utilize the deferred tax assets that we have recognized. If our future income is not sufficient to utilize the deferred tax assets that we have recognized, we increase the valuation allowance to the point at which all of the remaining recognized deferred tax assets will be utilized by the future taxable income. If our anticipated future taxable income is sufficient to conclude that additional deferred tax assets should be recognized, we decrease the valuation allowance. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the Internal Revenue Service or other taxing jurisdiction. If our estimates of these taxes are greater or less than actual results, an additional tax benefit or charge will result. See Note 14 Income Taxes of the Notes to Consolidated Financial Statements contained in Item 8.

- The Company evaluates the collectability of accounts receivable. We maintain allowances for doubtful accounts for estimated losses resulting from the inability or failure of our customers to make required payments. We regularly evaluate our allowance for doubtful accounts based upon the age of the receivable, our ongoing customer relations, as well as any disputes with the customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which could have a material effect on our operating results and financial position. Additionally, we may maintain an allowance for doubtful accounts for estimated losses on receivables from customers with whom we are involved in litigation. See Note 5 Accounts Receivable, net of the Notes to Consolidated Financial Statements contained in Item 8.

- Inventories are recorded at the lower of cost or market, with cost being determined on a first-in, first-out basis. We write down inventories to net realizable value based on forecasted demand, management judgment, and the age of inventory. Actual demand and market conditions may be different from those projected by management, which could have a material effect on our operating results and financial position. See Note 2 Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements contained in Item 8.

- We evaluate the recoverability of property, plant, and equipment and intangible assets by testing for impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amounts. An impairment loss is recognized in the event the carrying value of these assets exceeds the fair value of the applicable assets. Impairment evaluations involve management estimates of asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management, which could have a material effect on our operating results and financial position. See Note 6 Intangibles, net of the Notes to Consolidated Financial Statements contained in Item 8.

- The Company evaluates goodwill and other intangible assets. Goodwill is recorded at the time of an acquisition and is calculated as the difference between the total consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The Company tests goodwill for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. Impairment evaluations involve management estimates of asset useful lives and future cash flows. Significant management judgment is required in the forecasts of future operating results that are used in the evaluations. It is possible, however, that the plans and estimates used may be incorrect. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. There were no impairments of goodwill in fiscal years 2012, 2011, or 2010.

- Our available-for-sale investments, non-marketable securities and other 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. This determination requires significant judgment and actual results may be materially different than our estimate. Marketable securities are evaluated for impairment if the decline in fair value below cost basis is significant and/or has lasted for an extended period of time. Non-marketable securities or other investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. For investments accounted for using the cost method of accounting, we evaluate information (e.g., budgets, business plans, financial statements) in addition to quoted market prices, if any, in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults, and subsequent rounds of financings at an amount below the cost basis of the investment. This list is not all inclusive and we weigh all quantitative and qualitative factors in determining if an other-than-temporary decline in value of an investment has occurred. When a decline in value is deemed to be other-than-temporary, we recognize an impairment loss in the current period s operating results to the extent of the decline. Actual values could be different from those estimated by management, which could have a material effect on our operating results and financial position. See Note 3 Marketable Securities of the Notes to Consolidated Financial Statements contained in Item 8.

We are subject to the possibility of loss contingencies for various legal matters. See Note 10 Legal Matters of the Notes to Consolidated Financial Statements contained in Item 8. We regularly evaluate current information available to us to determine whether any accruals should be made based on the status of the case, the results of the discovery process and other factors. If we ultimately determine that an accrual should be made for a legal matter, this accrual could have a material effect on our operating results and financial position and the ultimate outcome may be materially different than our estimate.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Accounting Standards Codification (ASC) Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in this ASU result in common fair value measurement and disclosure requirements in U.S. GAAP and international financial reporting standards (IFRS). The ASU provides for certain changes in current GAAP disclosure requirements, including the measurement of level 3 assets and measuring the fair value of an instrument classified in a reporting entity s shareholders equity. The amendments in this ASU are to be applied prospectively, and are effective during interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (ASC Topic 220) Presentation of Comprehensive Income*. With this update, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Current U.S. GAAP allows reporting entities the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity; this update eliminates that option. The amendments in this ASU should be applied retrospectively, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance will affect financial statement presentation only and therefore, will not have a material impact on our consolidated financial position, results of operations or cash flows. This ASU was further revised in ASU No. 2011-12, *Comprehensive Income (Topic 220) - Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* that was issued in December 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows, but will result in an additional statement of other comprehensive income.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles Goodwill and Other (Topic 350 - Testing Goodwill for Impairment*. Under the amendments in this Update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test and proceed as dictated in previous FASB guidance. Under the amendments in this Update, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

Overview

Cirrus Logic develops high-precision analog and mixed-signal ICs for a broad range of audio and energy markets. We track operating results in one reportable segment, but assess financial performance by product line, which currently are audio and energy product lines. In fiscal year 2012, the Company completed the $80 million stock repurchase program at an average of $15.51 per share that we began in 2011, continued to target growing markets that we were focused on in previous years and developed new winning designs. We also successfully launched our first LED controller within the energy product line in the current fiscal year focused on our new lighting initiative.

Fiscal Year 2012

Fiscal year 2012 net sales of $426.8 million represented a 15 percent increase, which is our target annual growth rate, over fiscal year 2011 net sales of $369.6 million. Audio product line sales of $350.7 million in fiscal year 2012 represented a 32 percent increase over fiscal year 2011 sales of $264.8 million and were primarily attributable to higher sales of portable audio products. Energy product line sales of $76.1 million in fiscal year 2012 represented a 27 percent decrease from fiscal year 2011 sales of $104.7 million, and were attributable to decreased sales across product lines, primarily in the seismic product line.

In fiscal year 2012, we launched our first LED controller within our energy product line and continued our strategy of targeting growing markets, where we can showcase our expertise in analog and digital signal processing to solve challenging problems.

Overall gross margin of 54.0 percent for fiscal year 2012 remained strong, representing an approximate 14 percent increase in gross profit over prior years. The Company achieved net income of $88.0 million in fiscal year 2012, which included a benefit for income taxes in the amount of $8.0 million upon realizing net deferred tax assets. Additionally, the Company s number of employees grew to 676 in the current fiscal year, due to the increased demand for engineering talent for existing projects.

Fiscal Year 2011

The Company completed a $150 million stock repurchase program in fiscal year 2011 and continued our strategy of targeting and developing relationships with Tier 1 customers in growing markets, such as portable audio products, including smartphones; automobile audio amplifiers; and energy measurement and energy control. We built on our diverse analog and signal-processing patent portfolio by delivering highly optimized products for a variety of audio and energy-related applications. We dedicated substantial resources and investments towards portable audio products, but also invested in energy-related applications.

Fiscal year 2011 net sales of $369.6 million represented a 67 percent increase over fiscal year 2010 net sales of $221.0 million. Audio product line sales of $264.8 million in fiscal year 2011 represented a 72 percent increase over fiscal year 2010 sales of $153.7 million, and were primarily attributable to higher sales of portable audio

and surround codec products. Energy product line sales of $104.7 million in fiscal year 2011 represented a 56 percent increase over fiscal year 2010 sales of $67.3 million, and were primarily attributable to higher sales of seismic, power meter, and power amplification products.

Overall gross margin of 54.7 percent for fiscal year 2011 reflected an increase from fiscal year 2010 margin of 53.7 percent due to enhanced supply chain management and in particular to the sales of seismic, power meter, and power amplification products.

With expanding design win opportunities in both our audio and energy product lines, the Company continued to hire engineering talent, which resulted in an increase of 64 research and development employees, or 26 percent, as compared to the end of fiscal year 2010.

The Company achieved net income of $203.5 million in fiscal year 2011, which included a benefit for income taxes in the amount of $119.3 million as a result of the realization of an additional $120.0 million of net deferred tax assets. Finally, the Company s cash, cash equivalents and investments balances as of March 26, 2011, of $215.1 million reflects an increase of $73.5 million, or 52 percent, over the ending balances from the prior fiscal year.

Fiscal Year 2010

Fiscal year 2010 net sales of $221 million represented a 27 percent increase over fiscal year 2009 net sales of $174.6 million. Increased sales from our audio product line, in particular portable audio and surround codec products, were key drivers in the overall improvement in top-line revenues in fiscal year 2010 versus the prior fiscal year.

Net sales from our energy product line reflected a net 13 percent reduction from fiscal year 2009 results, but we saw improvements in a variety of our energy product lines throughout fiscal year 2010, as our traditional industrial business benefitted from the improving economy. Seismic product sales were down from prior year peak levels, although they improved sequentially throughout fiscal year 2010.

Overall gross margin of 53.7 percent for fiscal year 2010 reflected a decrease from fiscal year 2009 margin of 55.6 percent due to the recent growth in sales of portable audio products, as well as a mix change to lower margin products in our energy product line driven primarily by a reduction in seismic product sales in fiscal year 2010.

Results of Operations

The following table summarizes the results of our operations for each of the past three fiscal years as a percentage of net sales. All percentage amounts were calculated using the underlying data, in thousands:

	Fiscal Years Ended		
	March 31, 2012	**March 26, 2011**	**March 27, 2010**
Net sales	100%	100%	100%
Gross margin	54%	55%	54%
Research and development	20%	17%	23%
Selling, general and administrative	15%	16%	21%
Patent agreement, net	%	(1%)	%
Income from operations	19%	23%	11%
Interest income	%	%	1%
Other income (expense), net	%	%	%
Income before income taxes	19%	23%	12%
Benefit for income taxes	(2%)	(32%)	(5%)
Net income	21%	55%	17%

Net Sales

We report sales in two product categories: audio products and energy products. Our sales by product line are as follows (in thousands):

	March 31, 2012	March 26, 2011	March 27, 2010
Audio products	$ 350,743	$ 264,840	$ 153,661
Energy products	76,100	104,731	67,328
Total	$ 426,843	$ 369,571	$ 220,989

Net sales for fiscal year 2012 increased 15 percent, to $426.8 million from $369.6 million in fiscal year 2011. The increase in net sales reflects an $85.9 million increase in audio product sales and a $28.6 million decrease in energy product sales. The audio products group experienced growth primarily from the sales of portable products, while the decline in energy product group sales was attributable to decreased sales across product lines.

Net sales for fiscal year 2011 increased 67 percent, to $369.6 million from $221.0 million in fiscal year 2010. The increase in net sales reflects a $111.2 million increase in audio product sales and a $37.4 million increase in energy product sales. The audio products group experienced growth primarily from the sales of portable and surround codecs products, while the energy product group sales increases were primarily attributable to sales of seismic, power meter, and power amplification products.

Export sales, principally to Asia, including sales to U.S.-based customers that manufacture products at plants overseas, were approximately $376.6 million in fiscal year 2012, $302.7 million in fiscal year 2011, and $173.6 million in fiscal year 2010. Export sales to customers located in Asia were 79 percent, 70 percent, and 65 percent of net sales in fiscal years 2012, 2011, and 2010, respectively. All other export sales represented 9 percent, 12 percent, and 14 percent of net sales in fiscal years 2012, 2011, and 2010, respectively.

Our sales are denominated primarily in U.S. dollars. During fiscal years 2012, 2011, and 2010, we did not enter into any foreign currency hedging contracts.

Gross Margin

Overall gross margin of 54.0 percent for fiscal year 2012 reflects a decrease from fiscal year 2011 margin of 54.7 percent, primarily due to energy product line decreases, and in particular, the decreased sales of seismic products. This decrease was offset by a 3 percent increase in margins in the audio product lines, primarily portable products. Fiscal year 2012 sales of product written down in prior periods contributed approximately $1.8 million, or 0.4 percent, to gross margin compared to approximately $1.5 million, or 0.4 percent, in fiscal year 2011. In total, excess and obsolete inventory charges, including scrapped inventory, decreased by $5.2 million from fiscal year 2011 and resulted in an increase of gross margin of 1.2 percent. The $5.2 million decrease in excess and obsolete inventory charges was primarily attributable to a charge of approximately $4.2 million in the fourth quarter of fiscal year 2011, discussed below. Additionally, in fiscal year 2012, gross margin was negatively affected 0.5 percent as a result of the production issue discussed below.

Overall gross margin of 54.7 percent for fiscal year 2011 reflects an increase from fiscal year 2010 margin of 53.7 percent, primarily due to enhanced supply chain management, sales activity within the energy product line, and in particular to the sales of seismic, power meter, and power amplification products. The sale of product written down in prior fiscal years contributed approximately $1.5 million, or 0.4 percent, to gross margin compared to approximately $1.3 million, or 0.6 percent, in fiscal year 2010. In total, excess and obsolete inventory charges, including scrapped inventory, increased by $5.1 million from fiscal year 2010 and resulted in a decrease of gross margin by 1.4 percent. The $5.1 million increase in excess and obsolete inventory charges was primarily attributable to a charge of approximately $4.2 million in the fourth quarter of the Company s current fiscal year due to a production issue with a new audio device that entered high volume production in March 2011.

Research and Development Expenses

Fiscal year 2012 research and development expenses of $85.7 million reflect an increase of $21.8 million, or 34 percent, from fiscal year 2011. The variance was primarily due to an 18 percent increase in research and development headcount and associated salary and benefit expenses. Additionally, research and development expenses related to product development and maintenance increased in the current year, due primarily to an increase in CAD technology and an increased number of projects under development.

Fiscal year 2011 research and development expenses of $63.9 million reflect an increase of $12.5 million, or 24 percent, from fiscal year 2010. The variance was primarily due to a 26 percent increase in research and development headcount and associated employee expenses, including variable compensation attributable to improved operating profit. Additionally, employment expenses also increased primarily due to contract labor costs and employee hiring related expenses.

Selling, General and Administrative Expenses

Fiscal year 2012 selling, general and administrative expenses of $65.2 million reflect an increase of $6.5 million, or 11 percent, compared to fiscal year 2011. The $6.5 million increase was primarily attributable to an increase in salaries and benefits as a result of a 19 percent increase in headcount in the selling, general and administrative category. There were also increases in expenses related to maintenance and supplies, depreciation and professional expenses compared to fiscal year 2011.

Fiscal year 2011 selling, general and administrative expenses of $58.7 million reflect an increase of $15.4 million, or 36 percent, compared to fiscal year 2010. The $15.4 million increase was primarily attributable to increased variable compensation costs driven by improved operating profit, as well as to higher stock option expenses and external sales representative commissions. The number of employees in the selling, general, and administrative expense category remained essentially unchanged from the end of fiscal year 2010.

Patent Agreement, Net

On July 13, 2010, we entered into a Patent Purchase Agreement for the sale of certain Company-owned patents. As a result of this agreement, on August 31, 2010, the Company received cash consideration of $4.0 million from the purchaser. The proceeds were recorded as a recovery of costs previously incurred and are reflected as a separate line item on the consolidated statement of operations in operating expenses under the caption *Patent agreement, net.*

On June 11, 2009, we entered into a Patent Purchase Agreement for the sale of certain Company-owned patents and on August 26, 2009, the Company received cash consideration of $1.4 million from the purchaser. The proceeds were recorded as a recovery of costs previously incurred and are reflected as a separate line item on the consolidated statement of operations in operating expenses under the caption *Patent agreement, net.*

Interest Income

Interest income in fiscal years 2012, 2011, and 2010, was $0.5 million, $0.9 million, and $1.3 million, respectively. The decreases in interest income in fiscal years 2012 and 2011, were attributable to lower yields on invested capital.

Benefit for Income Taxes

We recorded an income tax benefit of $8.0 million in fiscal year 2012 on a pre-tax income of $80.0 million, yielding an effective tax benefit rate of 10 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily as a result of the release of a portion of the valuation allowance on certain deferred tax assets that have not yet been utilized.

We recorded an income tax benefit of $119.3 million in fiscal year 2011 on a pre-tax income of $84.2 million, yielding an effective tax benefit rate of 142 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily as a result of the release of a portion of the valuation allowance on certain deferred tax assets that have not yet been utilized. The release of a portion of the valuation allowance generated a $120.0 million tax benefit and was based on an evaluation of the net U.S. deferred tax assets that we expected to be more likely than not to be utilized in future years as a result of projected net income.

We recorded an income tax benefit of $11.7 million in fiscal year 2010 on a pre-tax income of $26.7 million, yielding an effective tax benefit rate of 44 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily as a result of the realization of deferred tax assets that had been fully reserved and the release of a portion of the valuation allowance on certain deferred tax assets that have not yet been utilized. The release of a portion of the valuation allowance generated an $11.8 million tax benefit and was based on an evaluation of the net U.S. deferred tax assets that we expected to utilize in the next year as a result of projected tax basis net income.

We evaluate our ability to realize our deferred tax assets on a quarterly basis. We have deferred tax assets that we have recognized since it is more likely than not that these assets will be realized.

Outlook

Based on our strategic plan, our long-term business model targets for the Company are annual revenue growth of 15 percent, gross margins of 55 percent, and operating profit of 20 percent. In fiscal year 2013, we anticipate a sharply higher level of revenue beginning in the latter portion of the fiscal year with full production of multiple new products, with both new and existing customers. We also anticipate our gross margin percentage to remain in the mid-50 s.

Liquidity and Capital Resources

In fiscal year 2012, our net cash provided by operating activities was $83.2 million. The positive cash flow from operating activities was predominantly due to the cash components of our net income, partially offset by a $16.8 million reduction in working capital. In fiscal year 2011, our net cash provided by operating activities was $86.9 million. The positive cash flow from operating activities was predominantly due to the cash components of our net income, which were partially offset by a $12.8 million reduction in working capital. In fiscal year 2010, our operating activities generated $25.1 million in cash. The positive cash flow from operating activities was predominantly due to the cash components of our net income, which were partially offset by a $14.0 million decrease in working capital.

In fiscal year 2012, we generated approximately $18.4 million in cash from investing activities, principally due to the net proceeds from the sale of marketable securities partially offset by $42 million in capital expenditures. In fiscal year 2011, we used approximately $74.2 million in cash from investing activities, principally due to the net purchase of $52.7 million in marketable securities. In addition, during fiscal year 2011, we invested $20.1 million in property, equipment, and capitalized software, primarily attributable to the purchase of land for our new corporate headquarters in the amount of $10.8 million, coupled with $2.4 million in headquarters construction costs. During fiscal year 2011, we also incurred $1.5 million for investments in technology. In fiscal year 2010, we used approximately $42.6 million in cash from investing activities, principally due to the net purchase of $36.8 million in marketable securities. In addition, during fiscal year 2010, we invested $3.7 million in property, equipment, and capitalized software and $2.2 million in technology.

During fiscal years 2012, 2011, and 2010, we generated $4.1 million, $31.0 million, and $2.0 million, respectively, in cash from financing activities related to the receipt of cash from common stock issuances as a result of the exercises of employee stock options. In fiscal year 2012, the Company utilized approximately $76.8 million in cash to repurchase and retire portions of its outstanding common stock as part of the $80 million stock repurchase program that began in fiscal year 2011. In fiscal year 2011 we completed a $20 million stock repurchase program and started the $80 million stock repurchase program.

During fiscal year 2012 our restricted cash requirement expired. As of March 31, 2011, we had restricted investments of $5.8 million, which primarily secured certain obligations under our lease agreement for our principal facility located in Austin, Texas.

As of March 31, 2012, the Company has no debt arrangements. On April 19, 2012, the Company entered into a credit agreement providing for a $100 million revolving credit facility with a $15 million letter of credit sublimit. Through May 29, 2012, we have not drawn against the revolving line of credit. See Revolving Credit Facility below for additional details regarding this facility.

The Company continued construction of our new headquarters facility in Austin, Texas, with completion expected in the summer of calendar year 2012. We estimate that total facility construction costs and the costs related to furniture, fixtures, and equipment to fully move our headquarters employees into this new facility will be approximately $40.8 million. Through March 31, 2012, we have paid $23.1 million related to the new building, leaving an anticipated $17.7 million to be paid, of which approximately $3 million is accrued at March 31, 2012, under the caption Other accrued liabilities on the consolidated balance sheet. We have funded the costs related to this project with cash flows from operations and expect the remainder of the project to be funded internally from existing and future cash flows.

Although we cannot provide assurances to our stockholders that we will be able to generate cash in the future, we anticipate that our existing capital resources and cash flow generated from future operations will enable us to maintain our current level of operations for at least the next 12 months along with our ability to draw from our revolving credit line.

Revolving Credit Facility

On April 19, 2012 (the Closing Date), we entered into a Credit Agreement (the Credit Agreement) with Wells Fargo Bank, National Association, as Administrative Agent and Issuing Lender, Barclays Bank, as Syndication Agent, Wells Fargo Securities, LLC and Barclays Capital, as Joint Lead Arrangers and Co-Book Managers, and the lenders referred to therein (the Lenders).

The Credit Agreement provides for the Credit Facility, which matures on the earliest to occur of (a) the first anniversary of the Closing Date, (b) the date of termination of the Commitments as a result of a permanent reduction of all of the Commitments by the Company or (c) the date of termination of the Commitments as a result of an Event of Default (the Maturity Date). The Company must repay the outstanding principal amount of all borrowings, together with all accrued but unpaid interest thereon, on the Maturity Date.

Borrowings under the Credit Facility may, at the Company s election, bear interest at either (a) a Base Rate plus the Applicable Margin (Base Rate Loans), where the Base Rate is determined by reference to the highest of (i) the prime rate publicly announced from time to time by the Administrative Agent, (ii) the Federal Funds Rate plus 0.50% and (iii) if available and not less than 0%, LIBOR for an interest period of one month plus the difference between the Applicable Margin for LIBOR Rate Loans and the Applicable Margin for Base Rate Loans at such time; or (b) a LIBOR Rate plus the Applicable Margin (LIBOR Rate Loans), where the Libor Rate is determined by the Administrative Agent pursuant to a formula under which the LIBOR Rate is equal to LIBOR divided by an amount equal to 1.00 minus the Eurodollar Reserve Percentage. The Applicable Margin ranges from 0% to .25% per annum for Base Rate Loans and 1.25% to 1.75% per annum for LIBOR Rate Loans.

A Commitment Fee accrues at a rate per annum equal to the Applicable Margin, which ranges from 0.20% to 0.30% per annum, on the average daily unused portion of the Commitment of the non-defaulting Lenders.

The exact Applicable Margin and Commitment Fee will depend upon the Company s performance under specified financial criteria.

With certain exceptions relating to LIBOR Rate Loans, the Company may prepay borrowings, in whole or in part, at any time upon prior written notice to the Administrative Agent. If, at any time, the total of outstanding borrowings and outstanding letters of credit exceeds the Commitments under the Credit Facility, the Company must prepay the amount of the excess immediately upon notice from the Administrative Agent.

The Credit Agreement contains customary affirmative covenants, including, among others, covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the Credit Agreement contains customary negative covenants limiting the ability of the Company or any Subsidiary Guarantors to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, make certain restricted payments, enter into certain transactions with Affiliates and permit aggregate Capital Expenditures to exceed $90.0 million on a rolling four-quarter basis. The Credit Facility also contains certain negative financial covenants providing that (a) the ratio of Consolidated funded indebtedness to Consolidated EBITDA for the prior four consecutive quarters must not be greater than 1.75 to 1.00 and (b) the ratio of Consolidated EBITDA for the prior four consecutive quarters to Consolidated interest expense for the prior four consecutive quarters must not be less than 3.50 to 1.00.

Upon an Event of Default, the Lenders may declare all outstanding principal and accrued but unpaid interest under the Credit Facility immediately due and payable and may exercise the other rights and remedies provided for under the Credit Agreement. Events of Default under the Credit Agreement include payment defaults, cross defaults with certain other indebtedness, breaches of covenants or representations, warranties, certifications or statements of fact, Changes in Control and bankruptcy events. In certain circumstances, upon the occurrence and during the continuance of an Event of Default, the Credit Agreement provides that all outstanding obligations will bear interest at the Default Rate.

Off Balance Sheet Arrangements

As of March 31, 2012, the Company did not have any material off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Contractual Obligations

In our business activities, we incur certain commitments to make future payments under contracts such as purchase orders, operating leases and other long-term contracts. The Company has no debt arrangements as of March 31, 2012. Maturities under these contracts are set forth in the following table as of March 31, 2012:

	Payment due by period (in thousands)				
	< 1 year	1 3 years	3 5 years	> 5 years	Total
Facilities leases, net	$ 3,271	$ 2,463	$ 1,914	$ 163	$ 7,811
Equipment leases	12	13	1		26
Wafer purchase commitments	46,252				46,252
Assembly purchase commitments	1,046				1,046
Outside test purchase commitments	2,685				2,685
Manufacturing raw materials	867				867
Other purchase commitments	14				14
Total	$ 54,147	$ 2,476	$ 1,915	$ 163	$ 58,701

Certain of our operating lease obligations include escalation clauses. These escalating payment requirements are reflected in the table.

ITEM 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

We are exposed to market risks associated with interest rates on our debt securities, currency movements on non-U.S. dollar denominated assets and liabilities, and the effect of market factors on the value of our marketable equity securities. We assess these risks on a regular basis and have established policies that are designed to protect against the adverse effects of these and other potential exposures. All of the potential changes noted below are based on sensitivity analyses as of March 31, 2012. Actual results may differ materially.

Interest Rate Risk

Our primary financial instruments include cash equivalents, marketable securities, accounts receivable, accounts payable, and accrued liabilities. The Company s investments are managed by outside professional managers within investment guidelines set by the Company. These guidelines include security type, credit quality, and maturity, and are intended to limit market risk by restricting the Company s investments to high quality debt instruments with relatively short-term maturities. The Company does not use derivative financial instruments in its investment portfolio. Due to the short-term nature of our investment portfolio and the current low interest rate environment, our downside exposure to interest rate risk is minimal.

To provide a meaningful assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of our investment portfolio. At March 31, 2012, an immediate one percent, or 100 basis points, increase or decrease in interest rates could result in a $0.6 million fluctuation in our annual interest income. However, our investment portfolio holdings as of March 31, 2012, yielded less than 100 basis points, which reduces our downside interest rate risk to the amount of interest income recognized in fiscal year 2012, or $0.5 million. At March 26, 2011, an immediate one percent, or 100 basis points, increase or decrease in interest rates could result in a $1.8 million fluctuation in our annual interest income. However, our investment portfolio holdings as of March 26, 2011, yielded less than 100 basis points, which reduces our downside interest rate risk to the amount of interest income recognized in fiscal year 2011, or $0.9 million. At March 27, 2010, an immediate one percent, or 100 basis points, increase or decrease in interest rates could result in a $1.3 million fluctuation in our annual interest income. However, our investment portfolio holdings as of March 27, 2010, yielded less than 100 basis points, which reduced our downside interest rate risk to an amount slightly less than the $1.3 million calculation. For all of these fiscal years, the risks associated with fluctuating interest rates were limited to our annual interest income and not the underlying principal as we generally have the ability to hold debt related investments to maturity. The amounts disclosed in this paragraph are based on a 100 basis point fluctuation in interest rates applied to the average cash balance for that fiscal year.

Foreign Currency Exchange Risk

Our revenue and spending is transacted primarily in U.S. dollars; however, in fiscal years 2012, 2011, and 2010, we entered into routine transactions in other currencies to fund the operating needs of our design, technical support, and sales offices outside of the U.S. As of March 31, 2012 and March 26, 2011, a ten percent change in the value of the related currencies would not have a material impact on our results of operations and financial position.

In addition to the direct effects of changes in exchange rates on the value of open exchange contracts, we may, from time to time, have changes in exchange rates that can also affect the volume of sales or the foreign currency sales prices of our products and the relative costs of operations based overseas.

ITEM 8. ***Financial Statements and Supplementary Data***

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Cirrus Logic, Inc.

We have audited the accompanying consolidated balance sheets of Cirrus Logic, Inc. (the Company) as of March 31, 2012 and March 26, 2011, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three fiscal years in the period ended March 31, 2012. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cirrus Logic, Inc. at March 31, 2012 and March 26, 2011, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended March 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cirrus Logic, Inc. s internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 30, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
May 30, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Cirrus Logic, Inc.

We have audited Cirrus Logic, Inc. s (the Company) internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cirrus Logic, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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

In our opinion, Cirrus Logic, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cirrus Logic, Inc. as of March 31, 2012 and March 26, 2011, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three fiscal years in the period ended March 31, 2012 of Cirrus Logic, Inc. and our report dated May 30, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
May 30, 2012

CIRRUS LOGIC, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2012	March 26, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 65,997	$ 37,039
Restricted investments		5,786
Marketable securities	115,877	159,528
Accounts receivable, net	44,153	39,098
Inventories	55,915	40,497
Deferred tax assets	53,137	30,797
Prepaid assets	12,017	3,457
Other current assets	4,491	3,268
Total current assets	351,587	319,470
Long-term marketable securities	2,914	12,702
Property, plant and equipment, net	66,978	34,563
Intangibles, net	18,241	20,125
Deferred tax assets	89,071	102,136
Goodwill	6,027	6,027
Other assets	9,644	1,598
Total assets	$ 544,462	$ 496,621
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 38,108	$ 27,639
Accrued salaries and benefits	13,634	12,402
Deferred income	7,228	6,844
Supplier agreement	5,000	
Other accrued liabilities	9,015	5,169
Total current liabilities	72,985	52,054
Other long-term liabilities	5,620	6,188
Stockholders equity:		
Preferred Stock, 5.0 million shares authorized but unissued		
Common stock, $0.001 par value, 280,000 shares authorized, 64,394 shares and 68,664 shares issued and outstanding at March 31, 2012 and March 26, 2011, respectively	64	69
Additional paid-in capital	1,008,164	991,878
Accumulated deficit	(541,609)	(552,814)
Accumulated other comprehensive loss	(762)	(754)
Total stockholders equity	465,857	438,379
Total liabilities and stockholders equity	$ 544,462	$ 496,621

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

CIRRUS LOGIC, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Fiscal Years Ended		
	March 31, 2012	March 26, 2011	March 27, 2010
Net sales	$ 426,843	$ 369,571	$ 220,989
Cost of sales	196,402	167,576	102,258
Gross Margin	230,441	201,995	118,731
Operating expenses:			
Research and development	85,697	63,934	51,421
Selling, general and administrative	65,208	58,734	43,306
Patent agreement, net		(4,000)	(1,400)
Total operating expenses	150,905	118,668	93,327
Income from operations	79,536	83,327	25,404
Interest income	517	860	1,345
Other income (expense), net	(70)	27	(66)
Income before income taxes	79,983	84,214	26,683
Benefit for income taxes	(8,000)	(119,289)	(11,715)
Net income	$ 87,983	$ 203,503	$ 38,398
Basic earnings per share:	$ 1.35	$ 3.00	$ 0.59
Diluted earnings per share:	$ 1.29	$ 2.82	$ 0.59
Basic weighted average common shares outstanding:	64,934	67,857	65,338
Diluted weighted average common shares outstanding:	68,063	72,103	65,626

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

CIRRUS LOGIC, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Years Ended March 31, 2012	March 26, 2011	March 27, 2010
Cash flows from operating activities:			
Net income	$ 87,983	$ 203,503	$ 38,398
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,972	8,145	7,888
Loss (gain) on retirement or write-off of long lived assets	23	(24)	70
Amortization of lease settlement			(83)
Deferred income taxes	(10,154)	(120,045)	(11,932)
Gain on marketable securities			(500)
Stock compensation expense	12,178	8,141	5,318
Changes in operating assets and liabilities:			
Accounts receivable, net	(5,055)	(15,135)	(13,149)
Inventories	(15,418)	(5,101)	(15,518)
Other assets	(9,783)	(1,158)	(937)
Accounts payable	10,469	7,299	10,454
Accrued salaries and benefits	1,232	2,440	3,530
Deferred revenues	384	356	3,062
Income taxes payable	(130)	(80)	116
Other accrued liabilities	1,494	(1,401)	(1,581)
Net cash provided by operating activities	83,195	86,940	25,136
Cash flows from investing activities:			
Proceeds from sale of available for sale marketable securities	181,282	202,753	111,167
Purchases of available for sale marketable securities	(127,852)	(255,426)	(147,929)
Proceeds from sale of non-marketable securities			500
Purchases of property, plant and equipment	(35,948)	(20,060)	(3,654)
Investments in technology	(6,604)	(1,527)	(2,185)
Acquisition of business, net of cash acquired			(550)
Decrease (increase) in restricted investments	5,786	69	(100)
(Increase) decrease in deposits and other assets	1,773	(58)	190
Net cash provided by (used) in investing activities	18,437	(74,249)	(42,561)
Cash flows from financing activities:			
Repurchase and retirement of common stock	(76,782)	(22,766)	
Issuance of common stock, net of issuance costs	4,108	31,005	2,030
Net cash provided by (used in) financing activities	(72,674)	8,239	2,030
Net increase (decrease) in cash and cash equivalents	28,958	20,930	(15,395)
Cash and cash equivalents at beginning of year	37,039	16,109	31,504
Cash and cash equivalents at end of year	$ 65,997	$ 37,039	$ 16,109
Supplemental disclosures of cash flow information			
Cash payments (refunds) during the year for:			
Interest expense	$	$	$
Income taxes	$ 2,268	$ 784	$ 90

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

CIRRUS LOGIC, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(in thousands)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit	Income (Loss)	Total
Balance, March 28, 2009	65,241	$ 65	$ 945,390	$ (771,951)	$ (576)	$ 172,928
Components of comprehensive income:						
Net income				38,398		38,398
Change in unrealized gain on marketable securities					(73)	(73)
Total comprehensive income						38,325
Issuance of stock under stock option plans and other	412	1	2,029			2,030
Amortization of deferred stock compensation			5,318			5,318
Balance, March 27, 2010	65,653	66	952,737	(733,553)	(649)	218,601
Components of comprehensive income:						
Net income				203,503		203,503
Change in unrealized gain on marketable securities					(105)	(105)
Total comprehensive income						203,398
Issuance of stock under stock option plans and other	4,770	5	31,000			31,005
Repurchase and retirement of common stock	(1,759)	(2)		(22,764)		(22,766)
Amortization of deferred stock compensation			8,141			8,141
Balance, March 26, 2011	68,664	69	991,878	(552,814)	(754)	438,379
Components of comprehensive income:						
Net income				87,983		87,983
Change in unrealized gain on marketable securities					(8)	(8)
Total comprehensive income						87,975
Issuance of stock under stock option plans and other	642		4,108			4,108
Repurchase and retirement of common stock	(4,912)	(5)		(76,778)		(76,783)
Amortization of deferred stock compensation			12,178			12,178
Balance, March 31, 2012	64,394	$ 64	$ 1,008,164	$ (541,609)	$ (762)	$ 465,857

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

CIRRUS LOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Description of Business

Cirrus Logic, Inc. (Cirrus Logic, Cirrus, We, Us, Our, or the Company) develops high-precision, analog and mixed-signal integrated c (ICs) for a broad range of consumer and industrial markets. Building on our diverse analog and mixed-signal patent portfolio, Cirrus Logic delivers highly optimized products for consumer and commercial audio, automotive entertainment, and targeted industrial applications including energy control, energy measurement and energy exploration. We also develop ICs, board-level modules and hybrids for high-power amplifier applications branded as the Apex Precision Power (Apex) line of products. We also provide complete system reference designs based on our technology that enable our customers to bring products to market in a timely and cost-effective manner.

We were incorporated in California in 1984, became a public company in 1989, and were reincorporated in the State of Delaware in February 1999. Our primary facilities housing engineering, sales and marketing, administration, and test operations are located in Austin, Texas. In addition, we have engineering, administrative and assembly facilities in Tucson, Arizona and sales locations internationally and throughout the United States. We also serve customers from international sales offices in Europe and Asia, including the People s Republic of China, Hong Kong, South Korea, Japan, Singapore, Taiwan, and the United Kingdom. Our common stock, which has been publicly traded since 1989, is listed on the NASDAQ Global Select Market under the symbol CRUS.

Basis of Presentation

We prepare financial statements on a 52- or 53-week year that ends on the last Saturday in March. Fiscal years 2011 and 2010 were 52-week years, whereas fiscal year 2012 was a 53-week year.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U. S. generally accepted accounting principles (U.S. GAAP) and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year s presentation of financial information.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires the use of management estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year-end and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market funds, commercial paper, and U.S. Government Treasury and Agency instruments with original maturities of three months or less at the date of purchase.

Restricted Investments

As of March 31, 2012, and March 26, 2011, we had restricted investments of zero and $5.8 million, respectively, in support of our letters of credit needs. The letters of credit primarily secured certain obligations under our operating lease agreement for our headquarters and engineering facility in Austin, Texas, which expired in fiscal year 2012.

Marketable Securities

We determine the appropriate classification of marketable securities at the time of purchase and reevaluate this designation as of each balance sheet date. We classify these securities as either held-to-maturity, trading, or available-for-sale. As of March 31, 2012, and March 26, 2011, all marketable securities and restricted investments were classified as available-for-sale securities. The Company classifies its investments as available for sale because it expects to possibly sell some securities prior to maturity. The Company s investments are subject to market risk, primarily interest rate and credit risk. The Company s investments are managed by an outside professional manager within investment guidelines set by the Company. Such guidelines include security type, credit quality, and maturity, and are intended to limit market risk by restricting the Company s investments to high quality debt instruments with relatively short-term maturities. The fair value of investments is determined using observable or quoted market prices for those securities.

Available-for-sale securities are carried at fair value, with unrealized gains and losses included as a component of accumulated other comprehensive loss. Realized gains and losses, declines in value judged to be other than temporary, and interest on available-for-sale securities are included in net income. The cost of securities sold is based on the specific identification method.

Inventories

We use the lower of cost or market method to value our inventories, with cost being determined on a first-in, first-out basis. One of the factors we consistently evaluate in the application of this method is the extent to which products are accepted into the marketplace. By policy, we evaluate market acceptance based on known business factors and conditions by comparing forecasted customer unit demand for our products over a specific future period, or demand horizon, to quantities on hand at the end of each accounting period.

On a quarterly and annual basis, we analyze inventories on a part-by-part basis. Inventory quantities on hand in excess of forecasted demand are considered to have reduced market value and, therefore, the cost basis is adjusted to the lower of cost or market. Typically, market values for excess or obsolete inventories are considered to be zero. Product life cycles and the competitive nature of the industry are factors considered in the estimation of customer unit demand at the end of each quarterly accounting period.

Inventories were comprised of the following (in thousands):

	Year Ended March 31, 2012	March 26, 2011
Work in process	$ 30,921	$ 22,048
Finished goods	24,994	18,449
Inventories	$ 55,915	$ 40,497

Property, Plant and Equipment, net

Property, plant and equipment is recorded at cost, net of depreciation and amortization. Depreciation and amortization is calculated on a straight-line basis over estimated economic lives, ranging from three to 39 years. Leasehold improvements are depreciated over the shorter of the term of the lease or the estimated useful life. Furniture, fixtures, machinery, and equipment are all depreciated over a useful life of three to 10 years, while buildings are depreciated over a period of up to 39 years. In general, our capitalized software is amortized

over a useful life of three years, with capitalized enterprise resource planning software being amortized over a useful life of 10 years. Gains or losses related to retirements or dispositions of fixed assets are recognized in the period incurred.

Property, plant and equipment was comprised of the following (in thousands):

	March 31, 2012	March 26, 2011
Land and buildings	$ 22,410	$ 19,051
Furniture and fixtures	4,320	4,215
Leasehold improvements	6,765	6,732
Machinery and equipment	37,481	29,583
Capitalized software	23,459	22,579
Construction in progress	28,497	2,986
Total property, plant and equipment	122,932	85,146
Less: Accumulated depreciation and amortization	(55,954)	(50,583)
Property, plant and equipment, net	$ 66,978	$ 34,563

The increase in the construction in progress balance in fiscal year 2012 was primarily attributable to costs incurred during the construction of the new headquarters facility. Depreciation and amortization expense on property, plant, and equipment for fiscal years 2012, 2011 and 2010 was $6.3 million, $4.8 million, and $4.3 million, respectively. During fiscal year 2011 we retired fully depreciated assets with an original cost of $3.7 million.

Other-Than-Temporary Impairment

All of the Company s available-for-sale investments and other 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. Marketable securities are evaluated for impairment if the decline in fair value below cost basis is significant and/or has lasted for an extended period of time. Other investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. For investments accounted for using the cost method of accounting, management evaluates information (e.g., budgets, business plans, financial statements) in addition to quoted market price, if any, in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults, and subsequent rounds of financings at an amount below the cost basis of the investment. When a decline in value is deemed to be other-than-temporary, we recognize an impairment loss in the current period s operating results to the extent of the decline.

Goodwill and Intangibles, net

Intangible assets include purchased technology licenses and patents that are reported at cost and are amortized on a straight-line basis over their useful lives, generally ranging from one to ten years. Acquired intangibles include existing technology, core technology or patents, license agreements, trademarks, covenants not-to-compete and customer agreements. These assets are amortized on a straight-line basis over lives ranging from four to fifteen years. Goodwill is recorded at the time of an acquisition and is calculated as the difference between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired.

Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. If the assumptions and estimates used to allocate the purchase price are not correct, or if business conditions change, purchase price adjustments or future asset impairment charges could be required. The value of our intangible assets, including goodwill, could be impacted by future adverse changes such as: (i) any future declines in our operating results, (ii) a decline in the valuation of technology company stocks,

including the valuation of our common stock, (iii) a significant slowdown in the worldwide economy and the semiconductor industry, or (iv) any failure to meet the performance projections included in our forecasts of future operating results. The Company tests goodwill and indefinite lived intangibles for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. Impairment evaluations involve management estimates of asset useful lives and future cash flows. Significant management judgment is required in the forecasts of future operating results that are used in the evaluations. It is possible, however, that the plans and estimates used may be incorrect. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. There are no impairments of goodwill in 2012, 2011, and 2010.

Long-Lived Assets

We test for impairment losses on long-lived assets and definite-lived intangibles used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amounts. We measure any impairment loss by comparing the fair value of the asset to its carrying amount. We estimate fair value based on discounted future cash flows, quoted market prices, or independent appraisals.

Foreign Currency Translation

All of our international subsidiaries have the U.S. dollar as the functional currency. The local currency financial statements are remeasured into U.S. dollars using current rates of exchange for assets and liabilities. Gains and losses from remeasurement are included in other income (expense), net. Revenue and expenses from our international subsidiaries are remeasured using the monthly average exchange rates in effect for the period in which the items occur. For all periods presented, our foreign currency remeasurement expense was not significant.

Concentration of Credit Risk

Financial instruments that potentially subject us to material concentrations of credit risk consist primarily of cash equivalents, restricted investments, marketable securities, long-term marketable securities, and trade accounts receivable. We are exposed to credit risk to the extent of the amounts recorded on the balance sheet. By policy, our cash equivalents, restricted investments, marketable securities, and long-term marketable securities are subject to certain nationally recognized credit standards, issuer concentrations, sovereign risk, and marketability or liquidity considerations.

In evaluating our trade receivables, we perform credit evaluations of our major customers financial condition and monitor closely all of our receivables to limit our financial exposure by limiting the length of time and amount of credit extended. In certain situations, we may require payment in advance or utilize letters of credit to reduce credit risk. By policy, we establish a reserve for trade accounts receivable based on the type of business in which a customer is engaged, the length of time a trade account receivable is outstanding, and other knowledge that we may possess relating to the probability that a trade receivable is at risk for non-payment.

For fiscal years 2012 and 2011, we had one contract manufacturer, Futaihua Industrial, who represented 28 percent and 42 percent, respectively of our consolidated gross accounts receivable. In fiscal year 2012, we had one contract manufacturer, Hongfujin Precision, who represented 14 percent of our consolidated gross accounts receivable. For fiscal year 2011, we had one distributor, Avnet, Inc. who represented 17 percent, of our consolidated gross accounts receivable. No other distributor or customer had receivable balances that represented more than 10 percent of consolidated gross accounts receivable as of the end of fiscal years 2012 or 2011.

Since the components we produce are largely proprietary and generally not available from second sources, we consider our end customer to be the entity specifying the use of our component in their design. These end customers may then purchase our products directly from us, from a distributor, or through a third party

manufacturer contracted to produce their end product. For fiscal years 2012, 2011, and 2010, our ten largest end customers represented approximately 74 percent, 62 percent, and 54 percent of our sales, respectively. For fiscal years 2012, 2011, and 2010, we had one end customer, Apple Inc., who purchased through multiple contract manufacturers and represented approximately 62 percent, 47 percent, and 35 percent of the Company s total sales, respectively. Further, we had one distributor, Avnet, Inc., that represented 15 percent, 24 percent, and 26 percent of our sales for fiscal years 2012, 2011, and 2010, respectively. No other customer or distributor represented more than 10 percent of net sales in fiscal years 2012, 2011, or 2010.

Revenue Recognition

We recognize revenue when all of the following criteria are met: persuasive evidence that an arrangement exists, delivery of goods has occurred, the sales price is fixed or determinable and collectability is reasonably assured. We evaluate our distributor arrangements, on a distributor by distributor basis, with respect to each of the four criteria above. For a majority of our distributor arrangements, we provide rights of price protection and stock rotation. As a result, revenue is deferred at the time of shipment to our domestic distributors and certain international distributors due to the determination that the ultimate sales price to the distributor is not fixed or determinable. Once the distributor has resold the product, and our final sales price is fixed or determinable, we recognize revenue for the final sales price and record the related costs of sales. For certain of our smaller international distributors, we do not grant price protection rights and provide minimal stock rotation rights. For these distributors, revenue is recognized upon delivery to the distributor, less an allowance for estimated returns, as the revenue recognition criteria have been met upon shipment.

Further, the Company defers the associated cost of goods sold on our consolidated balance sheet, net within the deferred income caption. The Company routinely evaluates the products held by our distributors for impairment to the extent such products may be returned by the distributor within these limited rights and such products would be considered excess or obsolete if included within our own inventory. Products returned by distributors and subsequently scrapped have historically been immaterial to the Company.

Warranty Expense

We warrant our products and maintain a provision for warranty repair or replacement of shipped products. The accrual represents management’s estimate of probable returns. Our estimate is based on an analysis of our overall sales volume and historical claims experience, and the sales volume and historical claims experience at our largest customer, Apple, Inc. The estimate is re-evaluated periodically for accuracy.

Shipping Costs

Our shipping and handling costs are included in cost of sales for all periods presented.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were $1.8 million, $1.3 million, and $1.0 million, in fiscal years 2012, 2011, and 2010, respectively.

Stock-Based Compensation

Stock-based compensation is measured at the grant date based on the grant-date fair value of the awards and is recognized as an expense, on a ratable basis, over the vesting period, which is generally between zero and four years. Determining the amount of stock-based compensation to be recorded requires the Company to develop estimates used in calculating the grant-date fair value of stock options. The Company calculates the grant-date fair value for stock options using the Black-Scholes valuation model. The use of valuation models requires the Company to make estimates of assumptions such as expected volatility, expected term, risk-free interest rate, expected dividend yield, and forfeiture rates.

Income Taxes

We recognize deferred tax assets if realization of such assets is more likely than not. We have provided a valuation allowance against a portion of our net U.S. deferred tax assets due to uncertainties regarding their realization. We evaluate our ability to realize our deferred tax assets on a quarterly basis.

We recognize liabilities for uncertain tax positions based on the two-step process. The first step requires us to determine if the weight of available evidence indicates that the tax position has met the threshold for recognition; therefore, we must evaluate whether it is more likely than not that the position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step requires us to measure the tax benefit of the tax position taken, or expected to be taken, in an income tax return as the largest amount that is more than 50 percent likely of being realized upon ultimate settlement. We reevaluate the uncertain tax positions each quarter based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Depending on the jurisdiction, such a change in recognition or measurement may result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

Net Income Per Share

Basic net income per share is based on the weighted effect of common shares issued and outstanding and is calculated by dividing net income by the basic weighted average shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common shares used in the basic net income per share calculation, plus the equivalent number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares outstanding. These potentially dilutive items consist primarily of outstanding stock options and restricted stock awards.

The weighted outstanding options excluded from our diluted calculation for the years ended March 31, 2012, March 26, 2011, and March 27, 2010, were 1,052,000, 615,000, and 8,043,000, respectively, as the exercise price exceeded the average market price during the period.

Accumulated Other Comprehensive Loss

Our accumulated other comprehensive loss is comprised of foreign currency translation adjustments from prior years when we had subsidiaries whose functional currency was not the U.S. Dollar, as well as unrealized gains and losses on investments classified as available-for-sale. See Note 13 Accumulated Other Comprehensive loss for additional discussion.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Accounting Standards Codification (ASC) Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in this ASU result in common fair value measurement and disclosure requirements in U.S. GAAP and international financial reporting standards (IFRS). The ASU provides for certain changes in current GAAP disclosure requirements, including the measurement of level 3 assets and measuring the fair value of an instrument classified in a reporting entity s shareholders equity. The amendments in this ASU are to be applied prospectively, and are effective during interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (ASC Topic 220) Presentation of Comprehensive Income*. With this update, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Current U.S. GAAP allows reporting entities the option to present the components of

other comprehensive income as part of the statement of changes in stockholders equity; this update eliminates that option. The amendments in this ASU should be applied retrospectively, and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. This ASU was further revised in ASU No. 2011-12, *Comprehensive Income (Topic 220) - Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* that was issued in December 2011. The adoption of this guidance will affect financial statement presentation only and therefore, will not have a material impact on our consolidated financial position, results of operations or cash flows.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles Goodwill and Other (Topic 350 - Testing Goodwill for Impairment*. Under the amendments in this ASU, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test and proceed as dictated in previous FASB guidance. Under the amendments in this ASU, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows, but will result in an additional statement of other comprehensive income.

3. Marketable Securities

The Company s investments that have original maturities greater than 90 days have been classified as available-for-sale securities in accordance with US GAAP. Marketable securities are categorized on the consolidated balance sheet as restricted investments and marketable securities, as appropriate.

The following table is a summary of available-for-sale securities (in thousands):

As of March 31, 2012:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value (Net Carrying Amount)**
Corporate securities U.S.	48,011	33	(19)	48,025
U.S. Treasury securities	30,264	1	(4)	30,261
Agency discount notes	16,789	8	(1)	16,796
Commercial paper	23,719	5	(15)	23,709
Total securities	$118,783	$47	$(39)	$118,791

The Company s specifically identified gross unrealized losses of $39 thousand relates to 37 different securities with a total amortized cost of approximately $72.6 million at March 31, 2012. Because the Company does not intend to sell the investments at a loss and the Company will not be required to sell the investments before recovery of its amortized cost basis, it did not consider the investment in these securities to be other-than-temporarily impaired at March 31, 2012. Further, the securities with gross unrealized losses had been in a continuous unrealized loss position for less than 12 months as of March 31, 2012.

As of March 26, 2011:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value (Net Carrying Amount)**
Corporate securities U.S.	64,228	22	(38)	64,212
U.S. Treasury securities	35,268	13		35,281
Agency discount notes	16,588	5	(2)	16,591
Commercial paper	56,130	23	(7)	56,146
Total securities	$172,214	$63	$(47)	$172,230

The Company s specifically identified gross unrealized losses of $47 thousand relates to 28 different securities with a total amortized cost of approximately $61.8 million at March 26, 2011. Because the Company does not intend to sell the investments at a loss and the Company will not be required to sell the investments before recovery of its amortized cost basis, it did not consider the investment in these securities to be other-than-temporarily impaired at March 26, 2011. Further, the securities with gross unrealized losses had been in a continuous unrealized loss position for less than 12 months as of March 26, 2011.

The cost and estimated fair value of available-for-sale investments by contractual maturity were as follows:

	March 31, 2012		March 26, 2011	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within 1 year	$115,871	$115,876	$159,516	$159,528
After 1 year	2,912	2,915	12,698	12,702
	$118,783	$118,791	$172,214	$172,230

4. Fair Value of Financial Instruments

The Company has determined that the only assets and liabilities in the Company s financial statements that are required to be measured at fair value on a recurring basis are the Company s investment portfolio assets. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company s investment portfolio assets consist of corporate debt securities, money market funds, U.S. Treasury securities, obligations of U.S. government-sponsored enterprises, and commercial paper, and are reflected on our consolidated balance sheet under the headings cash and cash equivalents, restricted investments, marketable securities, and long-term marketable securities. The Company determines the fair value of its investment portfolio assets by obtaining non-binding market prices from its third-party portfolio managers on the last day of the quarter, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value.

As of March 26, 2011, the Company classified all investment portfolio assets as Level 1 inputs. In fiscal year 2012, the Company determined that certain of its available-for-sale marketable securities should have been classified as Level 2. These changes in the disclosed classification had no effect on the reported fair values of these investments. Prior period amounts have been reclassified to properly present the securities as Level 2. The Company has no Level 3 assets.

The fair value of our financial assets at March 31, 2012, was determined using the following inputs (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Cash equivalents				
Money market funds	$ 40,557	$	$	$ 40,557
Commercial paper		15,952		15,952
Corporate debt securities		1,112		1,112
	$ 40,557	$ 17,064	$	$ 57,621
Available-for-sale securities				
Corporate debt securities	$	$ 48,025	$	$ 48,025
U.S. Treasury securities	30,261			30,261
Agency discount notes		16,796		16,796
Commercial paper		23,709		23,709
	$ 30,261	$ 88,530	$	$ 118,791

The fair value of our financial assets at March 26, 2011, was determined using the following inputs (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Cash equivalents				
Money market funds	$ 17,700	$	$	$ 17,700
Commercial paper		4,999		4,999
U.S. Treasury securities		10,500		10,500
	$ 17,700	$ 15,499	$	$ 33,199
Available-for-sale securities				
Corporate debt securities	$	$ 64,212	$	$ 64,212
U.S. Treasury securities	35,281			35,281
Agency discount notes		16,591		16,591
Commercial paper		56,146		56,146
	$ 35,281	$ 136,949	$	$ 172,230

5. Accounts Receivable, net

The following are the components of accounts receivable, net (in thousands):

	March 31, 2012	March 26, 2011
Gross accounts receivable	$44,524	$39,519
Less: Allowance for doubtful accounts	(371)	(421)
Accounts receivable, net	$44,153	$39,098

The following table summarizes the changes in the allowance for doubtful accounts (in thousands):

Balance, March 28, 2009	$(451)
Bad debt expense, net of recoveries	(37)
Balance, March 27, 2010	(488)
Write-off of uncollectible accounts, net of recoveries	67
Balance, March 26, 2011	(421)
Write-off of uncollectible accounts, net of recoveries	50
Balance, March 31, 2012	$(371)

6. Intangibles, net

The following information details the gross carrying amount and accumulated amortization of our intangible assets (in thousands):

	March 31, 2012		March 26, 2011	
Intangible Category (Weighted-Average Amortization Period (years))	**Gross Amount**	**Accumulated Amortization**	**Gross Amount**	**Accumulated Amortization**
Core technology (9.0)	$ 1,390	$ (1,390)	$ 1,390	$ (1,390)
License agreements (9.0)	440	(440)	440	(440)
Existing technology (13.3)	17,235	(7,318)	17,235	(6,321)
Trademarks (4.0) (a)	2,758	(320)	2,758	(320)
Non-compete agreements (5.0)	398	(258)	398	(179)
Customer relationships (14.6)	4,682	(1,515)	4,682	(1,179)
Technology licenses (3.3)	14,187	(11,608)	16,928	(13,877)
	$41,090	$(22,849)	$43,831	$(23,706)

(a) Trademarks also includes $2.4 million of indefinite-lived assets, which are not included in the weighted-average amortization period above.

Amortization expense for all intangibles in fiscal years 2012, 2011, and 2010 was $3.7 million, $3.3 million, and $3.6 million, respectively. The following table details the estimated aggregate amortization expense for all intangibles owned as of March 31, 2012, for each of the five succeeding fiscal years (in thousands):

For the year ended March 31, 2013	$2,734
For the year ended March 30, 2014	$2,176
For the year ended March 29, 2015	$1,623
For the year ended March 28, 2016	$1,303
For the year ended March 26, 2017	$1,273

7. Employee Benefit Plans

We have a 401(k) Profit Sharing Plan (the Plan) covering all of our qualifying domestic employees. Under the Plan, employees may elect to contribute any percentage of their annual compensation up to the annual IRS limitations. We match 50 percent of the first 6 percent of the employees annual contribution to the plan. We made matching employee contributions of $1.3 million, $1.0 million, and $0.9 million during fiscal years 2012, 2011, and 2010, respectively.

8. Equity Compensation

Stock Compensation Expense

The Company is currently granting equity awards from the 2006 Stock Incentive Plan (the Plan), which was approved by stockholders in July 2006. The Plan provides for granting of stock options, restricted stock awards, restricted stock units, performance awards, phantom stock awards, and bonus stock awards, or any combination of the foregoing. To date, the Company has granted stock options, restricted stock awards, and restricted stock units under the Plan. Stock options generally vest between zero and four years, and are exercisable for a period of ten years from the date of grant. Generally, restricted stock awards are subject to vesting schedules up to four years. Restricted stock units are generally subject to vesting from one to three years, depending upon the terms of the grant.

The following table summarizes the effects of stock-based compensation on cost of goods sold, research and development, sales, general and administrative, pre-tax income (loss), and net income after taxes for options granted under the Company s equity incentive plans (in thousands, except per share amounts):

	Fiscal Years Ended		
	March 31, 2012	**March 26, 2011**	**March 27, 2010**
Cost of sales	$ 398	$ 243	$ 212
Research and development	5,590	2,641	1,882
Sales, general and administrative	6,190	5,257	3,224
Effect on pre-tax income	12,178	8,141	5,318
Income Tax Benefit			
Total share based compensation expense (net of taxes)	$12,178	$8,141	$5,318
Share based compensation effects on basic earnings (loss) per share	$ 0.19	$ 0.12	$ 0.08
Share based compensation effects on diluted earnings (loss) per share	$ 0.18	$ 0.11	$ 0.08
Share based compensation effects on operating activities cash flow	12,178	8,141	5,318
Share based compensation effects on financing activities cash flow			

The total share based compensation expense included in the table above and which is attributable to restricted stock awards and restricted stock units was $6.3 million, $1.1 million, and $0.1 million for fiscal years 2012, 2011, and 2010, respectively.

As of March 31, 2012, there was $24.7 million of compensation costs related to non-vested stock options, restricted stock awards, and restricted stock units granted under the Company s equity incentive plans not yet recognized in the Company s financial statements. The unrecognized compensation cost is expected to be recognized over a weighted average period of 1.03 years for stock options, 0.37 years for restricted stock awards, and 1.94 years for restricted stock units.

Stock Option Awards

We estimated the fair value of each stock option grant on the date of grant using the Black-Scholes option-pricing model using a dividend yield of zero and the following additional assumptions:

	Year Ended		
	March 31, 2012	**March 26, 2011**	**March 27, 2010**
Expected stock price volatility	59.25-66.11%	52.03-67.11%	50.71-56.59%
Risk-free interest rate	0.27-1.43%	1.19-2.06%	1.80-2.25%
Expected term (in years)	2.32-3.82	3.83-4.34	4.33-4.64

The Black-Scholes valuation calculation requires us to estimate key assumptions such as stock price volatility, expected term, risk-free interest rate and dividend yield. The expected stock price volatility is based upon implied volatility from traded options on our stock in the marketplace. The expected term of options granted is derived from an analysis of historical exercises and remaining contractual life of stock options, and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate reflects the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption. Finally, we have never paid cash dividends, do not currently intend to pay cash dividends, and thus have assumed a zero percent dividend yield.

Using the Black-Scholes option valuation model, the weighted average estimated fair values of employee stock options granted in fiscal years 2012, 2011, and 2010, were $7.58, $9.61, and $2.89, respectively.

During fiscal year 2012, 2011, and 2010, we received a net $4.1 million, $31.0 million, and $2.0 million, respectively, from the exercise of 0.6 million 4.7 million, and 0.4 million, respectively, stock options granted under the Company s stock Plan.

The total intrinsic value of stock options exercised during fiscal year 2012, 2011, and 2010 was $7.6 million, $50.4 million, and $0.8 million, respectively. Intrinsic value represents the difference between the market value of the Company s common stock at the time of exercise and the strike price of the stock option.

As of March 31, 2012, approximately 12.2 million shares of common stock were reserved for issuance under the stock option Plan.

Additional information with respect to stock option activity is as follows (in thousands, except per share amounts):

		Outstanding Options	
	Options Available for Grant	Number	Weighted Average Exercise Price
Balance, March 28, 2009	12,104	9,063	$ 7.45
Option plans terminated	(477)		
Options granted	(2,471)	2,471	5.53
Options exercised		(401)	5.01
Options forfeited	774	(264)	5.44
Options expired		(490)	9.63
Balance, March 27, 2010	9,930	10,379	$ 6.74
Option plans terminated	(300)		
Options granted	(1,927)	977	16.75
Options exercised		(4,718)	6.57
Options forfeited	472	(153)	5.90
Options expired		(304)	23.68
Balance, March 26, 2011	8,175	6,181	$ 7.63
Option plans terminated	(34)		
Options granted	(2,049)	450	15.63
Options exercised		(593)	6.88
Options forfeited	165	(67)	7.70
Options expired		(67)	15.68
Balance, March 31, 2012	6,257	5,904	$ 8.23

Additional information with regards to outstanding options that are vesting, expected to vest, or exercisable as of March 31, 2012 is as follows (in thousands, except per share amounts):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Vested and expected to vest	5,703	$8.09	6.64	$89,617
Exercisable	3,836	$7.08	5.99	$64,121

In accordance with U.S. GAAP, stock options outstanding that are expected to vest are presented net of estimated future option forfeitures, which are estimated as compensation costs are recognized. Options with a fair value of $6.3 million, $6.0 million, and $4.0 million, became vested during fiscal years 2012, 2011, and 2010, respectively.

The following table summarizes information regarding outstanding and exercisable options as of March 31, 2012 (in thousands, except per share amounts):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 1.83 - $ 5.25	1,332	5.85	$ 4.94	1,039	$ 4.93
$ 5.27 - $ 5.53	91	7.21	5.49	48	5.48
$ 5.55 - $ 5.55	1,515	7.50	5.55	798	5.55
$ 5.66 - $ 7.26	1,100	5.27	6.54	1,045	6.53
$ 7.32 - $ 15.41	1,141	7.03	11.38	604	8.42
$ 16.21 - $ 23.33	725	8.18	17.77	302	18.05
	5,904	6.70	$ 8.23	3,836	$ 7.08

As of March 31, 2012 and March 26, 2011, the number of options exercisable was 3.8 million and 2.9 million, respectively.

Restricted Stock Awards

The Company periodically grants restricted stock awards (RSA s) to select employees. The grant date for these awards is equal to the measurement date and the awards are valued as of the measurement date and amortized over the requisite vesting period. Generally, the current unreleased RSA awards vest 100 percent on the fourth anniversary of the grant date. Each full value award, including RSA s, reduces the total shares available for grant under the Plan at a rate of 1.5 shares per RSA granted. As of March 31, 2012, approximately 0.1 million shares attributable to RSA awards were reserved for issuance under the Plan. A summary of the activity for RSA s in fiscal year 2012, 2011, and 2010 is presented below (in thousands, except per share amounts):

	Number of Shares	Weighted Average Grant Date Fair Value (per share)	Aggregate Intrinsic value(1)
March 28, 2009	73	$ 6.86	
Granted			
Vested	(11)	6.98	55
Forfeited	(13)	6.05	
March 27, 2010	49	$ 6.20	
Granted	5	17.28	
Vested	(7)	7.35	134
Forfeited	(2)	7.35	
March 26, 2011	45	$ 7.21	
Granted	49	15.31	
Vested	(54)	14.57	826
Forfeited			
March 31, 2012	40		