ITEM 6. ***Selected 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				
	2014	2013	2012	2011	2010
	(1)	(1)	(1)		
Net sales	$714,338	$809,786	$426,843	$369,571(2)	$220,989
Net income	108,111	136,598	87,983	203,503	38,398
Basic earnings per share	$ 1.72	$ 2.12	$ 1.35	$ 3.00	$ 0.59
Diluted earnings per share	$ 1.65	$ 2.00	$ 1.29	$ 2.82	$ 0.59
Financial position at year end:					
Cash, cash equivalents, restricted investments and marketable securities	384,510	236,547	184,788	215,055	141,626
Total assets	$724,744	$651,347	$544,462	$496,621	$267,610
Working capital	392,810	351,455	278,602	267,416	142,965
Long-term liabilities	4,863	10,094	5,620	6,188	7,119
Total stockholders' equity	$637,358	$548,174	$465,857	$438,379	$218,601

1) Refer to the consolidated financial statements and the Notes thereto contained in Item 8 of this Form 10-K for fiscal years 2014, 2013, and 2012, 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 increase in net sales was primarily due to a 72 percent increase in audio sales over fiscal year 2010, attributable to higher sales of portable audio and surround codec products. Additionally, energy product sales increased 56 percent with increases in seismic, power meter and power amplification products.

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

Please 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:

- 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 based on all the facts and circumstances, including projections of future taxable income and expiration dates of carryover attributes. We have provided a valuation allowance against a portion of our net U.S. deferred tax assets due to uncertainties regarding its realization.

The calculation of our tax liabilities involves assessing uncertainties with respect to 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 17 — Income Taxes of the Notes to Consolidated Financial Statements contained in Item 8 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. 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.

- 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, product release schedules, product life cycles, 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 — Goodwill and Intangibles, net 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.

- 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 and other intangible assets for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. Impairment evaluations involve management's assessment of qualitative factors to determine whether it is more likely than not that goodwill and other intangible assets are impaired. If management concludes from its assessment of qualitative factors that it is more likely than not that impairment exists, then a quantitative impairment test will be performed involving 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 these evaluations. If our actual results, or the plans and estimates used in future impairment analyses, 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 2014, 2013, or 2012. There were no material intangible asset impairments in fiscal years 2014, 2013 and 2012.
- 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 14 — 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.

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 report revenue performance by product line, currently audio and energy. In fiscal year 2014, the Company repurchased approximately 2.6 million shares under its authorized share repurchase program, leaving $62.3 million remaining for repurchases of the Company's common stock in the future. The Company continued to target fast-growing markets and develop innovative products. We acquired Acoustic in the current year, and with it, the SoundClear® embedded firmware voice processing technology. The Company reported a revenue decrease of 12 percent from the prior fiscal year and an increase in the investment in research and development of $12.1 million, discussed below.

Fiscal Year 2014

Fiscal year 2014 was a year focused on developing innovative new products, strengthening existing customer relationships and establishing new relationships with key players in the markets we serve. With the addition of the embedded SoundClear® technology and existing hardware, the Company is leveraging its engineering expertise to develop custom and general market audio subsystems that intelligently solve system design issues. Also in fiscal year 2014, we expanded our footprint in portable audio with the addition of several new top tier smartphone customers.

Fiscal year 2014 net sales of $714.3 million represented a 12 percent decrease over fiscal year 2013 net sales of $809.8 million. Audio product line sales of $667.7 million in fiscal year 2014 represented a 12 percent decrease over fiscal year 2013 sales of $754.8 million, attributable to lower sales of portable audio products due to reduced average selling prices ("ASPs") to certain customers. Energy product line sales of $46.6 million in fiscal year 2014 represented a 15 percent decrease from fiscal year 2013 sales of $55.0 million, which was attributable, primarily to the absence of revenue related to the products associated with our Tucson office asset sale, described in Note 8 — Asset Sale.

Overall, gross margin for fiscal year 2014 was 50 percent. The increase in gross margin for fiscal year 2014 was primarily due to the absence of the significant inventory write-down, including scrapped inventory, experienced in the prior fiscal year, which had a 3.1% negative impact on fiscal year 2013 margin. The Company achieved net income of $108.1 million in fiscal year 2014, which included an income tax provision in the amount of $47.6 million. Additionally, the Company's number of employees increased to 751 as of March 29, 2014.

Fiscal Year 2013

Fiscal year 2013 was a year focused on ramping new custom products and introducing general market portable audio and energy products that we expected to drive revenue growth and customer diversification longer-term. The Company targeted tier-one customers in growing markets who were able to differentiate their products with our innovative technology, highlighted by the fact that our top ten end customer concentration had increased to 89 percent of sales in fiscal year 2013, from 74 percent in fiscal year 2012.

Fiscal year 2013 net sales of $809.8 million represented a 90 percent increase over fiscal year 2012 net sales of $426.8 million. Audio product line sales of $754.8 million in fiscal year 2013 represented a 115 percent increase over fiscal year 2012 sales of $350.7 million, attributable to higher sales of portable audio products. Energy product line sales of $55.0 million in fiscal year 2013 represented a 28 percent decrease from fiscal year 2012 sales of $76.1 million, which was attributable, primarily to the absence of revenue related to the products associated with our Tucson office asset sale, described in Note 8 — Asset Sale, coupled with decreased sales from our power meter components. Additionally, the restructuring discussed in Note 10 — Restructuring Costs of the consolidated financial statements contributed to this decrease.

In fiscal year 2013, we experienced substantial growth in our revenue and operating profit, significantly expanded our footprint in portable audio, and continued our investments in new LED lighting products.

Overall, gross margin for fiscal year 2013 was 49 percent. Decreases in gross margin for fiscal year 2013 were primarily due to inventory write-downs, including scrapped inventory, and unfavorable product mix. The Company achieved net income of $136.6 million in fiscal year 2013, which included an income tax provision in the amount of $64.6 million. Additionally, the Company's number of employees decreased slightly to 652 in fiscal year 2013, due to the restructuring discussed in Note 10, partially offset by an increase in new hires.

Fiscal Year 2012

Fiscal year 2012 net sales of $426.8 million represented a 15 percent increase 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, to showcase our expertise in analog and digital signal processing to solve challenging problems.

Overall gross margin of 54 percent for fiscal year 2012 represented 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 667 in the 2012 fiscal year, due to the increased hiring of engineering talent for additional projects.

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 29, 2014	March 30, 2013	March 31, 2012
Net sales	100%	100%	100%
Gross margin	50%	49%	54%
Research and development	18%	14%	20%
Selling, general and administrative	10%	10%	15%
Patent infringement settlements, net	0%	0%	0%
Restructuring and other, net	0%	0%	0%
Income from operations	22%	25%	19%
Interest income, net	0%	0%	0%
Other expense, net	0%	0%	0%
Income before income taxes	22%	25%	19%
Provision (benefit) for income taxes	7%	8%	-2%
Net income	15%	17%	21%

Net Sales

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

	Fiscal Years Ended		
	March 29, 2014	March 30, 2013	March 31, 2012
Audio Products	$ 667,739	$ 754,769	$ 350,743
Energy Products	46,599	55,017	76,100
	$ 714,338	$ 809,786	$ 426,843

Net sales for fiscal year 2014 decreased 12 percent, to $714.3 million from $809.8 million in fiscal year 2013. The decrease in net sales reflects an $87.0 million decrease in audio product sales and an $8.4 million decrease in energy product sales. The audio products group experienced a decline in sales from portable audio products, primarily due to anticipated declines in ASPs. The decline in energy product group sales was attributable primarily to the absence of revenue related to the products associated with our Tucson office asset sale, described in Note 8 — Asset Sale.

Net sales for fiscal year 2013 increased 90 percent, to $809.8 million from $426.8 million in fiscal year 2012. The increase in net sales reflects a $404.0 million increase in audio product sales, partially offset by a $21.1 million decrease in energy product sales. The substantial increase in audio revenue was largely driven by sales in portable audio products, where we experienced increases in the ASPs and volumes associated with low power audio codecs. In addition, we saw an increase in portable audio revenue as we began the shipment of a new product, a low power audio amplifier. The decline in energy product group sales was attributable primarily to the absence of revenue related to the products associated with our Tucson office asset sale, described in Note 8 — Asset Sale, coupled with decreased sales from our power meter components.

Export sales, principally to Asia, including sales to U.S.-based customers that manufacture products at plants overseas, were approximately $673.7 million in fiscal year 2014, $764.9 million in fiscal year 2013, and $376.6 million in fiscal year 2012. Export sales to customers located in Asia were 92 percent, 91 percent, and 79 percent, of net sales in fiscal years 2014, 2013, and 2012, respectively. All other export sales represented 3 percent of net sales in each of fiscal years 2014 and 2013, and 9 percent, of net sales in fiscal year 2012.

Our sales are denominated primarily in U.S. dollars. During fiscal years 2014, 2013, and 2012, we did not enter into any foreign currency hedging contracts.

Gross Margin

Overall gross margin of 50 percent for fiscal year 2014 reflects an increase from fiscal year 2013 gross margin of 49 percent. The increase was primarily attributable to the absence of a significant inventory write-down, which, as discussed below, occurred during the 2013 fiscal year in the amount of $25.5 million, partially offset by changes in product mix. Fiscal year 2014 sales of product written down in prior periods contributed $12.2 million to gross margin compared to less than $0.1 million, in fiscal year 2013. In total, excess and obsolete inventory charges, including scrapped inventory, decreased by $33.6 million from fiscal year 2013 and resulted in an increase of gross margin of 4.7 percent.

Overall gross margin of 49 percent for fiscal year 2013 reflects a decrease from fiscal year 2012 gross margin of 54 percent, primarily due to inventory write-downs in the 2013 fiscal year and unfavorable product mix. Fiscal year 2013 sales of product written down in prior periods contributed less than $0.1 million to gross margin compared to approximately $1.8 million, or 0.4 percent, in fiscal year 2012. In total, excess and obsolete inventory charges, including scrapped inventory, increased by $25.5 million from fiscal year 2012 and resulted in a decrease of gross margin of 3.1 percent. The $25.5 million increase in excess and obsolete inventory charges was primarily associated with a customer build forecast that exceeded actual market demand and resulted in excess inventory levels for certain high volume products.

Research and Development Expenses

Fiscal year 2014 research and development expenses of $126.2 million reflect an increase of $12.1 million, or 11 percent, from fiscal year 2013. The increase was primarily attributable to a 23 percent increase in research and development headcount and associated salary-related expenses. Additionally, during fiscal year 2014, we experienced higher headcount and associated facilities costs, driving increased depreciation and amortization costs. CAD software costs also increased for the year.

Fiscal year 2013 research and development expenses of $114.1 million reflect an increase of $28.4 million, or 33 percent, from fiscal year 2012. The variance was primarily due to a 13 percent increase in research and development headcount and associated salary expenses as well as increased product development costs. Also, in the 2013 fiscal year, depreciation increased as well as expenses related to investments in more CAD software.

Selling, General and Administrative Expenses

Fiscal year 2014 selling, general and administrative expenses of $74.9 million reflect a decrease of $2.1 million, or 3 percent, compared to fiscal year 2013. The decrease was primarily attributable to decreases in variable compensation, sales commissions and travel expenses for the period, despite an increase in headcount of 7 percent.

Fiscal year 2013 selling, general and administrative expenses of $77.0 million reflect an increase of $11.8 million, or 18 percent, compared to fiscal year 2012. The $11.8 million increase was primarily attributable to an increase in employee-related expenses, including bonuses and stock-based compensation, as well as increased external professional services, despite a decrease in headcount of 14 percent.

Patent Infringement Settlements, Net

The Company reported a $0.7 million expense in the first quarter of fiscal year 2014 in connection with the settlement of the U.S. Ethernet Innovations, LLC case discussed in Note 14 — Legal Matters. This item is presented as a separate line item on the Consolidated Statements of Comprehensive Income within operating expenses under the caption “Patent infringement settlements, net.”

Interest Income, Net

Interest income, net in fiscal years 2014, 2013, and 2012, was $0.8 million, $0.4 million, and $0.5 million, respectively. The increase in interest income, net in fiscal year 2014 was due to higher cash and cash equivalent balances, compared to fiscal year 2013. The decrease in fiscal year 2013 was attributable to lower yield on invested capital.

Provision (Benefit) for Income Taxes

We recorded income tax expense of $47.6 million in fiscal year 2014 on a pre-tax income of $155.7 million, yielding an effective tax provision rate of 30.6 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily due to the effect of a tax benefit of $6.3 million provided by the Extraterritorial Income Exclusion Act, an elective provision of the Internal Revenue Code. Another factor causing our tax expense to be below the federal statutory rate was the federal research and development credit which was in effect through December 31, 2013 as a result of the American Taxpayer Relief Act of 2013, which was enacted on January 2, 2013.

We recorded income tax expense of $64.6 million in fiscal year 2013 on a pre-tax income of $201.2 million, yielding an effective tax provision rate of 32.1 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily as a result of federal research and development credits that were recorded during the year due to the retroactive extension of the credit by the enactment of the American Taxpayer Relief Act of 2012 on January 2, 2013. Our effective tax rate was also lowered slightly by the release of $2.6 million of valuation allowance that had been placed on our federal capital loss carryforward from the capital gain income generated by the sale of assets associated with the Company’s Apex products.

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 evaluate our ability to realize our deferred tax assets on a quarterly basis. The deferred tax assets that we have recognized result from a more likely than not assessment that these assets will be realized.

Outlook

Our long-term gross margin expectation is to remain in the mid-40 percent range with operating profit of approximately 20-percent. We anticipate revenues for fiscal year 2015 to be relatively flat compared to fiscal year 2014, due to changes in our portable audio pricing structure.

Liquidity and Capital Resources

In fiscal year 2014, our net cash provided by operating activities was $228.0 million. The positive cash flow from operating activities was predominantly due to the cash components of our net income, and a $48.1 million increase in working capital, primarily due to decreases in inventory for the period. In fiscal year 2013, our net cash provided by operating activities was $160.8 million. The positive cash flow from operating activities was predominantly due to the cash components of our net income, partially offset by a $76.1 million reduction in working capital, primarily due to an increase in inventory and accounts receivable as our business grew. 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 2014, we used approximately $220.3 million in cash for investing activities, principally due to the net purchases of marketable securities of $182.5 million, $15.1 million in capital expenditures and $20.4 million related to the Acoustic acquisition. In fiscal year 2013, we used approximately $84.8 million in cash for investing activities, principally due to the net purchases of marketable securities of $51.5 million and $52.9 million in capital expenditures, partially offset by $22.2 million in proceeds from the sale of assets associated with the Company's Apex business in Tucson, Arizona. 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 and investments in technology.

During fiscal years 2014, 2013, and 2012, we generated $5.3 million, $12.0 million, and $4.1 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, net the cash paid by the Company for withholding taxes associated with the vesting of employee restricted stock units. In fiscal years 2014 and 2013, the Company utilized approximately $52.1 million and $86.1 million, respectively, in cash to repurchase and retire portions of its outstanding common stock as part of the $200 million stock repurchase program announced in the third quarter of fiscal year 2013. 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. Additionally, excess tax benefits related to employee stock options exercises generated $8.4 million and $0.1 million, in fiscal years 2014 and 2013, respectively.

On April 19, 2012, the Company entered into a credit agreement (the "Expired Credit Agreement") providing for a $100 million unsecured revolving credit facility with a $15 million letter of credit sublimit. This credit facility expired on April 19, 2013, and the Company chose not to renew the Expired Credit Agreement. The Company did not draw against the revolving line of credit. On April 29, 2014, the Company entered into a $225 million senior secured revolving line of credit facility to fund the Offer Consideration payable in the Acquisition. The Acquisition is expected to close in the second half of calendar year 2014. See "Revolving Credit Facilities" below for additional details regarding both facilities.

The Company began expansion of operations in fiscal year 2014 with the acquisition and building of additional facilities in Austin. We anticipate future costs related to the current expansion to range from $18 million to $20 million over the next year. We anticipate these cash uses to be funded from current cash sources.

Our future capital requirements will depend on many factors, including the rate of sales growth, market acceptance of our products, the timing and extent of research and development projects, potential acquisitions of companies or technologies and the expansion of our sales and marketing activities. We believe our expected future cash earnings, existing cash, cash equivalents, investments and credit under our Credit Facility are sufficient to meet our capital requirements through at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time.

Revolving Credit Facilities

On April 29, 2014, we entered into the Credit Agreement with Wells Fargo Bank, National Association as administrative agent and lender. The Credit Agreement provides for a $225 million senior secured revolving credit facility. The Credit Facility may be used for, among other things, payment of the Offer Consideration in connection with the Acquisition.

The Credit Facility matures on the earliest to occur of (a) January 23, 2015, (b) the date of termination of the Commitments as a result of a permanent reduction of all of the Commitments (as defined therein) by Cirrus Logic or (c) the date of termination of the Commitments as a result of an event of default (such date, the "Maturity Date"). We must repay the outstanding principal amount of all borrowings, together with all accrued but unpaid interest thereon, on the Maturity Date. The Credit Facility is required to be guaranteed by all of Cirrus Logic's material domestic subsidiaries (the "Subsidiary Guarantors"). The Credit Facility is secured by substantially all of the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets.

Borrowings under the Credit Facility may, at our election, bear interest at either (a) a base rate plus the applicable margin ("Base Rate Loans") or (b) a LIBOR rate plus the applicable margin ("LIBOR Rate Loans"). The applicable margin ranges from 0% to .25% per annum for Base Rate Loans and 1.75% to 2.25% per annum for LIBOR Rate Loans based on Cirrus Logic's Leverage Ratio (as defined below). A commitment fee accrues at a rate per annum ranging from 0.30% to 0.40% (based on the Leverage Ratio) on the average daily unused portion of the commitments of the lenders.

We are entitled to borrow only in U.S. dollars under the Credit Facility. The Offer Consideration in connection with the Acquisition is payable in Great Britain pounds sterling; therefore, we entered into a separate nine-month foreign currency hedging contract with Wells Fargo, which is expected to mitigate the risk of fluctuations in the dollar/pounds sterling exchange rates in relation to the payment of the Offer Consideration in connection with the Acquisition.

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 Cirrus Logic or any Subsidiary to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, and make certain restricted payments. The Credit Facility also contains certain 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 (the "Leverage Ratio") and (b) the sum of cash and cash equivalents of Cirrus Logic and its subsidiaries on a consolidated basis must not be less than $75 million.

The Credit Facility provides for a "Certain Funds Period" during which limited borrowing conditions apply and only breaches of certain major representations and major defaults or illegality may prevent funding the Offer Consideration in order to comply with the certain funds requirements of the United Kingdom City Code on Takeover and Mergers. Following the Certain Funds Period, the Credit Facility provides for a clean-up period to permit us to cure certain technical breaches.

The Company also maintained the Expired 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 (collectively, the "Lenders"). The aggregate borrowing limit under the unsecured revolving credit facility was $100 million with a $15 million letter of credit sublimit and was intended to provide the Company with short-term borrowings for working capital and other general corporate purposes.

The Expired Credit Agreement contained 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 Expired Credit Agreement contained 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 facility also contained 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. The Company was in compliance with these covenants and there were no borrowings under the facility through April 19, 2013. The credit facility expired on April 19, 2013 and was not renewed.

See also Note 9 — Revolving Line of Credit.

Off Balance Sheet Arrangements

As of March 29, 2014, 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. Maturities under these contracts are set forth in the following table as of March 29, 2014:

	Payment due by period (in thousands)				
	< 1 year	1 – 3 years	3 – 5 years	> 5 years	Total
Facilities leases, net	$ 3,054	$ 5,115	$ 1,196	$ —	$ 9,365
Equipment leases	11	13	9	—	33
Wafer purchase commitments	36,717	—	—	—	36,717
Assembly purchase commitments	2,053	—	—	—	2,053
Outside test purchase commitments	5,321	—	—	—	5,321
Other purchase commitments	—	—	—	—	—
Total	$ 47,156	$ 5,128	$ 1,205	$ —	$ 53,489

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 29, 2014. 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 29, 2014, an immediate one percent, or 100 basis points, increase or decrease in interest rates could result in a $3.4 million fluctuation in our annual interest income. However, our investment portfolio holdings as of March 29, 2014, yielded less than 100 basis points, which reduces our downside interest rate risk to the amount of interest income recognized in fiscal year 2014, or $0.8 million. At March 30, 2013, 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 30, 2013, yielded less than 100 basis points, which reduces our downside interest rate risk to the amount of interest income recognized in fiscal year 2013, or $0.4 million. 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. 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