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.