MARVELL TECHNOLOGY GROUP LTD
Form 10-Q
July 21, 2016
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended October 31, 2015**

**or**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ______ to ______**

**Commission file number: 000-30877**

# Marvell Technology Group Ltd.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Bermuda** | **77-0481679** |
| **(State or other jurisdiction of** | **(I.R.S. Employer** |
| **incorporation or organization)** | **Identification No.)** |

**Canon s Court, 22 Victoria Street, Hamilton HM 12, Bermuda**

**(441) 296-6395**

**(Address of principal executive offices, Zip Code and registrant s telephone number, including area code)**

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | x | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

The number of common shares of the registrant outstanding as of July 11, 2016 was 511.2 million shares.

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## EXPLANATORY NOTE

As previously reported, we were unable to timely file our Quarterly Report on Form 10-Q for the second and third quarters of fiscal 2016 and our Annual Report on Form 10-K for fiscal 2016. Except as specifically set forth herein, this Form 10-Q speaks only as of October 31, 2015 and the period then ended, and these financial results do not reflect events or results of operations that may have occurred subsequent to October 31, 2015. The Company was obligated to adjust its financial results for the third quarter of fiscal 2016 through the date of filing of this report to account for certain activities subsequent to October 31, 2015 (Type 1 subsequent events). As a result, certain results, including net loss and net loss per share, reported in this report may differ from the preliminary results for the third quarter of fiscal 2016 released on December 7, 2015. Please see also our Annual Report on Form 10-K for the fiscal year ended January 30, 2016, which is being filed on the date hereof.

**PART I: FINANCIAL INFORMATION**

**Item 1.** ***Financial Statements***

**MARVELL TECHNOLOGY GROUP LTD.**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

**(In thousands, except par value per share)**

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 897,053 | $ 1,210,977 |
| Short-term investments | 1,406,699 | 1,318,578 |
| Accounts receivable, net | 380,928 | 420,955 |
| Inventories | 279,359 | 308,162 |
| Prepaid expenses and other current assets | 54,123 | 68,140 |
| Deferred income taxes | 17,327 | 17,228 |
| Total current assets | 3,035,489 | 3,344,040 |
| Property and equipment, net | 309,647 | 340,639 |
| Long-term investments | 10,182 | 10,226 |
| Goodwill | 2,029,945 | 2,029,945 |
| Acquired intangible assets, net | 20,957 | 30,698 |
| Other non-current assets | 100,304 | 128,839 |
| Total assets | $ 5,506,524 | $ 5,884,387 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 236,675 | $ 282,899 |
| Accrued liabilities | 145,139 | 131,388 |
| Carnegie Mellon University accrued litigation settlement | 734,715 | |
| Accrued employee compensation | 140,333 | 154,969 |
| Deferred income | 58,086 | 68,120 |
| Total current liabilities | 1,314,948 | 637,376 |
| Non-current income taxes payable | 55,147 | 68,729 |
| Other non-current liabilities | 24,946 | 32,193 |
| Total liabilities | 1,395,041 | 738,298 |
| Commitments and contingencies (Note 10) | | |
| Shareholders equity: | | |
| Common shares, $0.002 par value | 1,010 | 1,030 |
| Additional paid-in capital | 2,975,426 | 3,099,548 |
| Accumulated other comprehensive income (loss) | (2,182) | 308 |
| Retained earnings | 1,137,229 | 2,045,203 |
| Total shareholders equity | 4,111,483 | 5,146,089 |
| Total liabilities and shareholders equity | $ 5,506,524 | $ 5,884,387 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except per share amounts)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Net revenue | $ 674,890 | $ 930,136 | $ 2,109,670 | $ 2,849,511 |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 379,254 | 454,974 | 1,192,126 | 1,426,575 |
| Research and development | 252,502 | 288,348 | 818,257 | 873,381 |
| Selling and marketing | 30,582 | 34,410 | 97,597 | 106,717 |
| General and administrative | 33,206 | 32,358 | 108,884 | 93,535 |
| Carnegie Mellon University litigation settlement | | | 654,667 | |
| Restructuring and other related charges | 35,270 | 1,202 | 48,862 | 7,025 |
| Amortization and write-off of acquired intangible assets | 3,150 | 3,304 | 8,286 | 13,297 |
| Total operating costs and expenses | 733,964 | 814,596 | 2,928,679 | 2,520,530 |
| Operating income (loss) | (59,074) | 115,540 | (819,009) | 328,981 |
| Interest and other income, net | 4,644 | 4,764 | 16,601 | 18,952 |
| Income (loss) before income taxes | (54,430) | 120,304 | (802,408) | 347,933 |
| Provision (benefit) for income taxes | 3,320 | 5,000 | 13,192 | (5,720) |
| Net income (loss) | $ (57,750) | $ 115,304 | $ (815,600) | $ 353,653 |
| Net income (loss) per share: | | | | |
| Basic | $ (0.11) | $ 0.22 | $ (1.59) | $ 0.69 |
| Diluted | $ (0.11) | $ 0.22 | $ (1.59) | $ 0.68 |
| Weighted average shares: | | | | |
| Basic | 504,831 | 513,859 | 512,476 | 510,261 |
| Diluted | 504,831 | 519,907 | 512,476 | 520,309 |
| Cash dividend declared per share | $ 0.06 | $ 0.06 | $ 0.18 | $ 0.18 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(In thousands)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Net income (loss) | $ (57,750) | $ 115,304 | $ (815,600) | $ 353,653 |
| Other comprehensive income (loss), net of tax: | | | | |
| Net change in unrealized gain (loss) on marketable securities | (491) | (1,209) | (3,809) | (1,052) |
| Net change in unrealized gain (loss) on auction rate securities | 59 | 305 | (44) | 448 |
| Net change in unrealized gain (loss) on cash flow hedges | (472) | (2,687) | 1,363 | (2,957) |
| Other comprehensive loss, net of tax | (904) | (3,591) | (2,490) | (3,561) |
| Comprehensive income (loss), net of tax | $ (58,654) | $ 111,713 | $ (818,090) | $ 350,092 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

| | Nine Months Ended October 31, 2015 | Nine Months Ended November 1, 2014 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ (815,600) | $ 353,653 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 77,376 | 79,784 |
| Share-based compensation | 101,360 | 99,283 |
| Amortization and write-off of acquired intangible assets | 9,741 | 14,752 |
| Non-cash restructuring and other related charges | 15,743 | |
| Other non-cash expense (income), net | 5,926 | (12,160) |
| Excess tax benefits from share-based compensation | (27) | (78) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 40,027 | 10,055 |
| Inventories | 21,042 | (8,793) |
| Prepaid expenses and other assets | 18,132 | (8,621) |
| Accounts payable | (43,735) | 16,937 |
| Accrued liabilities and other non-current liabilities | 12,016 | (22,035) |
| Carnegie Mellon University accrued litigation settlement | 734,715 | |
| Accrued employee compensation | (14,636) | 41,651 |
| Deferred income | (10,034) | 9,087 |
| Net cash provided by operating activities | 152,046 | 573,515 |
| **Cash flows from investing activities:** | | |
| Purchases of available-for-sale securities | (922,830) | (784,296) |
| Sales and maturities of available-for-sale securities | 826,199 | 578,095 |
| Distribution from (investments in) privately-held companies | 78 | (701) |
| Proceeds from sale of an investment in a privately-held company | | 13,220 |
| Purchases of technology licenses | (6,657) | (14,514) |
| Purchases of property and equipment | (33,361) | (48,615) |
| Purchase of equipment previously leased | (10,240) | |
| Proceeds from sale of equipment held for sale | 10,007 | |
| Net cash used in investing activities | (136,804) | (256,811) |
| **Cash flows from financing activities:** | | |
| Repurchase of common stock | (260,875) | (43,774) |
| Proceeds from employee stock plans | 59,348 | 71,308 |
| Minimum tax withholding paid on behalf of employees for net share settlement | (23,876) | (25,586) |
| Dividend payments to shareholders | (92,374) | (91,859) |
| Payments on technology license obligations | (11,416) | (8,628) |
| Excess tax benefits from share-based compensation | 27 | 78 |
| Net cash used in financing activities | (329,166) | (98,461) |
| Net increase (decrease) in cash and cash equivalents | (313,924) | 218,243 |
| Cash and cash equivalents at beginning of period | 1,210,977 | 965,750 |

| | | |
|---|---|---|
| Cash and cash equivalents at end of period | $ 897,053 | $ 1,183,993 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. The Company and Basis of Presentation**

***The Company***

Marvell Technology Group Ltd., a Bermuda company, and its subsidiaries (the Company ), is a fabless semiconductor provider of high-performance application-specific standard products. The Company s core strength of expertise is the development of complex System-on-a-Chip and System-in-a-Package devices, leveraging its extensive technology portfolio of intellectual property in the areas of analog, mixed-signal, digital signal processing, and embedded and stand alone integrated circuits. The majority of the Company s product portfolio leverages embedded central processing unit technology. The Company also develops platforms that it defines as integrated hardware along with software that incorporates digital computing technologies designed and configured to provide an optimized computing solution. The Company s broad product portfolio includes devices for data storage, enterprise-class Ethernet data switching, Ethernet physical-layer transceivers, wireless connectivity, Internet-of-Things devices and multimedia solutions.

***Basis of Presentation***

The Company s fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal 2016 and 2015 each have a 52-week period.

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ( GAAP ) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments consisting of normal and recurring entries considered necessary for a fair statement of the results for the interim periods have been included in the Company s unaudited condensed consolidated balance sheet as of October 31, 2015, the results of its operations for the three and nine months ended October 31, 2015 and November 1, 2014, its comprehensive income for the three and nine months ended October 31, 2015 and November 1, 2014, and its cash flows for the nine months ended October 31, 2015 and November 1, 2014. The January 31, 2015 condensed consolidated balance sheet data was derived from the audited consolidated financial statements included in the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2015, but does not include all disclosures required for annual periods.

These condensed consolidated financial statements and related notes are unaudited and should be read in conjunction with the Company s audited financial statements and related notes included in the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2015 as filed on March 26, 2015 with the Securities and Exchange Commission. The results of operations for the three and nine months ended October 31, 2015 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to performance-based compensation, revenue recognition, provisions for sales returns and allowances, inventory excess and obsolescence, investment fair values, goodwill and other intangible assets, restructuring, income taxes, litigation and other contingencies. In addition, the Company uses assumptions when employing the Monte Carlo simulation and Black-Scholes valuation models to calculate the fair value of share-based awards that are granted. Actual results could differ from these estimates, and such differences could affect the results of operations reported in future periods.

***Principles of Consolidation***

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated. The functional currency of the Company and its subsidiaries is the U.S. dollar.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 2. Recent Accounting Pronouncements**

***Accounting Pronouncements Recently Adopted***

In April 2014, the Financial Accounting Standards Board ( FASB ) issued an amendment to its guidance regarding the reporting requirements of discontinued operations, which was effective for the Company beginning in the first quarter of fiscal 2016. Under the amended guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on an entity s operations and financial results. As a result, the Company has adopted and will apply the new guidance for any future dispositions that meet the criteria of a discontinued operation under the amendment.

In November 2015, the FASB issued a new standard to simplify the presentation of deferred income taxes. Currently, deferred income tax assets and liabilities are separately presented as current and non-current amounts on the consolidated balance sheet. The new standard will require that deferred tax assets and liabilities be classified and presented on the balance sheet as non-current. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016, although early adoption is permitted. The Company will adopt the new guidance at the beginning of its fourth quarter of fiscal 2016 on a prospective basis, and will not retrospectively adjust any prior periods. Adoption will have no impact on the Company s consolidated results of operations and it had no material impact on working capital.

***Accounting Pronouncements Not Yet Effective***

In May 2014, the FASB issued a new standard on the recognition of revenue from contracts with customers, which will supersede nearly all existing revenue recognition guidance under GAAP. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and assets recognized from costs incurred to obtain or fulfill a contract will also be required. The FASB subsequently issued an update to this standard in August 2015, which provides deferral of the effective date by one year. The standard is now effective for the Company s first quarter of fiscal 2019 and allows for either full retrospective or modified retrospective adoption. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016 and including interim reporting periods within such reporting period.

The FASB has since issued additional updates of its new standard on revenue recognition issued in May 2014. In March 2016, an amendment was issued to clarify the implementation guidance on principal versus agent consideration. The guidance requires entities to determine whether the nature of its promise to provide goods or services to a customer is performed in a principal or agent capacity and to recognize revenue in a gross or net manner based on its principal/agent designation. In April 2016, amendments were issued to clarify the identification of performance obligations and the licensing implementation guidance in the initial standard. Amendments were issued in May 2016 related to its guidance on assessing collectability, presentation of sales tax, noncash consideration, and completed contracts and contract modification at transition, which reduce the potential for diversity in practice, and the cost and complexity of application at transition and on an ongoing basis. The Company has been evaluating the effects of the new guidance and has not yet selected a transition method nor has it determined the potential effects of adoption on its consolidated financial statements.

In April 2015, the FASB issued new guidance to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The guidance provides a basis for evaluating whether a cloud computing arrangement includes a software license or whether the arrangement should be accounted for as a service contract. The guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The newly issued guidance also strikes from previous authoritative guidance, the use by analogy to the accounting for capital leases, which the Company applied in the accounting for certain of its technology license agreements. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In July 2015, the FASB issued an amendment to its guidance regarding the subsequent measurement of inventory. Currently, inventory is measured at the lower of cost or market. Market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. Under this amended guidance, inventory is to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This amendment applies to inventories for which cost is determined by methods other than last-in first-out and the retail inventory method. This standard is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In January 2016, the FASB issued new guidance which requires entities to measure all investments in equity securities at fair value with changes recognized through net income. This requirement does not apply to investments that qualify for the equity method of accounting, investments that result in consolidation of the investee, or investments for which the entity meets a practicability exception to fair value measurement. The new guidance also changes certain disclosure requirements for financial instruments. This standard is effective for annual and interim reporting periods beginning after December 15, 2017. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In March 2016, the FASB issued an amendment to its guidance on the effects of derivative contract novations on existing hedge accounting relationships. The new guidance clarifies that a change in the counterparty to a designated hedging instrument, in and of itself, does not require the de-designation of that hedging relationship, provided that all other hedge accounting criteria continue to be met. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued a new standard on the accounting for leases, which requires a lessee to record a right-of-use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than twelve months. The standard also expands the required quantitative and qualitative disclosures surrounding lease arrangements. The standard is effective for annual and interim reporting periods beginning after December 15, 2018. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued an amendment to its guidance for investments that eliminates the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. Under the amended guidance, the investor should apply the equity method prospectively from the date the investment qualifies for the equity method. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued new guidance which simplifies several aspects of the accounting for share-based payment award transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

In June 2016, the FASB issued a new standard requiring financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The standard eliminates the probable initial recognition in current GAAP and reflects an entity s current estimate of all expected credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. The standard is effective for annual and interim reporting periods beginning after December 15, 2019. The Company is currently evaluating the effect this new guidance will have on its consolidated financial statements.

**Note 3. Investments**

The following tables summarize the Company s investments (in thousands):

| | October 31, 2015 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| **Short-term investments:** | | | | |
| Available-for-sale: | | | | |
| Corporate debt securities | $ 880,204 | $ 1,174 | $ (1,305) | $ 880,073 |
| U.S. government and agency debt | 378,687 | 152 | (143) | 378,696 |
| Asset backed securities | 89,638 | 85 | (51) | 89,672 |
| Foreign government and agency debt | 21,907 | 7 | (12) | 21,902 |
| Municipal debt securities | 36,303 | 63 | (10) | 36,356 |
| Total short-term investments | 1,406,739 | 1,481 | (1,521) | 1,406,699 |
| **Long-term investments:** | | | | |

| | | | | |
|---|---|---|---|---|
| Available-for-sale: | | | | |
| Auction rate securities | 12,500 | | (2,318) | 10,182 |
| Total long-term investments | 12,500 | | (2,318) | 10,182 |
| Total investments | $ 1,419,239 | $ 1,481 | $ (3,839) | $ 1,416,881 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | January 31, 2015 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| **Short-term investments:** | | | | |
| Available-for-sale: | | | | |
| Corporate debt securities | $ 983,008 | $ 3,872 | $ (563) | $ 986,317 |
| U.S. government and agency debt | 178,898 | 265 | (7) | 179,156 |
| Asset backed securities | 91,432 | 108 | (9) | 91,531 |
| Foreign government and agency debt | 28,051 | 61 | (2) | 28,110 |
| Municipal debt securities | 33,421 | 47 | (4) | 33,464 |
| Total short-term investments | 1,314,810 | 4,353 | (585) | 1,318,578 |
| **Long-term investments:** | | | | |
| Available-for-sale: | | | | |
| Auction rate securities | 12,500 | | (2,274) | 10,226 |
| Total long-term investments | 12,500 | | (2,274) | 10,226 |
| Total investments | $ 1,327,310 | $ 4,353 | $ (2,859) | $ 1,328,804 |

As of October 31, 2015, the Company s investment portfolio included auction rate securities with an aggregate par value of $12.5 million classified as long-term investments. Although these securities have continued to pay interest, there is currently limited trading volume in the securities. The Company uses a discounted cash flow model to estimate the fair value of the auction rate securities based on estimated timing and amount of future interest and principal payments. In developing the discounted cash flow model, the Company considers the credit quality and liquidity of the underlying securities and related issuer, the collateralization of underlying security investments and other considerations. The fair value of these auction rate securities as of October 31, 2015 was $2.3 million less than their par value. Based on the Company s balance of approximately $2.3 billion in cash, cash equivalents and short-term investments, and the fact that the Company continues to generate positive cash flow from operations on a quarterly basis, the Company does not anticipate having to sell these securities below par value and does not have the intent to sell these auction rate securities until recovery. Since the Company considers the impairment to be temporary, the Company recorded the unrealized loss to accumulated other comprehensive loss, a component of shareholders equity.

Gross realized gains and gross realized losses on sales of available-for-sale securities are presented in the following tables (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Gross realized gains | $ 524 | $ 415 | $ 1,222 | $ 1,367 |
| Gross realized losses | (877) | (25) | (1,214) | (50) |
| Total net realized gains | $ (353) | $ 390 | $ 8 | $ 1,317 |

The contractual maturities of available-for-sale securities are presented in the following tables (in thousands):

| | October 31, 2015 | January 31, 2015 |
|---|---|---|

| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
|---|---|---|---|---|
| Due in one year or less | $ 426,398 | $ 426,440 | $ 361,108 | $ 361,396 |
| Due between one and five years | 969,328 | 969,271 | 950,702 | 954,151 |
| Due over five years | 23,513 | 21,170 | 15,500 | 13,257 |
| | $ 1,419,239 | $ 1,416,881 | $ 1,327,310 | $ 1,328,804 |

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For individual securities that have been in a continuous unrealized loss position, the fair value and gross unrealized loss for these securities aggregated by investment category and length of time in an unrealized position are presented in the following tables (in thousands):

| | October 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Corporate debt securities | $ 454,216 | $ (1,265) | $ 17,591 | $ (40) | $ 471,807 | $ (1,305) |
| U.S. government and agency debt | 214,176 | (143) | | | 214,176 | (143) |
| Asset backed securities | 38,276 | (51) | | | 38,276 | (51) |
| Foreign government and agency debt | 14,801 | (12) | | | 14,801 | (12) |
| Municipal debt securities | 2,242 | (9) | 1,082 | (1) | 3,324 | (10) |
| Auction rate securities | | | 10,182 | (2,318) | 10,182 | (2,318) |
| Total securities | $ 723,711 | $ (1,480) | $ 28,855 | $ (2,359) | $ 752,566 | $ (3,839) |

| | January 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Corporate debt securities | $ 243,699 | $ (558) | $ 2,005 | $ (5) | $ 245,704 | $ (563) |
| U.S. government and agency debt | 32,165 | (7) | | | 32,165 | (7) |
| Asset backed securities | 25,053 | (9) | | | 25,053 | (9) |
| Foreign government and agency debt | 2,999 | (2) | | | 2,999 | (2) |
| Municipal debt securities | 2,845 | (4) | | | 2,845 | (4) |
| Auction rate securities | | | 10,226 | (2,274) | 10,226 | (2,274) |
| Total securities | $ 306,761 | $ (580) | $ 12,231 | $ (2,279) | $ 318,992 | $ (2,859) |

**Note 4. Supplemental Financial Information (in thousands)**

***Consolidated Balance Sheets***

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| **Inventories:** | | |
| Work-in-process | $ 144,192 | $ 183,869 |
| Finished goods | 135,167 | 124,293 |
| Total inventories | $ 279,359 | $ 308,162 |

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| **Property and equipment, net:** | | |
| Machinery and equipment | $ 630,243 | $ 601,961 |
| Buildings | 144,320 | 144,320 |
| Computer software | 104,073 | 99,312 |
| Land | 53,373 | 53,373 |
| Building improvements | 49,902 | 49,753 |
| Leasehold improvements | 50,659 | 51,434 |
| Furniture and fixtures | 27,542 | 27,883 |
| Construction in progress | 1,504 | 6,167 |
| | 1,061,616 | 1,034,203 |
| Less: Accumulated depreciation and amortization | (751,969) | (693,564) |
| Total property and equipment, net | $ 309,647 | $ 340,639 |

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| **Other non-current assets:** | | |
| Technology and other licenses | $ 41,070 | $ 61,217 |
| Deferred tax assets | 19,244 | 22,273 |
| Investments in privately-held companies | 8,685 | 9,267 |
| Prepaid land use rights | 13,200 | 13,432 |
| Deposits | 6,949 | 7,903 |
| Other | 11,156 | 14,747 |
| Total other non-current assets | $ 100,304 | $ 128,839 |

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| **Accrued liabilities:** | | |
| Accrued rebates | $ 31,797 | $ 39,105 |
| Accrued royalties | 17,732 | 24,680 |
| Technology license obligations | 9,718 | 14,428 |
| Accrued legal expense | 9,830 | 8,327 |
| Accrued litigation | 4,000 | 1,700 |
| Other | 72,062 | 43,148 |
| Total accrued liabilities | $ 145,139 | $ 131,388 |

| | October 31, 2015 | January 31, 2015 |
|---|---|---|
| **Other non-current liabilities:** | | |
| Technology license obligations | $ 10,896 | $ 16,468 |
| Long-term accrued employee compensation | 6,551 | 4,610 |
| Other | 7,499 | 11,115 |
| Other non-current liabilities | $ 24,946 | $ 32,193 |

**Accumulated other comprehensive income (loss)**

The changes in accumulated other comprehensive income (loss) by components are presented in the following tables (in thousands):

| | Unrealized Gain (Loss) on Marketable Securities | Unrealized Gain (Loss) on Auction Rate Securities | Unrealized Gain (Loss) on Cash Flow Hedges | Total |
|---|---|---|---|---|
| Balance at January 31, 2015 | $ 3,768 | $ (2,274) | $ (1,186) | $ 308 |
| Other comprehensive income (loss) before reclassifications | (3,360) | (44) | 1,296 | (2,108) |

| | | | | |
|---|---|---|---|---|
| Amounts reclassified from accumulated other comprehensive income (loss) | (449) | | 67 | (382) |
| Other comprehensive income (loss), net of tax | (3,809) | (44) | 1,363 | (2,490) |
| Balance at October 31, 2015 | $ (41) | $ (2,318) | $ 177 | $ (2,182) |

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | Unrealized Gain (Loss) on Marketable Securities | Unrealized Gain (Loss) on Auction Rate Securities | Unrealized Gain (Loss) on Cash Flow Hedges | Total |
|---|---|---|---|---|
| Balance at February 1, 2014 | $ 2,534 | $ (2,871) | $ 934 | $ 597 |
| Other comprehensive income (loss) before reclassifications | 67 | 448 | (1,603) | (1,088) |
| Amounts reclassified from accumulated other comprehensive income (loss) | (1,119) | | (1,354) | (2,473) |
| Other comprehensive income (loss), net of tax | (1,052) | 448 | (2,957) | (3,561) |
| Balance at November 1, 2014 | $ 1,482 | $ (2,423) | $ (2,023) | $ (2,964) |

The amounts reclassified from accumulated other comprehensive income (loss) by components are presented in the following table (in thousands):

| Affected Line Item in the Statement of Operations | Three Months Ended October 31, 2015 | Three Months Ended November 1, 2014 | Nine Months Ended October 31, 2015 | Nine Months Ended November 1, 2014 |
|---|---|---|---|---|
| Interest and other income, net: | | | | |
| Available-for-sale securities: | | | | |
| Marketable securities | $ (4) | $ 264 | $ 449 | $ 1,119 |
| Operating costs and expenses: | | | | |
| Cash flow hedges: | | | | |
| Research and development | 545 | 320 | (68) | 1,241 |
| Selling and marketing | 6 | 29 | (57) | 110 |
| General and administrative | 51 | 1 | 58 | 3 |
| Total | $ 598 | $ 614 | $ 382 | $ 2,473 |

***Consolidated Statements of Operations***

| | Three Months Ended October 31, 2015 | Three Months Ended November 1, 2014 | Nine Months Ended October 31, 2015 | Nine Months Ended November 1, 2014 |
|---|---|---|---|---|
| **Interest and other income, net:** | | | | |
| Interest income | $ 3,932 | $ 2,914 | $ 11,980 | $ 7,838 |
| Net realized gain (loss) on investments | (353) | 390 | 8 | 1,317 |
| Currency translation gain | 1,134 | 1,667 | 5,035 | 981 |
| Other income | 86 | 108 | 145 | 9,765 |
| Interest expense | (155) | (315) | (567) | (949) |
| | $ 4,644 | $ 4,764 | $ 16,601 | $ 18,952 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Net income (loss) per share**

The Company reports both basic net income (loss) per share, which is based on the weighted average number of common shares outstanding during the period, and diluted net income (loss) per share, which is based on the weighted average number of common shares outstanding and potentially dilutive common shares outstanding during the period. The computations of basic and diluted net income (loss) per share are presented in the following table (in thousands, except per share amounts):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Numerator: | | | | |
| Net income (loss) | $ (57,750) | $ 115,304 | $ (815,600) | $ 353,653 |
| Denominator: | | | | |
| Weighted average shares basic | 504,831 | 513,859 | 512,476 | 510,261 |
| Effect of dilutive securities: | | | | |
| Share-based awards | | 6,048 | | 10,048 |
| Weighted average shares diluted | 504,831 | 519,907 | 512,476 | 520,309 |
| Net income (loss) per share: | | | | |
| Basic | $ (0.11) | $ 0.22 | $ (1.59) | $ 0.69 |
| Diluted | $ (0.11) | $ 0.22 | $ (1.59) | $ 0.68 |

Potential dilutive securities include dilutive common shares from share-based awards attributable to the assumed exercise of stock options, restricted stock units and employee stock purchase plan shares using the treasury stock method. Under the treasury stock method, potential common shares outstanding are not included in the computation of diluted net income per share, if their effect is anti-dilutive.

Anti-dilutive potential shares are presented in the following table (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Weighted average shares outstanding: | | | | |
| Share-based awards | 68,613 | 29,237 | 62,825 | 26,070 |

Anti-dilutive potential shares from share-based awards are excluded from the calculation of diluted earnings per share for the three and nine months ended October 31, 2015 due to the net loss reported in those periods. Anti-dilutive potential shares from share-based awards are excluded from the calculation of diluted earnings per share for all other periods reported above because either their exercise price exceeded the average market price during the period or the share-based awards were determined to be anti-dilutive based on applying the treasury stock method.

**Note 5. Derivative Financial Instruments**

The Company manages some of its foreign currency exchange rate risk through the purchase of foreign currency exchange contracts that hedge against the short-term effect of currency fluctuations. The Company s policy is to enter into foreign currency forward contracts with maturities less than 12 months that mitigate the effect of rate fluctuations on certain local currency denominated operating expenses. All derivative instruments are recorded at fair value in either prepaid expenses and other current assets or accrued liabilities. The Company reports cash flows from derivative instruments in cash flows from operating activities. The Company uses quoted prices to value its derivative instruments.

The notional amounts of outstanding forward contracts were as follows (in thousands):

| | **Buy Contracts** | |
|---|---|---|
| | **October 31, 2015** | **January 31, 2015** |
| Israeli shekel | $ 22,027 | $ 51,326 |

*Cash Flow Hedges.* The Company designates and documents its foreign currency forward exchange contracts as cash flow hedges for certain operating expenses. The Company evaluates and calculates the effectiveness of each hedge at least quarterly. The effective change is recorded in accumulated other comprehensive income and is subsequently reclassified to operating expense when the hedged expense is recognized. Ineffectiveness is recorded in interest and other income, net.

**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Other Foreign Currency Forward Contracts.* The Company enters into foreign currency forward exchange contracts to hedge certain assets and liabilities denominated in various foreign currencies that it does not designate as hedges for accounting purposes. The maturities of these contracts are generally less than 12 months. Gains or losses arising from the remeasurement of these contracts to fair value each period are recorded in interest and other income, net.

The fair value of foreign currency exchange contracts was not significant as of any period presented.

The following table provides information about gains (losses) associated with the Company s derivative financial instruments (in thousands):

| | Location of Gains (Losses) in Statement of Operations | Amount of Gains (Losses) in Statement of Operations: Three Months Ended October 31, 2015 | Three Months Ended November 1, 2014 | Nine Months Ended October 31, 2015 | Nine Months Ended November 1, 2014 |
|---|---|---|---|---|---|
| Derivatives designated as cash flow hedges: | | | | | |
| Forward contracts: | Research and development | $ 116 | $ (625) | $ (460) | $ 284 |
| | Selling and marketing | 2 | (57) | (6) | 25 |
| | General and administrative | 11 | (1) | (34) | (2) |
| | | $ 129 | $ (683) | $ (500) | $ 307 |

The portion of gains (losses) excluded from the assessment of hedge effectiveness are included in interest and other income, net, and these amounts were not material in the three and nine months ended October 31, 2015 and November 1, 2014. In addition, realized losses from forward contracts that are not designated as hedging instruments that are included in interest and other income, net, were not material in the three and nine months ended October 31, 2015 and November 1, 2014. The Company also reports hedge ineffectiveness from derivative financial instruments in current earnings, which was not material in the three and nine months ended October 31, 2015 and November 1, 2014. No cash flow hedges were terminated as a result of forecasted transactions that did not occur.

**Note 6. Fair Value Measurements**

Fair value is an exit price representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.

Level 2 Other inputs that are directly or indirectly observable in the marketplace.

Level 3 Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company s Level 1 assets include institutional money-market funds that are classified as cash equivalents and marketable investments in U.S. government and agency debt, which are valued primarily using quoted market prices. The Company s Level 2 assets include its marketable investments in time deposits, corporate debt securities, foreign government and agency debt, municipal debt securities and asset backed securities as the market inputs used to value these instruments consist of market yields, reported trades and broker/dealer quotes, which are corroborated with observable market data. In addition, forward contracts, and the severance pay fund are classified as Level 2 assets as the valuation inputs are based on quoted prices and market observable data of similar instruments. The Company s investments in auction rate securities are classified as Level 3 assets because there are currently no active markets for the auction rate securities and consequently the Company is unable to obtain independent valuations from market sources. Therefore, the auction rate securities are valued using a discounted cash flow model. Some of the inputs to the discounted cash flow model are unobservable in the market. The total amount of assets measured using Level 3 valuation methodologies represented 0.2% of total assets as of October 31, 2015.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The tables below set forth, by level, the Company s assets and liabilities that are measured at fair value on a recurring basis. The tables do not include assets and liabilities that are measured at historical cost or any basis other than fair value (in thousands):

| | October 31, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash equivalents: | | | | |
| U.S. government and agency debt | $ 4,998 | $ | $ | $ 4,998 |
| Money market funds | 33,263 | | | 33,263 |
| Time deposits | | 207,219 | | 207,219 |
| Corporate debt securities | | 49,245 | | 49,245 |
| Short-term investments: | | | | |
| U.S. government and agency debt | 378,696 | | | 378,696 |
| Corporate debt securities | | 880,073 | | 880,073 |
| Asset backed securities | | 89,672 | | 89,672 |
| Foreign government and agency debt | | 21,902 | | 21,902 |
| Municipal debt securities | | 36,356 | | 36,356 |
| Prepaid expenses and other current assets: | | | | |
| Foreign currency forward contracts | | 173 | | 173 |
| Long-term investments: | | | | |
| Auction rate securities | | | 10,182 | 10,182 |
| Other non-current assets: | | | | |
| Severance pay fund | | 1,081 | | 1,081 |
| Total assets | $ 416,957 | $ 1,285,721 | $ 10,182 | $ 1,712,860 |
| Liabilities | | | | |
| Accrued liabilities: | | | | |
| Foreign currency forward contracts | $ | $ 37 | $ | $ 37 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | January 31, 2015 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets | | | | |
| Cash equivalents: | | | | |
| Money market funds | $ 111,286 | $ | $ | $ 111,286 |
| Time deposits | | 213,012 | | 213,012 |
| Corporate debt securities | | 21,999 | | 21,999 |
| Short-term investments: | | | | |
| U.S. government and agency debt | 179,156 | | | 179,156 |
| Corporate debt securities | | 986,317 | | 986,317 |
| Asset backed securities | | 91,531 | | 91,531 |
| Foreign government and agency debt | | 28,110 | | 28,110 |
| Municipal debt securities | | 33,464 | | 33,464 |
| Prepaid expenses and other current assets: | | | | |
| Foreign currency forward contracts | | 124 | | 124 |
| Long-term investments: | | | | |
| Auction rate securities | | | 10,226 | 10,226 |
| Other non-current assets: | | | | |
| Severance pay fund | | 1,758 | | 1,758 |
| Total assets | $ 290,442 | $ 1,376,315 | $ 10,226 | $ 1,676,983 |
| Liabilities | | | | |
| Accrued liabilities: | | | | |
| Foreign currency forward contracts | $ | $ 1,379 | $ | $ 1,379 |

The following table summarizes the change in fair value for Level 3 assets (in thousands):

| | Nine Months Ended | |
|---|---|---|
| | **October 31, 2015** | **November 1, 2014** |
| Beginning balance | $ 10,226 | $ 16,279 |
| Sales and redemptions | | (3,650) |
| Transfer Out | | (3,000) |
| Unrealized losses included in accumulated other comprehensive income | (44) | 448 |
| Ending balance | $ 10,182 | $ 10,077 |

In November 2014, the Company received notification by the issuer of a mandatory full call of an auction rate security to be redeemed at par value and as a result, the security was classified within Level 2 based on the issuer s quoted price. Subsequently, the auction rate security was fully redeemed before the end of fiscal 2015.

**Note 7. Goodwill and Acquired Intangible Assets, Net**

***Goodwill***

The Company has identified that its business operates as a single operating segment with two components (Storage, and Smart Networked Devices and Solutions) that it has concluded can be aggregated into a single reporting unit for which it obtained an independent valuation to complete a step one assessment for goodwill impairment. In October 2015, the Company performed an impairment assessment for testing goodwill due to certain events and circumstances management considered could be indicators of potential impairment, which included the U.S. Court of Appeals for the Federal Circuit ( Federal Circuit ) panel s decision in August 2015 related to the CMU litigation (see Note 10 Commitments and Contingencies), the Company s decision to significantly restructure its mobile platform business announced in September 2015 (see Note 8 Restructuring and Other Related Charges ) and a significant decline in the Company s stock price during fiscal 2016. Based on the assessment, the Company concluded there was no impairment of its goodwill as of October 31, 2015.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*Acquired Intangible Assets, Net*

The carrying amounts of acquired intangible assets, net, are as follows (in thousands):

| | | October 31, 2015 | | | January 31, 2015 | | |
|---|---|---|---|---|---|---|---|
| | Range of Useful Lives | Gross Carrying Amounts | Accumulated Amortization and Write-Offs | Net Carrying Amounts | Gross Carrying Amounts | Accumulated Amortization and Write-Offs | Net Carrying Amounts |
| Purchased and core technology | 4 - 8 years | $ 36,348 | $ (21,203) | $ 15,145 | $ 36,348 | $ (16,107) | $ 20,241 |
| Trade names | 5 years | 1,300 | (1,300) | | 1,300 | (828) | 472 |
| Customer intangibles | 5 - 7 years | 28,600 | (22,788) | 5,812 | 28,600 | (18,615) | 9,985 |
| Total intangible assets, net | | $ 66,248 | $ (45,291) | $ 20,957 | $ 66,248 | $ (35,550) | $ 30,698 |

In the three months ended October 31, 2015, the Company recorded charges of $0.3 million to write-off core technology due to its decision to discontinue the related development project and $0.3 million to write-off a trade name it no longer intends to market.

Based on the identified intangible assets recorded at October 31, 2015, the future amortization expense for the next five fiscal years is as follows (in thousands):

| Fiscal Year | |
|---|---|
| Remainder of fiscal 2016 | $ 2,947 |
| 2017 | 10,642 |
| 2018 | 5,508 |
| 2019 | 1,860 |
| 2020 and thereafter | |
| | $ 20,957 |

**Note 8. Restructuring and Other Related Charges**

The following table provides a summary of restructuring and other related charges as presented in the unaudited condensed consolidated statements of operations (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Cost of goods sold | $ 10,285 | $ | $ 10,285 | $ |
| Restructuring and other related charges | 35,270 | 1,202 | 48,862 | 7,025 |
| Write-off of acquired intangible assets | | | | 3,386 |
| | $ 45,555 | $ 1,202 | $ 59,147 | $ 10,411 |

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents details of charges recorded by the Company related to the restructuring actions described below (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Severance and related costs | $ 28,773 | $ 72 | $ 40,478 | $ 5,107 |
| Facilities and related costs | 657 | 1,117 | 882 | 1,815 |
| Other exit-related costs | 1,855 | 13 | 2,044 | 86 |
| | 31,285 | 1,202 | 43,404 | 7,008 |
| Impairment and write-off of assets: | | | | |
| Inventory | 8,046 | | 8,046 | |
| Technology license | 1,250 | | 1,250 | |
| Equipment and other | 4,974 | | 6,447 | 17 |
| Acquired intangible asset | | | | 3,386 |
| | $ 45,555 | $ 1,202 | $ 59,147 | $ 10,411 |

The Company recorded $45.6 million and $59.1 million in the three and nine months ended October 31, 2015, respectively, in connection with restructuring and other related charges as described in the following paragraphs:

In September 2015, the Company announced a significant restructuring of its mobile platform business in order to focus the mobile product line on more profitable opportunities and align its expenses with corporate targets. The Company began implementing actions to significantly downsize the mobile platform organization to refocus its technology to other emerging opportunities, but it will continue its commitment to wireless connectivity such as WiFi and other wireless standards. As a result of these actions, the Company recorded a $41.5 million charge in the three months ended October 31, 2015, that included severance benefits for 778 employees who were notified of their termination, a loss on early contract termination, the impairment of technology licenses and certain equipment, and the write down of inventory. The majority of the affected employees departed by October 31, 2015 and the remaining departed before the end of fiscal 2016. Total charges for the nine months ended October 31, 2015 related to this restructuring were $55.4 million.

The Company expects to complete remaining actions, including the finalization of certain additional related activities, within the first half of fiscal 2017 and will incur additional charges of approximately $5 million. As a result, total restructuring and other related charges will be lower than the original estimate of $100 million to $130 million primarily due to the Company s decision to retain approximately 140 more mobile employees to support the remaining mobile business than it originally anticipated and certain equipment planned for disposal was subsequently determined to have alternative use. The Company also decided to offer retention bonuses to another 128 mobile employees to remain through the ramp down of certain operations. Their benefit packages will be recognized ratably over the employees remaining service periods through the first half of fiscal 2017.

In May 2015, the Company decided to further reduce its research and development operations in Israel and close certain other design centers, primarily located in Europe and the U.S. in connection with its ongoing effort to streamline its business. As a result, the Company recorded a $3.8 million charge primarily for severance related to the termination of an additional 44 employees who were notified of their termination in the three months ended October 31, 2015. Cumulative charges for the nine months ended October 31, 2015 were $15.7 million for severance and a lease obligation related to a facility that was vacated in July 2015. Although the majority of the affected employees departed immediately, certain employees remained through the end of calendar 2015 to facilitate the transfer of ongoing operations to other major sites and remaining charges were not material. Before the end of fiscal 2016, substantially all of the activities associated with these actions were completed and all affected employees had departed.

In March 2015, the Company exercised the early buyout option under an operating lease for corporate equipment that it had planned to sell as part of a cost reduction action. The Company actively sought a buyer and classified the equipment as held for sale included in prepaid and current assets on the unaudited condensed consolidated balance sheet. It also ceased depreciation on the asset and measured its carrying value at the lower of net book value or fair value (less cost to sell). In October 2015, the Company sold the corporate equipment for net proceeds of $9.3 million, which approximated the carrying value and resulted in no gain or loss recognized in the three months ended October 31, 2015 upon the sale of the asset.

During the three and nine months ended October 31, 2015, the Company also continued to make payments and incur ongoing operating expenses related to vacated facilities under previous restructure actions.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table sets forth a reconciliation of the beginning and ending restructuring liability balances by each major type of costs associated with the restructuring charges (in thousands):

| | Severance and Related Costs | Facilities and Related Costs | Other Exit-Related Costs | Total |
|---|---|---|---|---|
| Balance at January 31, 2015 | $ | $ 1,339 | $ 3,230 | $ 4,569 |
| Restructuring charges | 40,478 | 882 | 2,140 | 43,500 |
| Net cash payments | (15,558) | (902) | (3,726) | (20,186) |
| Exchange rate adjustment | (16) | (80) | | (96) |
| Balance at October 31, 2015 | $ 24,904 | $ 1,239 | $ 1,644 | $ 27,787 |

During the nine months ended October 31, 2015, the Company paid severance and related costs to a total 1088 employees who departed in the third quarter of fiscal 2016 as part of the restructuring actions described above. The remaining severance balance at October 31, 2015 is expected to be paid within the first half of fiscal 2017. The balance at October 31, 2015 for facility and related costs includes remaining payments under lease obligations related to vacated space that are expected to be paid through fiscal 2018.

**Note 9. Income Tax**

The income tax expense for the three months ended October 31, 2015 was primarily due to current income tax liability of $1.5 million, a $1.1 million provision to record a valuation allowance against certain deferred tax assets in a non-U.S. jurisdiction and $0.7 million of interest on unrecognized tax benefits. The income tax expense for the nine months ended October 31, 2015 was primarily due to current income tax liability of $21.0 million, $7.8 million provision to record a valuation allowance against certain deferred tax assets in a non-U.S. jurisdiction and an additional tax provision of $3.1 million related to a $15.4 million payment to the Company s former Chief Executive Officer (see Note 13 Related Party Transaction ). These tax expenses for the nine months ended October 31, 2015 were partially offset by tax benefits of $14.0 million from a net reduction in unrecognized tax benefits, which primarily arose from the expiration of statutes of limitation and the settlement of tax audits in non-U.S. jurisdictions, and true-up adjustments of $4.8 million, primarily related to the filing of tax returns.

The income tax provision for the three months ended November 1, 2014 included the current income tax liability of $4.5 million and a $0.9 million increase in unrecognized tax benefits from interest on non-U.S. jurisdictions, which was partially offset by a $0.4 million tax benefit due to a return-to-provision adjustment upon the filing of a tax return in a non-U.S. jurisdiction. The income tax benefit for the nine months ended November 1, 2014 included the current income tax liability of $15.1 million, which was offset by tax benefits of $8.9 million from a net reduction in unrecognized tax benefits, $11.5 million from an increase in the net deferred tax assets because of the tax rate change in Singapore and $0.4 million from a return-to-provision adjustment upon the filing of a tax return in a non-U.S. jurisdiction. The net reduction in unrecognized tax benefits arose from the release of $13.2 million due to the expiration of statutes of limitation, which was reduced by a $4.3 million increase in current unrecognized tax benefit estimates in various non-U.S. jurisdictions.

It is reasonably possible that the amount of unrecognized tax benefits could increase or decrease significantly due to changes in tax law in various jurisdictions, new tax audits and changes in the U.S. dollar as compared to foreign currencies within the next 12 months. Excluding these factors, uncertain tax positions may decrease by as much as $18.5 million from the lapse of statutes of limitation in various jurisdictions during the next 12 months. Government tax authorities from several non-U.S. jurisdictions are also examining returns. The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to its tax audits and that any settlement will not have a material effect on its results at this time.

The Company operates under tax incentives in certain countries, which may be extended if certain additional requirements are satisfied. The tax incentives are conditional upon meeting certain employment and investment thresholds. The impact of these tax incentives decreased foreign taxes by $1.8 million and $6.7 million for the three and nine months ended October 31, 2015, respectively, and $1.8 million and $12.3 million for the three and nine months ended November 1, 2014, respectively. The benefit of the tax incentives on net loss per share was less than $0.01 per share for the three months ended October 31, 2015 and $0.01 per share for the nine months ended October 31, 2015, compared to a benefit on net income of less than $0.01 per share for the three months ended November 1, 2014 and $0.02 per share for the nine months ended November 1, 2014.

The Company s principal source of liquidity as of October 31, 2015 consisted of approximately $2.3 billion of cash, cash equivalents and short-term investments, of which approximately $750 million was held by foreign subsidiaries (outside Bermuda). Approximately $650 million of this amount held by foreign subsidiaries is related to undistributed earnings, most of which have been indefinitely reinvested outside of Bermuda. These funds are primarily held in China, Israel, the United States and Switzerland. The Company plans to use such amounts to fund various activities outside of Bermuda including working capital requirements, capital

**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

expenditures for expansion, funding of future acquisitions or other financing activities. If such funds were needed by the parent company in Bermuda or if the amounts were otherwise no longer considered indefinitely reinvested, the Company would incur a tax expense of approximately $190 million.

**Note 10. Commitments and Contingencies**

***Purchase Commitments***

Under the Company s manufacturing relationships with its foundry partners, cancellation of all outstanding purchase orders are allowed, but requires payment of all costs and expenses incurred through the date of cancellation. As of October 31, 2015, these foundries had incurred approximately $125.8 million of manufacturing costs and expenses relating to the Company s outstanding purchase orders.

***Intellectual Property Indemnification***

The Company has agreed to indemnify certain customers for claims made against the Company s products, where such claims allege infringement of third party intellectual property rights, including, but not limited to, patents, registered trademarks, and/or copyrights. Under the aforementioned indemnification clauses, the Company may be obligated to defend the customer and pay for the damages awarded against the customer under an infringement claim as well as the attorneys fees and costs. The Company s indemnification obligations generally do not expire after termination or expiration of the agreement containing the indemnification obligation. Generally, there are limits on and exceptions to the Company s potential liability for indemnification. Although historically the Company has not made significant payments under these indemnification obligations, the Company cannot estimate the amount of potential future payments, if any, that it might be required to make as a result of these agreements. The maximum potential amount of any future payments that the Company could be required to make under these indemnification obligations could be significant.

***Contingencies***

The Company and certain of its subsidiaries are currently parties to various legal proceedings, including those noted in this section. The legal proceedings and claims described below could result in substantial costs and could divert the attention and resources of the Company s management. The Company is also engaged in other legal proceedings and claims not described below, which arise in the ordinary course of its business. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling in litigation could require the Company to pay damages, one-time license fees or ongoing royalty payments, and could prevent the Company from manufacturing or selling some of its products or limit or restrict the type of work that employees involved in such litigation may perform for the Company, any of which could adversely affect financial results in future periods. The Company believes that its products do not infringe valid and enforceable claims and it will continue to vigorously defend against the allegations in these matters. However, there can be no assurance that these matters will be resolved in a manner that is not adverse to the Company s business, financial condition, results of operations or cash flows.

As of October 31, 2015, the Company has an accrued litigation balance of $738.7 million related to certain legal proceedings described below. Unless otherwise stated, the Company is currently unable to predict the final outcome of these lawsuits and therefore cannot determine the likelihood of loss or estimate a range of possible loss.

*Carnegie Mellon University Litigation*. On March 6, 2009, CMU filed a complaint in the U.S. District Court for the Western District of Pennsylvania ( W.D. of Pennsylvania ). CMU has asserted U.S. Patent Nos. 6,201,839 and 6,438,180 (collectively, the CMU patents in suit ), which relate to read-channel integrated circuit devices and the hard disk drive ( HDD ) incorporating such devices. A jury trial began on November 26, 2012. On December 26, 2012, a jury delivered a verdict that found the CMU patents in suit were literally and willfully infringed and valid, and awarded past damages in the amount of $1.17 billion. Based on post-trial motions and decisions, the W.D. of Pennsylvania calculated the damages including enhancement to total approximately $1.54 billion, and held that, under its decision, CMU is entitled to post judgment interest and an ongoing royalty. On May 7, 2014, the W.D. of Pennsylvania entered final judgment, from which the Company filed a notice of appeal on May 14, 2014. On August 4, 2015, the W.D. of Pennsylvania in a three-judge panel issued an opinion affirming in part, reversing in part, and vacating and remanding in part. On February 16, 2016, the Company and CMU entered into a Settlement Agreement and Patent License pursuant to which the Company has agreed to pay an aggregate of $750 million, without any ongoing royalty payments, to CMU and the parties have agreed to mutually acceptable release, license and covenant not to sue provisions. Please see Note 15 Subsequent Events for additional information on the effect of the settlement in the Company s unaudited condensed consolidated financial statements for fiscal 2016. The Company expects the action to be finally dismissed in the third quarter of fiscal 2017, approximately 6 months after payment of the full amount of the settlement payment. In connection with the settlement, the primary supersedeas bond that the Company entered into in connection with this litigation was reduced to $439 million and the secondary bond, which is secured, was adjusted to $311 million. All of the Company s obligations under both bonds were discharged pursuant to an order releasing supersedeas bonds on April 21, 2016. Any bond specific indemnity agreement will be terminated and released upon final dismissal of the action.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*USEI Litigation*. On October 9, 2009, U.S. Ethernet Innovations, LLC ( USEI ) filed a complaint in the U.S. District Court for the Eastern District of Texas ( E.D. of Texas ), in which USEI accused a number of system manufacturers, including the Company s customers, of patent infringement (the USEI litigation ). Specifically, USEI asserted that these customers infringe U.S. Patent Nos. 5,307,459, 5,434,872, 5,732,094 and 5,299,313, which relate to Ethernet technologies. The complaint seeks unspecified damages and an injunction.

On May 4, 2010, MSI filed a motion to intervene in the USEI litigation, which was granted on May 19, 2010. On July 13, 2010, the E.D. of Texas issued an order granting the defendants motion to transfer the action to the U.S. District Court for the Northern District of California ( N.D. of California ); the case was formally transferred on August 23, 2010. On September 14, 2011, USEI withdrew its allegations against MSI for the 459 patent. The N.D. of California issued a first claim construction ruling on January 31, 2012 and a supplemental claim construction ruling on August 29, 2012. On August 16, 2013, the N.D. of California granted defendants summary judgment motion to preclude the plaintiff from recovering certain pre-suit damages. On November 7, 2014, on summary judgment, the N.D. of California found that all the patents-in-suit were either invalid or not infringed. On December 1, 2014, the N.D. of California entered a judgment in favor of defendants and awarded defendants costs. On December 29, 2014, USEI filed a motion to alter or amend the N.D. of California s summary judgment order, which the N.D. of California denied on March 31, 2015. On April 24, 2015, USEI filed its notice of appeal. On April 25, 2016, the Federal Circuit affirmed the N.D. of California s judgment in favor of MSI. On June 29, 2016, the Federal Circuit denied USEI s petition for rehearing.

*Azure Networks Litigation*. On March 22, 2011, Azure Networks, LLC ( Azure ) and Tri-County Excelsior Foundation filed suit in the E.D. of Texas against MSI and eight other companies. The Complaint asserts U.S. Patent No. 7,756,129 against MSI s Bluetooth products. MSI filed its answer and counterclaims on July 20, 2011. On November 2, 2012, MSI and the other defendants filed a motion for summary judgment of invalidity, which was denied. A claim construction hearing was held on December 20, 2012. On January 15, 2013, the magistrate judge issued a claim construction ruling. On May 20, 2013, the E.D. of Texas issued an order denying plaintiff s motion for reconsideration and adopted the magistrate judge s claim construction ruling. On May 30, 2013, the E.D. of Texas entered a judgment of non-infringement. On June 24, 2013, Azure appealed. On November 6, 2014, the Federal Circuit issued an order vacating the judgment of non-infringement and remanding for further proceedings. MSI filed a petition for writ of certiorari to the United States Supreme Court on February 4, 2015. On February 10, 2015, the E.D. of Texas stayed all proceedings pending the Supreme Court s ruling on the Company s petition. On April 20, 2015, the United States Supreme Court granted MSI s petition, vacating the Federal Circuit s judgment and remanding the case for further consideration. The case was dismissed with prejudice on October 14, 2015 with no significant impact on the Company s unaudited condensed consolidated financial statements.

On January 13, 2015, Azure filed a second suit against MSI in the E.D. of Texas, alleging infringement of U.S. Patent Nos. 8,582,570; 8,582,571; 8,588,196; 8,588,231; 8,589,599; 8,675,590; 8,683,092; 8,700,815; 8,732,347; and 8,732,361, purportedly related to certain Wi-Fi and near field communication ( NFC ) technologies. The complaint seeks unspecified damages. On April 6, 2015, MSI filed an amended answer and counterclaims. The case was dismissed with prejudice on January 4, 2016 with no significant impact on the Company s unaudited condensed consolidated financial statements.

*France Telecom Litigation*. On June 26, 2012, France Telecom S.A. filed a complaint against MSI in the U.S. District Court for the Southern District of New York. The complaint asserts U.S. Patent No. 5,446,747 against MSI s communications processors and thin modems. The complaint sought unspecified damages as well as injunctive relief. MSI answered the complaint on July 18, 2012 and August 1, 2012. On July 30, 2012, MSI filed a motion to transfer the lawsuit to the N.D. of California. On September 17, 2012, the Court granted MSI s motion and transferred the case to the N.D. of California. A claim construction hearing was held on December 13, 2013. On April 14, 2014, the Court denied MSI s motion for summary judgment of invalidity, and granted MSI s summary judgment motion concerning certain damages preclusion. A jury trial began on September 17, 2014. On September 30, 2014, a jury delivered a verdict that found the patent in suit was literally, but not willfully, infringed and valid, and awarded damages. The award did not have a significant impact on the Company s unaudited condensed consolidated financial statements. A hearing for post-trial motions and non-jury issues took place on January 14, 2015. On March 2, 2015, the N.D. of California issued an order on post-trial briefs finding no direct infringement by Marvell as a matter of law and entered judgment in favor of Marvell. On March 30, 2015, France Telecom filed a notice of appeal. On April 10, 2015, MSI filed a notice of cross appeal. On July 15, 2015, the Federal Circuit granted the parties joint stipulation to dismiss both parties appeals.

*Vantage Point Technology Patent Litigation*. On November 21, 2013, Vantage Point Technology, Inc. ( VPT ) filed suit against a third-party defendant in the E.D. of Texas for patent infringement relating to processor technology. On February 3, 2014, VPT filed an amended complaint against the third party and added MSI as an additional defendant. The complaint sought unspecified damages. On December 8, 2014, the case was transferred to the N.D. of California. The case was dismissed with prejudice in March, 2015 with no significant impact on the Company s unaudited condensed consolidated financial statements.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Bandspeed Litigation.* On May 9, 2014, Bandspeed, Inc. filed suit against MSI in the U.S. District Court for the Western District of Texas, alleging infringement of U.S. Patent Nos. 7,027,418; 7,570,614; 7,477,624; 7,903,608; and 8,542,643, purportedly related to certain Bluetooth technology. The complaint sought unspecified damages. On February 13, 2015, Bandspeed amended its complaint and added allegations of infringement of U.S. Patent No. 8,873,500. On April 29, 2015, the parties filed a joint motion to dismiss the case with prejudice. The case was dismissed with prejudice on May 7, 2015 with no significant impact on the Company s unaudited condensed consolidated financial statements.

*NXP Litigation.* On January 22, 2015, NXP Semiconductors N.V. filed suit against MSI in the N.D. of California, alleging infringement of U.S. Patent Nos. 5,939,791; 7,039,133; 8,185,050; and 8,203,432, purportedly related to certain NFC technology. The complaint sought unspecified damages. MSI filed its response and counterclaims on February 26, 2015. Marvell International Limited ( MIL ) also filed counterclaims against NXP Semiconductors U.S.A. ( NXP USA ), alleging infringement of U.S. Patent Nos. 7,047,393; 7,555,065; and 7,302,600. On February 2, 2015, MIL filed suit against NXP USA in the U.S. District Court for the Central District of California, alleging patent infringement of U.S. Patent Nos. 8,171,309; 7,957,777; 7,454,634; and 6,903,448, related to certain NFC and automotive technologies. On April 15, 2015, the parties filed stipulations to dismiss without prejudice their claims and counterclaims in both cases.

*Paone Litigation.* On February 6, 2015, Luciano F. Paone filed suit against MSI in the U.S. District Court for the Eastern District of New York, alleging infringement of U.S. Patent No. 6,259,789, purportedly related to certain encryption technology. The complaint seeks unspecified damages. MSI filed its response on May 22, 2015. The case was dismissed with prejudice on December 31, 2015 with no significant impact on the Company s unaudited condensed consolidated financial statements.

*Innovatio Litigation*. On March 16, 2015, Innovatio IP Ventures, LLC filed suit against MSI in the U.S. District Court for the Northern District of Illinois, alleging infringement of U.S. Patent Nos. 6,697,415; 5,844,893; 5,740,366; 7,916,747; 6,665,536; 7,013,138; 7,107,052; 5,546,397; 7,710,907; 7,710,935; 6,714,559; 7,457,646; and 6,374,311, purportedly related to certain wireless technology. The complaint seeks unspecified damages.

*Visual Memory Litigation*. On May 8, 2015, Visual Memory LLC ( Visual Memory ) filed suit against MSI in the District of Delaware, alleging infringement of U.S. Patent Nos. 5,654,932 and 6,026,027, purportedly related to certain memory technology. The complaint seeks unspecified damages. The case was dismissed with prejudice on September 4, 2015 with no significant impact on the Company s unaudited condensed consolidated financial statements.

*Luna Litigation and Consolidated Cases*. On September 11, 2015, Daniel Luna filed an action asserting putative class action claims on behalf of the Company s shareholders in the United States District Court for the Southern District of New York ( S.D. of New York ). This action was consolidated with two additional, nearly identical complaints subsequently filed by Philip Limbacher and Jim Farno. The complaints asserted violations of federal securities laws based on allegations that the Company and certain of its officers and directors (Sehat Sutardja, Michael Rashkin, and Sukhi Nagesh) made, caused to be made, or failed to correct false and/or misleading statements in the Company s press releases and public filings. The complaints request damages in unspecified amounts, costs and fees of bringing the action, and other unspecified relief.

On November 18, 2015, the S.D. of New York granted the Company s motion to transfer the consolidated cases to the N.D. of California. On December 21, 2015, the N.D. of California granted the Company s motion to deem the consolidated cases related to the Saratoga litigation, discussed below. On February 8, 2016, the N.D. of California granted an unopposed motion to appoint Plumbers and Pipefitters National Pension Fund as Lead Plaintiff. On March 19, 2016, Lead Plaintiff filed a consolidated amended complaint. On April 29, 2016, Marvell and each of the individual defendants each filed motions to dismiss; Lead Plaintiff s oppositions were filed on June 10, 2016; and defendants replies are due by July 15, 2016. The hearing on the motions to dismiss is set for July 29, 2016.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Saratoga Litigation*. On October 16, 2015, Saratoga Advantage Trust Technology & Communications Portfolio ( Saratoga ) filed an action asserting shareholder derivative claims ostensibly on behalf of the Company in the Superior Court of the State of California, County of Santa Clara. The complaint names eight current or former officers and/or directors (Sehat Sutardja, Weili Dai, Juergen Gromer, Arturo Krueger, John Kassakian, Randhir Thakur, Michael Rashkin, and Sukhi Nagesh) as defendants and asserts various California state law causes of action based on allegations that the Company and the named officers and directors made, caused to be made, or failed to correct false and/or misleading statements in the Company s press releases and public filings, leading to the filing of securities class actions that allegedly damaged the Company. The Company was named as a nominal defendant. The complaint requests damages and restitution in unspecified amounts, equitable and/or injunctive relief, costs and fees of bringing the action, and other unspecified relief.

On October 23, 2015, the Company removed the action to the N.D. of California. On December 21, 2015, the N.D. of California denied Saratoga s motion to remand. On December 21, 2015, the N.D. of California granted the Company s motion to deem the action related to the consolidated Luna actions, discussed above. On January 22, 2016, the Company filed a motion to dismiss the complaint; on February 19, 2016, Saratoga filed an opposition; and on March 4, 2016, the Company filed a reply. On March 25, 2016, the N.D. of California held a hearing on the motion and took the matter under submission. To the Company s knowledge, none of the individual defendants has yet been served.

***Surety Bonds***

On May 14, 2014, the Company filed a Notice of Appeal to appeal the final judgment issued by the W.D. of Pennsylvania in the CMU litigation. In order to stay the execution of the final judgment pending its appeal, the Company filed a supersedeas bond for $1.54 billion with the W.D. of Pennsylvania in the event the Company did not fully satisfy a final judgment as affirmed after the completion of all appellate proceedings. The bond was issued by a consortium of sureties authorized by the U.S. Treasury. In support of the bond, the Company entered into separate indemnity agreements with each of the sureties to indemnify the sureties from all costs and payments made under the bond. The indemnity agreements did not require collateral to be posted at the time of the issuance of the bond. Therefore no cash is considered restricted as of the date of this filing. However, the indemnity agreements provide that each of the sureties have the right to demand to be placed in funds or call for collateral under pre-defined events.

On November 14, 2014, the Company filed a second surety bond for $216 million and filed a commitment letter from the sureties to issue up to an additional $95 million in bonding under certain conditions. The second bond and commitment are secured by the Company s campus located in Santa Clara, California, which has a carrying value of $134.6 million at October 31, 2015.

In connection with the settlement that was reached with CMU for a total $750 million in February 2016, the primary supersedeas bond that the Company entered into was reduced to $439 million and the secondary bond was adjusted to $311 million and both were discharged pursuant to an order releasing supersedeas bonds on April 21, 2016. The underlying indemnity agreements will terminate upon the final dismissal of the case in the third quarter of fiscal 2017. For additional information, see CMU litigation under Contingencies above.

***Indemnities, Commitments and Guarantees***

During its normal course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities may include intellectual property indemnities to the Company s customers in connection with the sales of its products, indemnities for liabilities associated with the infringement of other parties technology based upon the Company s products, indemnities for general commercial obligations, indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnities to directors and officers of the Company to the maximum extent permitted under the laws of Bermuda. In addition, the Company has contractual commitments to various customers, which could require the Company to incur costs to repair an epidemic defect with respect to its products outside of the normal warranty period if such defect were to occur. The duration of these indemnities, commitments and guarantees varies, and in certain cases, is indefinite. Some of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments that the Company could be obligated to make. In general, the Company does not record any liability for these indemnities, commitments and guarantees in the accompanying consolidated balance sheets as the amounts cannot be reasonably estimated and are not considered probable. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable.

**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 11. Shareholders Equity**

***Stock Plans***

Stock option activity under the Company s stock option and stock incentive plans is included in the following table (in thousands, except per share amounts):

| | Time-Based Options | | Market-Based Options | | Total | |
|---|---|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| Balance at January 31, 2015 | 47,140 | $ 13.79 | 2,232 | $ 15.43 | 49,372 | $ 13.88 |
| Granted | 6,099 | $ 14.20 | | $ | 6,099 | $ 14.20 |
| Exercised | (2,098) | $ 9.96 | | $ | (2,098) | $ 9.96 |
| Canceled/Forfeited | (7,301) | $ 15.98 | (39) | $ 15.43 | (7,340) | $ 15.98 |
| Balance at October 31, 2015 | 43,840 | $ 13.67 | 2,193 | $ 15.43 | 46,033 | $ 13.75 |
| Vested or expected to vest at October 31, 2015 | 41,230 | $ 13.67 | | | | |
| Exercisable at October 31, 2015 | 22,814 | $ 14.26 | | | | |

For time-based stock options vested and expected to vest at October 31, 2015, the aggregate intrinsic value was $4.7 million and the weighted average remaining contractual term was 5.9 years. For time-based stock options exercisable at October 31, 2015, the aggregate intrinsic value was $4.7 million and the weighted average remaining contractual term was 4.0 years. The aggregate intrinsic value of stock options exercised during the three months ended October 31, 2015 and November 1, 2014 was $0.7 million and $1.5 million, respectively. The aggregate intrinsic value of stock options exercised during the nine months ended October 31, 2015 and November 1, 2014 was $9.5 million and $15.1 million, respectively. There was no aggregate intrinsic value for market-based stock options at October 31, 2015 and the weighted average remaining contractual term of market-based stock options expected to reach the end of the vesting period at October 31, 2015 was 5.5 years. The Company s closing stock price of $8.21 as reported on the NASDAQ Global Select Market for all in-the-money options as of October 30, 2015 was used to calculate the aggregate intrinsic value.

As of October 31, 2015, the unamortized compensation expense for time-based stock options was $47.0 million and market-based stock options were fully amortized in fiscal 2015. The unamortized compensation expense for time-based stock options will be amortized on a straight-line basis and is expected to be recognized over a weighted average period of 2.2 years.

Activity related to the non-vested portion of the restricted stock units is included in the following table (in thousands, except for share prices):

| | Time-Based | | Performance-Based | | Market-Based | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value |
| Balance at January 31, 2015 | 9,748 | $ 14.84 | 1,254 | $ 14.99 | | | 11,002 | $ 14.85 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Granted | 5,012 | $ | 13.56 | 669 | $ | 14.08 | 407 | $ | 12.24 | 6,088 | $ | 13.53 |
| Vested | (4,910) | $ | 15.13 | (659) | $ | 15.15 | | $ | | (5,569) | $ | 15.13 |
| Canceled/Forfeited | (1,369) | $ | 13.98 | (252) | $ | 14.41 | (54) | $ | 12.24 | (1,675) | $ | 13.99 |
| Balance at October 31, 2015 | 8,481 | $ | 14.05 | 1,012 | $ | 14.43 | 353 | $ | 12.24 | 9,846 | $ | 14.02 |

In April 2015, the Company granted performance-based equity awards to each of its executive officers, which are based on their achievement of certain performance goals for a new performance period beginning in fiscal 2016. These equity awards include restricted stock units which vest based on the achievement of certain financial goals (each a Financial Performance RSU ), and performance awards for which a portion shall vest based on the achievement of individual strategic objectives (each a Strategic Objective Award ) and a portion shall vest based on total shareholder return (each a Total Shareholder Return Award ). These awards are reported in the above table as Performance-Based, except for the Total Shareholder Return Award which is reported as Market-Based. The Financial Performance RSUs will be earned based on the achievement of revenue and modified non-GAAP operating income that have been established at threshold, target and maximum levels and will vest on the first anniversary of the commencement date. The Strategic Objective Awards will vest on the first anniversary of the vest commencement date at the target level based on the achievement of individual strategic goals and, with respect to a portion of each Strategic Objective Award, the further achievement of either the revenue or modified non-GAAP operating income objective established for the Financial Performance RSU. The Total Shareholder Return Awards will vest on the second anniversary of the commencement date based on the Company s stock price performance in comparison to the Philadelphia Semiconductor Sector Index. Share-based compensation for the Total Shareholder Return Award is measured using the Monte Carlo valuation method since the award is indexed to the price of the Company s common stock as set forth under the terms of the award.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the performance-based equity awards granted in fiscal 2016 to each of the Company s executive officers, a total of 33,616 shares vested on April 1, 2016 based on achieving certain individual strategic goals as evaluated by the Executive Compensation Committee of the Company s Board of Directors. No shares vested for the achievement of financial performance goals since the financial performance criteria were below the threshold level. The amount of canceled shares reported in the table above includes the unvested shares that were not earned.

In connection with the performance-based equity awards granted in fiscal 2015 to each of the Company s executive officers, a total of 478,001 shares vested on April 1, 2015 in connection with the first performance period completed at the end of fiscal 2015. Of this amount, an additional 107,954 shares are included as granted in the table above for the nine months ended October 31, 2015 since each executive officer achieved greater than their target shares for one of the financial performance goals. The amount of canceled shares reported in the table above includes the portion of unvested shares that were not earned since performance objectives for each executive officer s other financial and strategic performance goals were not fully achieved. During the first quarter of fiscal 2016, the Company determined the performance goals established for the second performance period to be completed at the end of fiscal 2016 would not be achieved and adjusted the related share-based compensation expense accordingly. As of October 31, 2015, the Company determined it was still not probable these performance goals would be achieved.

In connection with the performance-based restricted stock units granted in fiscal 2015 to certain members of senior management, final evaluation for each individual s achievement of their performance was measured in the first quarter of fiscal 2016. As a result, a total of 360,723 shares vested on April 1, 2015 and are included in the above table. There was no material adjustment to share-based compensation expense related to these performance-based restricted stock units in fiscal 2016. The amount of canceled shares reported in the table above includes the portion of unvested shares that were not earned since certain performance achievements were not fully achieved.

The Company recognizes expense from performance-based equity awards when it becomes probable that the performance conditions will be met. Once it becomes probable that a performance-based award will vest, the Company recognizes share-based compensation expense equal to the number of shares expected to vest multiplied by the fair value of the award at the grant date, which is amortized using the accelerated method.

The aggregate intrinsic value of restricted stock units expected to vest as of October 31, 2015 was $75.8 million. The number of restricted stock units that are expected to vest is 9.2 million shares. As of October 31, 2015, unamortized compensation expense related to restricted stock units was $74.4 million. The unamortized compensation expense for restricted stock units will be amortized on a straight-line basis and is expected to be recognized over a weighted average period of 1.2 years.

***Employee Stock Purchase Plan***

During the three months ended October 31, 2015 and November 1, 2014, the Company issued no shares under the 2000 Employee Stock Purchase Plan, as amended and restated (the ESPP ). A total of 3.2 million shares were issued at a weighted average price of $11.88 per share in the nine months ended October 31, 2015 and a total of 5.2 million shares were issued at a weighted average price of $7.58 per share in the nine months ended November 1, 2014 under the ESPP. As of October 31, 2015, there was $33.4 million of unrecognized compensation expense related to the ESPP.

***Share Repurchase Program***

The Company repurchased 3.7 million of its common shares for $45.6 million in cash during the three months ended October 31, 2015 and 19.7 million of its common shares for $260.9 million during the nine months ended October 31, 2015. During the three and nine months ended November 1, 2014, the Company repurchased 3.7 million of its common shares for $45.0 million. The repurchased shares are retired immediately after the repurchases are completed. The Company records all repurchases, as well as investment purchases and sales, based on their trade date. As of October 31, 2015, a total of 241.6 million cumulative shares have been repurchased under the Company s share repurchase program for a total $3.1 billion in cash and there was $182.6 million remaining available for future share repurchases. The Company has made no subsequent share repurchases since August 24, 2015.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Dividends*

The Company paid the following cash dividends (in thousands, except per share amounts):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Cash dividend per share | $ 0.06 | $ 0.06 | $ 0.18 | $ 0.18 |
| Total payment to shareholders | $ 30,270 | $ 30,867 | $ 92,374 | $ 91,859 |

On December 7, 2015, the Company announced that its board of directors declared a cash dividend of $0.06 per share that was paid on December 29, 2015 to shareholders of record as of December 16, 2015. The Company subsequently announced that its board of directors declared a quarterly cash dividend of $0.06 per share that was paid in April 2016 and on May 18, 2016, it announced that its board of directors declared a cash dividend of $0.06 per share to be paid on July 12, 2016 to shareholders of record as of June 14, 2016.

**Note 12. Share-Based Compensation**

The following table presents details of share-based compensation expenses by functional line item (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Cost of goods sold | $ 2,495 | $ 1,934 | $ 6,054 | $ 5,966 |
| Research and development | 22,573 | 24,198 | 75,162 | 68,842 |
| Selling and marketing | 2,608 | 2,855 | 7,892 | 8,400 |
| General and administrative | 3,789 | 5,307 | 12,252 | 16,075 |
| | $ 31,465 | $ 34,294 | $ 101,360 | $ 99,283 |

Share-based compensation capitalized in inventory was $1.3 million at October 31, 2015 and $1.5 million at January 31, 2015.

Upon the termination of certain members of our executive management in April 2016, it was determined that the vesting in certain of their unvested stock awards was not probable. As a result, the Company recorded a reversal of the previously recognized related share-based compensation expense in the first quarter of fiscal 2017.

*Valuation Assumptions*

The following weighted average assumptions were used for each respective period to calculate the fair value of each time-based stock option award on the date of grant using the Black-Scholes valuation model and of each market-based equity award using a Monte Carlo simulation model:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| **Time-based Stock Options:** | | | | |
| Weighted average fair value | $ 2.82 | $ 3.43 | $ 3.94 | $ 4.35 |
| Expected volatility | 43% | 34% | 34% | 35% |
| Expected term (in years) | 5.4 | 5.0 | 5.4 | 5.0 |
| Risk-free interest rate | 1.5% | 1.7% | 1.6% | 1.6% |
| Expected dividend yield | 2.3% | 1.8% | 1.7% | 1.6% |

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | Nine Months Ended | |
|---|---|---|
| | October 31, 2015 | November 1, 2014 |
| **Employee Stock Purchase Plan:** | | |
| Estimated fair value | $ 3.78 | $ 4.13 |
| Volatility | 31% | 32% |
| Expected term (in years) | 1.3 | 1.3 |
| Risk-free interest rate | 0.4% | 0.2% |
| Dividend yield | 1.7% | 1.6% |

| | Nine Months Ended October 31, 2015 |
|---|---|
| **Total Shareholder Return Awards:** | |
| Expected term (in years) | 2.0 |
| Expected volatility | 27% |
| Average correlation coefficient of peer companies | 0.4% |
| Risk-free interest rate | 0.5% |
| Expected dividend yield | 1.7% |

The correlation coefficients are calculated based upon the price date used to calculate the historical volatilities and is used to model the way in which each entity tends to move in relation to its peers.

**Note 13. Related Party Transaction**

On February 25, 2015, the Executive Compensation Committee ( Committee ) of the Company s Board of Directors approved a cash payment of approximately $15.4 million to Dr. Sehat Sutardja, the Company s former Chief Executive Officer, which was recorded in the first quarter of fiscal 2016 and is included in general and administrative expense for the nine months ended October 31, 2015. The U.S. Court of Federal Claims ruled against Dr. Sutardja in his legal challenge with the Internal Revenue Service and the California Franchise Tax Board related to the tax treatment of several stock options granted in fiscal 2004. After discussing and evaluating the alternatives to a continuing legal challenge of the court s determination, the likelihood of success of further appeal by Dr. Sutardja and the potential negative impact on the Company of a continuation of the case regardless of the outcome, on February 25, 2015, the Committee determined to provide Dr. Sutardja with relief from the financial effects of the penalty taxes. Accordingly, the Committee approved the cash payment to Dr. Sutardja equal to the amount of his penalty taxes owed under the Tax Codes, plus accrued interest owed with respect to such liabilities, all grossed-up for income taxes that will be owed by Dr. Sutardja on receipt of such cash payment. The Company paid $8.4 million to Dr. Sutardja in the nine months ended October 31, 2015 representing reimbursement for the U.S. federal tax portion. As of October 31, 2015, the Company had a remaining $7.0 million liability to Dr. Sutardja.

**Note 14. Subsequent Events**

In April 2016, the employment of Dr. Sehat Sutardja as Chief Executive Officer and Weili Dai as President was terminated by the Company s Board of Directors. Dr. Sutardja and Ms. Dai remain on the Board of Directors at this time. The Board of Directors then formed an Interim Office of the Chief Executive and has appointed Maya Strelar-Migotti, Executive Vice President of the Smart Networked Devices and Solutions Business Group, and Dr. Pantelis Alexopoulos, Executive Vice President of the Storage Business Group, as Interim Co-Chief Executive Officers, each having the authority to exercise all powers of the Chief Executive Officer. In June 2016, the Board of Directors appointed Matthew J. Murphy to serve as the Company s President and Chief Executive Officer, effective July 11, 2016. Upon the commencement of Mr. Murphy s employment, Ms. Strelar-Migotti and Dr. Alexopoulos returned to their roles as Executive Vice Presidents of the Company. The Board subsequently appointed Richard S. Hill, the Chairman of the Board, as the Company s Interim Principal Executive Officer, to serve in that capacity until the Company files its Quarterly Report on Form 10-Q for the second quarter of fiscal 2017 ( Q217 Form 10-Q ). Mr. Murphy will assume the role of the Company s principal executive officer immediately following the filing of the Q217 Form 10-Q. Mr. Murphy also joined the Board of Directors on July 11, 2016.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Also in April 2016, the Company announced that it entered into an agreement with Starboard Value LP ( Starboard ), regarding the composition of its Board of Directors. Under the terms of the agreement, the Company elected Peter A. Feld, Richard S. Hill, Oleg Khaykin, Michael Strachan and Robert Switz to serve on its board. Mr. Hill replaced Dr. Sutardja as the Chairman of the Board in May 2016. The agreement specifies that the Board will recommend and the Company will support and solicit proxies only for the election at the 2016 annual general meeting of Messrs. Feld, Hill, Khaykin, Murphy, Strachan and Switz and the four independent directors serving on the Board immediately prior to the execution of the agreement, Dr. Gromer, Dr. Kassakian, Mr. Krueger and Dr. Thakur.

In February 2016, the Company and CMU settled their patent infringement lawsuit pursuant to a court-ordered mediation and entered into a Settlement Agreement and Patent License (the Agreement ). The parties agreed to mutual release of claims, license and covenant not to sue provisions for which the Company will pay an aggregate of $750 million to CMU. See CMU litigation under Note 10 Commitments and Contingencies for further information about the lawsuit.

The Agreement was accounted for as a multiple-element arrangement and accordingly, a valuation was completed to determine the estimated fair value of each identifiable element. As a result, the Company allocated $654.7 million to the mutual release of claims and covenant not to sue provisions; $81.3 million to the licensing of intellectual property in fiscal 2016; and the remaining $14.0 million representing the future use of the license through April 2018.

The $654.7 million for the mutual release of claims and covenant not to sue provisions is included in the nine months ended October 31, 2015 as a settlement charge in operating expenses since there is no future benefit. Of the $81.3 million license fee, $1.1 million and $80.0 million was recorded in the three and nine months ended October 31, 2015, respectively, as a charge in cost of goods sold for past use of the license with the remaining $1.3 million to be charged to cost of goods sold the remainder of fiscal 2016. Due to the contingent status of the litigation at August 31, 2015 and October 31, 2015, these charges were recorded in the fiscal 2016 second and third quarters since those unaudited condensed consolidated financial statements had not been filed with the Securities and Exchange Commission at the time the settlement was reached.

The Company considers its existing cash, cash equivalents and short-term investments to be sufficient to cover payment of the $750 million settlement, and in April 2016, the Company completed full payment of the $750 million to CMU.

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**Item 2.** ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ), which are subject to the safe harbor created by those sections. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results to differ materially from those implied by the forward-looking statements. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, can, will and similar expressions identify such forward-looking statements.*

*Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Factors that could cause actual results to differ materially from those predicted, include, but are not limited to:*

*our dependence upon the hard disk drive and wireless markets, which are highly cyclical and intensely competitive;*

*the outcome of pending or future litigation and legal proceedings;*

*our dependence on a small number of customers;*

*our ability and the ability of our customers to successfully compete in the markets in which we serve;*

*our reliance on independent foundries and subcontractors for the manufacture, assembly and testing of our products;*

*our ability and our customers ability to develop new and enhanced products and the adoption of those products in the market;*

*decreases in our gross margin and results of operations in the future due to a number of factors;*

*our ability to estimate customer demand and future sales accurately;*

*our ability to scale our operations in response to changes in demand for existing or new products and services;*

*the impact of international conflict and continued economic volatility in either domestic or foreign markets;*

*the effects of transitioning to smaller geometry process technologies;*

*the risks associated with manufacturing and selling a majority of our products and our customers products outside of the United States;*

*the impact of any change in our application of the United States federal income tax laws and the loss of any beneficial tax treatment that we currently enjoy;*

*the effects of any potential acquisitions or investments;*

*our ability to protect our intellectual property;*

*the impact and costs associated with changes in international financial and regulatory conditions; and*

*our maintenance of an effective system of internal controls.*

*Additional factors which could cause actual results to differ materially include those set forth in the following discussion, as well as the risks discussed in Part II, Item 1A, Risk Factors, and other sections of this Quarterly Report on Form 10-Q. These forward-looking statements speak only as of the date hereof. Unless required by law, we undertake no obligation to update any forward-looking statements.*

**Overview**

We are a fabless semiconductor provider of high-performance application-specific standard products. Our core strength of expertise is the development of complex System-on-a-Chip ( SoC ) and System-in-a-Package devices, leveraging our extensive technology portfolio of intellectual property in the areas of analog, mixed-signal, digital signal processing, and embedded and standalone integrated circuits. The majority of our product portfolio leverages embedded central processing unit technology. We also develop platforms that we define as integrated hardware along with software that incorporates digital computing technologies designed and configured to provide an optimized computing solution. Our broad product portfolio includes devices for data storage, enterprise-class Ethernet data switching, Ethernet physical-layer transceivers, wireless connectivity, Internet-of-Things ( IoT ) devices and multimedia solutions. We were incorporated in Bermuda in January 1995.

We continued to experience declining revenues through the first nine months of fiscal 2016, as we saw weaker demand from our HDD customers in the storage end market who have faced continued challenges due to the declining growth in PC unit shipments. The storage market softness was compounded by an increasingly competitive environment in smartphones. As a result, net revenue in the nine months ended October 31, 2015 of $2.1 billion was down 26% compared to net revenue of $2.8 billion in the nine months ended November 1, 2014. Revenue from products for the storage end market declined 30% in the nine months ended October 31, 2015 compared to the nine months ended November 1, 2014. In addition, we saw lower revenue from products for the mobile and wireless end markets, which declined 27% in the nine months ended October 31, 2015 compared to the nine months ended November 1, 2014.

In the first nine months of fiscal 2016, we reported a net loss of $811.8 million, primarily due to a $734.7 million charge in connection with the settlement that was reached in the CMU patent litigation in February 2016 (see Note 10 Commitments and Contingencies and Note 14 Subsequent Events in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q). In connection with the settlement, we expect to incur additional charges in cost of goods sold over the remaining term of the license through April 2018 for the remaining portion of the settlement allocated to the licensing of intellectual property.

In the storage market, we continued to see weak order trends from our HDD customers due to the decline in demand in the PC and notebook market. Our results for our previous fiscal second quarter were affected by pull-in activity as described below under the discussion of net revenue for the three and nine months ended October 31, 2015 and November 1, 2014, which had the effect of shifting orders and the associated revenue from our fiscal third quarter to our fiscal second quarter. In our solid state drive ( SSD ) business, we saw stronger-than-anticipated demand as one of our major SSD customers regained momentum, but we saw overall weakness due to slower demand for new products than we anticipated.

In the mobile market, we announced plans to significantly downsize the mobile platform organization. In the wireless connectivity market, revenue was in-line with expectations as increased demand in smartphones connectivity and video streaming were offset by lower notebook and gaming console sales. Our wireless microcontroller products continue to be designed into a wide variety of applications.

In the networking business, revenue came in weaker than expected and declined sequentially, mainly due to continued soft demand from enterprise customers. We continue to focus on our core networking technologies for switches, PHYs and embedded networking processors. We have secured multiple new design wins at tier 1 enterprise and cloud/datacenter customers.

Our cost of goods sold was lower in the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015, due to overall lower revenues primarily for our storage, mobile and wireless, and networking products, partially offset by a charge related to the CMU litigation settlement and higher inventory write downs as described below.

Our cost of goods sold as a percentage of revenue was higher in the first nine months of fiscal 2016 compared to the first nine months of fiscal 2015, primarily due to a shift in the mix of our revenue toward products with higher average cost of goods sold, a $80.0 million charge related to the litigation settlement reached with CMU in February 2016 (see Note 14- Subsequent Events in the Notes to the Unaudited Condensed Consolidated Financial Statements) and higher inventory write downs related to the mobile platform business (see Note 8 Restructuring and Other Related Charges in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q).

As a result of our restructuring of the mobile platform business, we expect continued decline in revenues from our mobile and wireless products and a corresponding reduction in cost of goods sold as a percentage of revenue as the mobile and wireless end markets generally have lower average gross margins than the rest of our business. Changes in the revenue mix between end markets will affect cost of goods sold as a percentage of net revenue.

We believe our financial position is strong and we remain committed to deliver shareholder value through our share repurchase and dividend programs.

Our cash, cash equivalents and short-term investments were $2.3 billion at October 31, 2015.

We generated cash flow from operations of $152.0 million through the third quarter of fiscal 2016.

We paid cash dividends of $0.06 per share for a total of $30.3 million during the third quarter of fiscal 2016.

We repurchased 3.7 million of our common shares for $45.6 million in the third quarter of fiscal 2016.

A significant number of our products are being incorporated into consumer electronics products, including gaming devices and personal computers, which are subject to significant seasonality and fluctuations in demand. Holiday and back to school buying trends may at times negatively impact our results in the first and fourth quarter, and positively impact our results in the second and third quarter of our fiscal years. In addition, consumer electronics sales are heavily dependent on new product launch timelines and product refreshes. For example, our sales of wireless connectivity products may increase significantly during a period when one of our customers launches a new gaming console, and these sales may taper significantly after the initial launch period.

Historically, a relatively small number of customers have accounted for a significant portion of our net revenue. Net revenue from one customer was 14% and 18% for the three and nine months ended October 31, 2015, respectively, compared to 20% and 19% for the same customer in the three and nine months ended November 1, 2014. Net revenue from a second customer was 11% and 13% of total net revenue for the three and nine months ended October 31, 2105 compared to 14% and 12% for the same customer in the three and nine months ended November 1, 2014. In addition, a third customer accounted for 13% of net revenue in the three months ended October 31, 2015. Although no revenue from a single distributor represented 10% or more of total net revenue for the three and nine months ended October 31, 2015 or the three months ended November 1, 2014, we had revenue from one distributor representing 11% of total net revenue for the nine months ended November 1, 2014. We continuously monitor the creditworthiness of our distributors and believe these distributors sales to diverse end customers and geographies further serve to mitigate our exposure to credit risk.

Most of our sales are made to customers located outside of the United States, primarily in Asia. Sales to customers located in Asia represented 96% of our net revenue for both the three and nine months ended October 31, 2015, compared to 97% and 96% of our net revenue for the three and nine months ended November 1, 2014, respectively. Because many manufacturers and manufacturing subcontractors of our customers are located in Asia, we expect that most of our net revenue will continue to be represented by sales to our customers in that region.

A relatively large portion of our sales have historically been made on the basis of purchase orders rather than long-term agreements. In addition, the development process for our products is long, which may cause us to experience a delay between the time we incur expenses and the time revenue is generated from these expenditures. We anticipate that the rate of new orders may vary significantly from quarter to quarter. Consequently, if anticipated sales and shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and future quarters may be adversely affected.

**Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ( GAAP ) requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results could differ from these estimates, and such differences could affect the results of operations reported in future periods. For a description of our critical accounting policies and estimates, please see below and refer to the Critical Accounting Policies and Estimates section of our Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 31, 2015.

*Goodwill.* We record goodwill when the consideration paid for a business acquisition exceeds the fair value of net tangible and intangible assets acquired. We review goodwill for impairment annually on the last business day of our fiscal fourth quarter and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We have identified that our business operates as a single operating segment which can further be divided into two components; Storage, and Smart Networked Devices and Solutions. Management concluded that goodwill is recoverable from these two components working jointly due to a fact pattern demonstrating significant sharing of assets, corporate resources, and benefits from common research and development. The two components also exhibit similar economic characteristics. Accordingly, management concluded that these two components should be aggregated into a single reporting unit for purposes of testing goodwill impairment.

When testing goodwill for impairment, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Factors we consider important which could trigger a goodwill impairment review include;

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;

significant negative industry or economic trends;

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a significant decline in our stock price for a sustained period; and

a significant change in our market capitalization relative to our net book value.

If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we note multiple qualitative factors indicating potential impairment, then a two-step quantitative impairment test is performed. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. Our goodwill impairment test uses a weighting of the income method and the market method to estimate a reporting unit s fair value. The income method is based on a discounted future cash flow approach that uses the following assumptions and inputs: revenue based on assumed market segment growth rates and our assumed market segment share, estimated costs, and appropriate discount rates based on our weighted average cost of capital as determined by considering the observable weighted average cost of capital of comparable companies. The market method is based on quoted prices of our shares as well as an implied control premium (the excess of the reporting unit s fair value over Marvell s market capitalization). We evaluate the control premium by comparing it to observable control premiums from recent comparable market acquisition transactions.

The second step of the process is only performed if a potential impairment exists, and it involves determining the implied fair value of the reporting unit s goodwill and comparing it to the carrying value of goodwill. If the carrying value of goodwill were to exceed its implied fair value, then the Company will record a charge for the amount of impairment in the fiscal quarter in which the determination is made.

On the last day of the third quarter of fiscal 2016, the Company performed an impairment assessment for testing goodwill due to certain events and circumstances management considered could be factors that could trigger a goodwill impairment. These factors included the Federal Circuit panel s decision in August 2015 related to the CMU litigation (see Note 10 Commitments and Contingencies in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q), the Company s decision to significantly restructure its mobile platform business announced in September 2015 (see Note 8 Restructuring and Other Related Charges ) and a significant decline in the Company s stock price during fiscal 2016. Our goodwill impairment analysis did not result in any impairment charges. The excess of fair value over carrying amount for our reporting unit approximated 36% of its carrying amount. Our annual goodwill impairment analysis, which we performed as of the last day of the fourth quarter of fiscal 2016, also did not result in any impairment charges since the excess of fair value over carrying amount for our reporting unit approximated 41% of its carrying amount.

**Results of Operations**

The following table sets forth information derived from our unaudited condensed consolidated statements of operations expressed as a percentage of net revenue:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| Net revenue | 100.0% | 100.0% | 100.0% | 100.0% |
| Operating costs and expenses: | | | | |
| Cost of goods sold | 56.2 | 48.9 | 56.5 | 50.1 |
| Research and development | 37.4 | 31.0 | 38.8 | 30.7 |
| Selling and marketing | 4.5 | 3.7 | 4.6 | 3.7 |
| General and administrative | 4.9 | 3.5 | 5.2 | 3.3 |
| Carnegie Mellon University litigation settlement | | | 31.0 | |
| Restructuring and other related charges | 5.2 | 0.1 | 2.3 | 0.2 |
| Amortization and write-off of acquired intangible assets | 0.6 | 0.4 | 0.4 | 0.5 |
| Total operating costs and expenses | 108.8 | 87.6 | 138.8 | 88.5 |
| Operating income (loss) | (8.8) | 12.4 | (38.8) | 11.5 |
| Interest and other income, net | 0.7 | 0.5 | 0.8 | 0.7 |
| Income (loss) before income taxes | (8.1) | 12.9 | (38.0) | 12.2 |

| | | | | |
|---|---|---|---|---|
| Provision (benefit) for income taxes | 0.5 | 0.5 | 0.7 | (0.2) |
| Net income (loss) | (8.6)% | 12.4% | (38.7)% | 12.4% |

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**Three and nine months ended October 31, 2015 and November 1, 2014**

*Net Revenue*

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change | October 31, 2015 | November 1, 2014 | % Change |
| | (in thousands, except percentage) | | | | | |
| Net revenue | $ 674,890 | $ 930,136 | (27.4)% | $ 2,109,670 | $ 2,849,511 | (26.0)% |

Net revenue for the three and nine months ended October 31, 2015 decreased by $255.2 million and $739.8 million, respectively, compared to the three and nine months ended November 1, 2014 due to overall lower sales primarily for our storage, mobile and wireless, and networking products. The decrease in net revenue was particularly affected by lower sales of products for the storage market due to lower demand for our HDD products as a result of the overall market decline in the PC and notebook markets, combined with slower than anticipated demand for sale of our SSD products. Our networking revenue also declined in the three and nine months ended October 31, 2015 compared to the three and nine months ended November 1, 2014 from lower demand for enterprise switches and routers.

From time to time during fiscal 2016, our customers agreed to take shipments in an earlier fiscal quarter than the fiscal quarter they originally requested delivery. When such agreement would not have occurred but for the request made by Marvell, we refer to such transactions internally as pull-ins. Pull-in sales increased compared to historical levels beginning in the fourth quarter of fiscal 2015 and returned to historical levels in the third quarter of fiscal 2016. Net revenue in fiscal 2016 related to pull-in sales for shipments taken early by our customers were approximately 9% and 11% of net revenue in the first and second quarters of fiscal 2016, respectively, and declined to less than 1% of net revenue in the third quarter of fiscal 2016. This compares to net revenue in fiscal 2015 related to pull-in sales for shipments taken early by our customers, which were less than 1% in each of the first and second quarters and 1% in the third quarter of fiscal 2015. Customer concessions related to these pull-in transactions, if any, were recorded in the same period in which the revenue was recognized. Beginning in fiscal 2017, our policy is not to engage in pull-in transactions and we therefore do not expect them to have any meaningful impact on our net revenue in future periods.

*Cost of Goods Sold*

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change | October 31, 2015 | November 1, 2014 | % Change |
| | (in thousands, except percentage) | | | | | |
| Cost of goods sold | $ 379,254 | $ 454,974 | (16.6)% | $ 1,192,126 | $ 1,426,575 | (16.4)% |
| % of net revenue | 56.2% | 48.9% | | 56.5% | 50.1% | |

Cost of goods sold for the three and nine months ended October 31, 2015 was lower in the three and nine months ended October 31, 2015 compared to the three and nine months ended November 1, 2014, due to overall lower revenues primarily from our storage, mobile and wireless, and networking products. Our cost of goods sold as a percentage of revenue was higher in the three and nine months ended October 31, 2015 compared to the three and nine months ended November 1, 2014, primarily due to a shift in the mix of our revenue toward products with higher average cost of goods sold. Cost of goods sold also includes charges of $1.1 million and $80.0 million in the three and nine months ended October 31, 2015, respectively, related to the litigation settlement reached with CMU in February 2016 (see Note 14- Subsequent Events in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q), as well as higher inventory write downs due to lower than expected demand for our mobile related product. Our cost of goods sold as a percentage of net revenue may fluctuate in future periods due to, among other things, changes in the mix of products sold; the timing of production ramps of new products; increased pricing pressures from our customers and competitors, particularly in the consumer product markets that we are targeting; charges for obsolete or potentially excess inventory; changes in the costs charged by our foundry, assembly and test subcontractors; product warranty costs; changes in commodity prices such as gold; and the margin profiles of our new product introductions.

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*Share-Based Compensation Expense*

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| | (in thousands) | | | |
| Cost of goods sold | $ 2,495 | $ 1,934 | $ 6,054 | $ 5,966 |
| Research and development | 22,573 | 24,198 | 75,162 | 68,842 |
| Selling and marketing | 2,608 | 2,855 | 7,892 | 8,400 |
| General and administrative | 3,789 | 5,307 | 12,252 | 16,075 |
| | $ 31,465 | $ 34,294 | $ 101,360 | $ 99,283 |

Share-based compensation expense in the three months ended October 31, 2015 decreased by $2.8 million compared to the three months ended November 1, 2014 while share-based compensation expense in the nine months ended October 31, 2015 increased by $2.1 million compared to the nine months ended November 1, 2014. The increase in share-based compensation expense in the nine months ended October 31, 2015 was attributable to more restricted stock awards included in fiscal 2016 than in fiscal 2015 combined with the effect of lower share-based compensation expense in fiscal 2015 from the reversal of previously recognized expense associated with unvested equity awards that were cancelled as a result of the resignation in February 2014 of our former Chief Technology Officer. No such credit was reflected in the share-based compensation expense for the nine months ended October 31, 2015. Despite the increase in share-based compensation expense in the nine months ended October 31, 2015, share-based compensation expense in both the three and nine months ended October 31, 2015 reflects decreases due to the reversal of previously recognized expense associated with unvested equity awards that were cancelled as a result of the termination of employees affected by the restructuring of our mobile platform business. In addition, the financial goals related to performance-based equity awards granted in fiscal 2016 to our executive officers are not expected to be achieved and the related share-based compensation expense was adjusted accordingly.

*Restructuring and Other Related Charges*

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | October 31, 2015 | November 1, 2014 |
| | (in thousands) | | | |
| Cost of goods sold | $ 10,285 | $ | $ 10,285 | $ |
| Restructuring and other related charges | 35,270 | 1,202 | 48,862 | 7,025 |
| Write-off of acquired intangible assets | | | | 3,386 |
| | $ 45,555 | $ 1,202 | $ 59,147 | $ 10,411 |

We recorded a total $45.6 million and $59.1 million in the three and nine months ended October 31, 2015, respectively in connection with restructuring and other related charges. The charges primarily related to the restructuring of our mobile platform business announced in September 2015 and include severance, other exit-related costs, the impairment of certain equipment and other assets, as well as the write down of inventory. In addition, we incurred additional charges in connection with our ongoing effort to streamline our business. See Note 8 Restructuring and Other Related Charges in the Notes to Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

*Research and Development*

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change | October 31, 2015 | November 1, 2014 | % Change |

| | (in thousands, except percentage) | | | | | |
|---|---|---|---|---|---|---|
| Research and development | $ 252,502 | $ 288,348 | (12.4)% | $ 818,257 | $ 873,381 | (6.3)% |
| % of net revenue | 37.4% | 31.0% | | 38.8% | 30.7% | |

Research and development expense decreased by $35.8 million for the three months ended October 31, 2015 compared to the three months ended November 1, 2014. The decrease was attributable to $18.3 million of lower personnel-related costs due to headcount reductions that occurred in Israel and certain other locations in connection with our efforts to streamline our operations in fiscal 2015 and the first half of fiscal 2016, combined with lower costs of $8.6 million for third-party vendor and non-recurring engineering services, and lower costs for professional service of $2.7 million. The decrease also reflects a reduction in depreciation and amortization expense of $5.2 million as certain equipment has become fully amortized.

Research and development expense decreased by $55.1 million for the nine months ended October 31, 2015 compared to the nine months ended November 1, 2014. The decrease was attributable to approximately $29.5 million of lower personnel-related costs due to headcount reductions in Israel and certain other locations in connection with our efforts to streamline our operations in the fiscal 2015 and in the first half of fiscal 2016, combined with a reduction in depreciation expense of $12.3 million, lower costs for third-party vendor and non-recurring services of $11.3 million, and lower costs for professional services of $5.0 million.

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*Selling and Marketing*

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change | October 31, 2015 | November 1, 2014 | % Change |
| | (in thousands, except percentage) | | | | | |
| Selling and marketing | $ 30,582 | $ 34,410 | (11.1)% | $ 97,597 | $ 106,717 | (8.5)% |
| % of net revenue | 4.5% | 3.7% | | 4.6% | 3.7% | |

Selling and marketing expense decreased by $3.8 million and $9.1 million for the three and nine months ended October 31, 2015, respectively, compared to the three and nine months ended November 1, 2014. The decreases were attributable to approximately $1.7 million and $7.0 million of lower personnel-related costs due to lower headcount for the three and nine months ended October 31, 2015, respectively. The decrease also reflected decreases of $0.8 million and $1.0 million from lower sales commissions due to lower sales for the three and nine months ended October 31, 2015, respectively. These decreases were partially offset by increases in marketing communications expenses of $0.4 million and $2.5 million in the three and nine months ended October 31, 2015, respectively.

*General and Administrative*

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change | October 31, 2015 | November 1, 2014 | % Change |
| | (in thousands, except percentage) | | | | | |
| General and administrative | $ 33,206 | $ 32,358 | 2.6% | $ 108,884 | $ 93,535 | 16.4% |
| % of net revenue | 4.9% | 3.5% | | 5.2% | 3.3% | |

General and administrative expense increased by $0.8 million and $15.4 million for the three and nine months ended October 31, 2015, respectively, compared to the three and nine months ended November 1, 2014. The increase in the three months ended October 31, 2015 was attributable to $1.7 million of higher legal expenses primarily due to the independent investigation undertaken by the Company s Audit Committee of certain accounting and internal control matters that began in the second quarter of fiscal 2016, $0.5 million of higher costs for the surety bond related to CMU. These increases were partially offset by $1.8 million of lower personnel-related costs due to lower headcount in the three months ended October 31, 2015.

The increase in general and administrative expense for the nine months ended October 31, 2015 includes a $15.4 million payment due to our former Chief Executive Officer (see Note 13 Related Party Transactions in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q) and $7.1 million related to resolution of litigation matters. The increases were partially offset by $6.3 million of lower personnel-related costs due to lower headcount in the nine months ended October 31, 2015.

*Carnegie Mellon University Litigation Settlement*

| | Nine Months Ended | | |
|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change |
| | (in thousands, except percentage) | | |
| Litigation settlement with Carnegie Mellon University | $ 654,667 | $ | 100.0% |
| % of net revenue | 31.0% | % | |

In connection with the settlement agreement with CMU for $750 million (see Note 10 Commitments and Contingencies: and Note 14 Subsequent Events in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q), $654.7 million of the settlement allocated to the mutual release of claims and covenant not to sue was recorded in operating expenses. Of the remaining $95.3 million, $80.0 million was recorded in cost of goods sold in the nine months ended October 31, 2015. The remaining $15.3 million will be recognized in cost of goods sold over the remaining term of the license through April 2018.

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*Amortization and Write-Off of Acquired Intangible Assets*

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change | October 31, 2015 | November 1, 2014 | % Change |
| | (in thousands, except percentage) | | | | | |
| Amortization and write-off of acquired intangible assets | $ 3,150 | $ 3,304 | (4.7)% | $ 8,286 | $ 13,297 | (37.7)% |
| % of net revenue | 0.6% | 0.4% | | 0.4% | 0.5% | |

Amortization and write-off of acquired intangible assets decreased by $0.2 million and $5.0 million for the three and nine months ended October 31, 2015, respectively, compared to the three and nine months ended November 1, 2014. The decrease reflects lower amortization expense as certain intangible assets have become fully amortized. Amortization and write-off of acquired intangible assets in the nine months ended October 31, 2015 includes a charge of $0.3 million to write off an existing trade name compared to the nine months ended November 1, 2014, which included a charge of $3.4 million to write off in-process research and development.

*Interest and Other Income, Net*

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change | October 31, 2015 | November 1, 2014 | % Change |
| | (in thousands, except percentage) | | | | | |
| Interest and other income, net | $ 4,644 | $ 4,764 | (2.5)% | $ 16,601 | $ 18,952 | (12.4)% |
| % of net revenue | 0.7% | 0.5% | | 0.8% | 0.7% | |

Interest and other income, net, decreased by $0.1 million and $2.4 million for the three and nine months ended October 31, 2015 compared to the three and nine months ended November 1, 2014, respectively. The decrease for the three months ended October 31, 2015 was attributable to net realized losses on investments combined with lower foreign currency gains from the revaluation of our foreign currency denominated tax liabilities at October 31, 2015 compared to November 1, 2014. These decreases were partially offset by higher interest income due to overall higher interest rates despite lower average cash and short-term investment balances in the third quarter of fiscal 2016.

The decrease in the nine months ended October 31, 2015 is due to lower realized gains on investments combined with the effect that a $8.8 million gain from the sale of an investment was included in the nine months ended November 1, 2014, which is not included in the nine months ended October 31, 2015. Despite the overall decrease, interest and other income, net, for the nine months ended October 31, 2015 includes the recognition of higher foreign currency gains from the revaluation of our foreign currency denominated tax liabilities as the U.S. dollar strengthened during the nine months ended October 31, 2015 compared to nine months ended November 1, 2014. In addition, we had higher interest income due to higher interest rates and higher average cash and short-term investment balances in the first nine months of fiscal 2016.

*Provision (Benefit) for Income Taxes*

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| | October 31, 2015 | November 1, 2014 | % Change | October 31, 2015 | November 1, 2014 | % Change |
| | (in thousands, except percentage) | | | | | |
| Provision (benefit) for income taxes | $ 3,320 | $ 5,000 | (33.6)% | $ 13,192 | $ (5,720) | (330.6)% |
| % of net revenue | 0.5% | 0.5% | | 0.7% | (0.2)% | |

We had an income tax provision in both the three and nine months ended October 31, 2015, and our effective tax rate was (6.1)% and (1.6)%, respectively. The income tax expense for the three months ended October 31, 2015 was primarily due to current income tax liability of $1.5 million, a $1.1 million provision to record a valuation allowance against certain deferred tax assets in a non-U.S. jurisdiction and $0.7 million of interest on unrecognized tax benefits. The income tax expense for the nine months ended October 31, 2015 was primarily due to current income tax liability of $21.0 million, a $7.8 million provision to record a valuation allowance against certain deferred tax assets in a non-U.S. jurisdiction and an additional tax provision of $3.1 million related to a $15.4 million payment to the Company s former Chief Executive Officer (see Note 13 Related Party Transaction in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q). These tax provisions were partially offset by tax benefits of $15.3 million from a net reduction in unrecognized tax benefits, which primarily arose from the expiration of statutes of limitation and the settlement of tax audits in non-U.S. jurisdictions, and true-up adjustments of $4.8 million, primarily related to the filing of tax returns.

We had an effective tax rate of 4.2% in the three months ended November 1, 2014, whereas we had an effective tax rate of 1.6% in the nine months ended November 1, 2014. Our income tax provision for the three months ended November 1, 2014 included the current income tax liability of $4.5 million and a $0.9 million increase in unrecognized tax benefits from interest on unrecognized tax benefits in non-U.S. jurisdictions, which was partially offset by a $0.4 million tax benefit due to a return-to-provision adjustment upon the filing of a tax return in a non-U.S. jurisdiction. The income tax benefit for the nine months ended November 1, 2014 included the current income tax liability of $15.1 million which was offset by tax benefits of $8.9 million from a net reduction in unrecognized tax benefits, $11.5 million from an increase in the net deferred tax assets because of the tax rate change in Singapore and $0.4 million from a return-to-provision adjustment upon the filing of a tax return in a non-U.S. jurisdiction. The net reduction in unrecognized tax benefits arose from the release of $13.2 million due to the expiration of statutes of limitation, which was reduced by a $4.3 million increase in current unrecognized tax benefit estimates in various non-U.S. jurisdictions.

It is reasonably possible that the amount of unrecognized tax benefits could increase or decrease significantly due to changes in tax law in various jurisdictions, new tax audits and changes in the U.S. dollar as compared to foreign currencies within the next 12 months. Excluding these factors, uncertain tax positions may decrease by as much as $18.5 million from the lapse of statutes of limitation in various jurisdictions during the next 12 months. Government tax authorities from several non-U.S. jurisdictions are also examining returns. We believe that we have adequately provided for any reasonably foreseeable outcomes related to our tax audits and that any settlement will not have a material effect on our results at this time.

We operate under tax incentives in certain countries, which may be extended if certain additional requirements are satisfied. The tax incentives are conditional upon meeting certain employment and investment thresholds. The impact of these tax incentives decreased foreign taxes by $1.8 million and $6.7 million for the three and nine months ended October 31, 2015, respectively, and $1.8 million and $12.3 million for the three and nine months ended November 1, 2014, respectively. The benefit of the tax incentives on net loss per share was less than $0.01 per share for the three months ended October 31, 2015 and $0.01 per share for the nine months ended October 31, 2015, compared to a benefit on net income of less than $0.01 per share for the three months ended November 1, 2014 and $0.02 per share for the nine months ended November 1, 2014.

**Liquidity and Capital Resources**

Our principal source of liquidity as of October 31, 2015 consisted of approximately $2.3 billion of cash, cash equivalents and short-term investments, of which approximately $750 million was held by foreign subsidiaries (outside Bermuda). Approximately $650 million of this amount held by foreign subsidiaries is related to undistributed earnings, most of which have been indefinitely reinvested outside of Bermuda. These funds are primarily held in China, Israel, the United States and Switzerland. We have plans to use such amounts to fund various activities outside of Bermuda, including working capital requirements, capital expenditures for expansion, funding of future acquisitions or other financing activities. If such funds were needed by the parent company in Bermuda or if the amounts were otherwise no longer considered indefinitely reinvested, we would incur a tax expense of approximately $190 million. We believe that our existing cash, cash equivalents and short-term investments, together with cash generated from operations, exercise of employee stock options and purchases under our employee stock purchase plan will be sufficient to cover our working capital needs, capital expenditures, investment requirements, any declared dividends and commitments for at least the next 12 months, as well as payment of $750 million related to our settlement of the patent litigation with CMU. Our capital requirements will depend on many factors, including our rate of sales growth, market acceptance of our products, costs of securing access to adequate manufacturing capacity, the timing and extent of research and development projects and increases in operating expenses, which are all subject to uncertainty. In addition, we are named as defendants to several litigation actions and an unfavorable outcome in any current litigation could have a material adverse effect on our liquidity, cash flows and results of operations.

To the extent that our existing cash, cash equivalents and short-term investments and cash generated by operations are insufficient to fund our future activities, we may need to raise additional funds through public or private debt or equity financing. We may also enter into additional acquisitions of businesses, purchase assets or enter into other strategic arrangements in the future, which could also require us to seek debt or equity financing. Additional equity financing or convertible debt financing may be dilutive to our current shareholders. If we elect to raise additional funds, we may not be able to obtain such funds on a timely basis or on acceptable terms, if at all. If we raise additional funds by issuing additional equity or convertible debt securities, the ownership percentages of existing shareholders would be reduced. In addition, the equity or debt securities that we issue may have rights, preferences or privileges senior to our common shares.

On December 7, 2015, we announced that our board of directors declared a cash dividend of $0.06 per share to be paid on December 29, 2015 to shareholders of record as of December 16, 2015. We subsequently announced that our board of directors declared an additional quarterly cash dividend of $0.06 per share that was paid in April 2016 and on May 18, 2016, we announced that our board of directors declared a cash dividend of $0.06 per share to be paid on July 12, 2016 to shareholders of record as of June 14, 2016.

Future payment of a regular quarterly cash dividend on our common shares will be subject to, among other things, the best interests of the Company and our shareholders, our results of operations, cash balances and future cash requirements, financial condition, statutory requirements under Bermuda law and other factors that our board of directors may deem relevant. Our dividend payments may change from time to time, and we cannot provide assurance that we will continue to declare dividends at all or in any particular amounts. In addition, developments in ongoing litigation could affect the our ability to make a dividend payment on a declared payment date until such time as we can meet statutory requirements under Bermuda law.

***Net Cash Provided by Operating Activities***

Net cash provided by operating activities was $152.0 million for the nine months ended October 31, 2015. The cash inflows from operations for the nine months ended October 31, 2015 were due to $815.6 million of net loss adjusted for $210.1 million of non-cash items and changes in working capital of $757.5 million. The cash inflow from working capital for the nine months ended October 31, 2015 was driven by an increase in accrued liabilities and the accrued litigation settlement with CMU, which was partially offset by a decrease in accrued employee compensation, primarily from the payment of the annual incentive compensation.

Net cash provided by operating activities was $573.5 million for the nine months ended November 1, 2014. The cash inflows from operations for the nine months ended November 1, 2014 were primarily due to $353.7 million of net income adjusted for $181.5 million of non-cash items and changes in working capital of $38.3 million.

***Net Cash Used in Investing Activities***

Net cash used in investing activities was $136.8 million for the nine months ended October 31, 2015 compared to net cash used in investing activities of $256.8 million for the nine months ended November 1, 2014. For the nine months ended October 31, 2015, net cash used in investing activities was primarily due to purchases of available-for-sale securities of $922.8 million partially offset by sales and maturities of available-for-sale securities of $826.2 million. We also paid $33.4 million for the purchase of property and equipment, $10.2 million for the purchase of equipment previously leased and $6.7 million for the purchase of technology licenses. These payments were partially offset by the receipt of $10.0 million from the sale of equipment held for sale.

Net cash used in investing activities of $256.8 million for the nine months ended November 1, 2014 was primarily due to payment of $48.6 million for the purchase of property and equipment, and $14.5 million for the purchase of technology licenses. These payments were partially offset by the receipt of $13.2 million from the sale of an investment in a privately-held company. In addition to these payments, net cash used in investing activities for the nine months ended November 1, 2014 included net cash outflows from purchases of available-for-sales securities of $784.3 million less the sales and maturities of available-for-sale securities of $578.1 million.

***Net Cash Used in Financing Activities***

Net cash used in financing activities was $329.2 million for the nine months ended October 31, 2015 compared to net cash used in financing activities of $98.5 million for the nine months ended November 1, 2014. For the nine months ended October 31, 2015, net cash used in financing activities was primarily attributable to payments for the repurchase of our common stock of $260.9 million and payments of our quarterly dividends of $92.4 million. The cash outflow was partially offset by net proceeds of $35.5 million from the issuance of our common shares under our share-based plans less the payment for minimum tax withholding on behalf of employees for net share settlements.

Net cash used in financing activities of $98.5 million for the nine months ended November 1, 2014 was primarily attributable payments of our quarterly dividends of $91.9 million and cash payments of $43.8 million to repurchase our common stock. The cash outflow was partially offset by net proceeds of $45.7 million from the issuance of our common shares under our share-based plans less the payment for minimum tax withholding on behalf of employees for net share settlements.

**Off-Balance Sheet Arrangements**

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities of financial partnerships, such as entities often referred to as structured finance or special purpose entities ( SPEs ), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of October 31, 2015, we were not involved in any unconsolidated SPE transactions.

In the CMU litigation, in order to stay the execution of the final judgment pending its appeal, we filed a supersedeas bond for $1.54 billion with the District Court. The bond was issued by a consortium of sureties authorized by the U.S. Treasury. In support of the bond, we entered into separate indemnity agreements with each of the sureties to indemnify the sureties from all costs and payments made under the bond. The indemnity agreements did not require collateral to be posted at the time of the issuance of the bond. Therefore no cash is considered restricted as of the date of this filing. However, the indemnity agreements provide that each of the sureties have the right to demand to be placed in funds or call for collateral under pre-defined events. See also Note 10 Commitments and Contingencies in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q for a further discussion of this matter.

On November 14, 2014, we filed a second surety bond for $216 million and filed a commitment letter from the sureties to issue up to an additional $95 million in bonding under certain conditions. The second bond and commitment are secured by our campus located in Santa Clara, California, which has a carrying value of $134.6 million at October 31, 2015.

In connection with the settlement that was reached with CMU for a total $750 million in February 2016, the primary supersedeas bond that the Company entered into has been reduced to $439 million and the secondary bond has been adjusted to $311 million. For additional information, see CMU litigation in Note 10 Commitments and Contingencies in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q.

**Contractual Obligations**

We presented our contractual obligations at January 31, 2015 in our Annual Report on Form 10-K for the fiscal year then ended. There have been no material changes outside the ordinary course of business in those obligations during the three months ended October 31, 2015, other than as noted under the section entitled Off-Balance Sheet Arrangements above.

**Indemnification Obligations**

See Note 10 Commitments and Contingencies in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

*Interest Rate Risk*. Our interest rate risk relates primarily to our fixed income short-term investment portfolio as we did not have any outstanding debt as of October 31, 2015. We maintain an investment policy that requires minimum credit ratings, diversification of credit risk and limits the long-term interest rate risk by requiring maturities of generally less than five years. We invest our excess cash primarily in highly liquid debt instruments of the U.S. government and its agencies, time deposits, money market mutual funds, asset backed securities, corporate debt securities and municipal debt securities. These investments are classified as available-for-sale and, consequently, are recorded on our consolidated balance sheets at fair market value with their related unrealized gain or loss reflected as a component of accumulated other comprehensive income in the consolidated statements of shareholders equity. Investments in both fixed rate and floating rate interest earning securities carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall.

To provide an assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact that an adverse change in interest rates would have on the value of the investment portfolio. Based on investment positions as of October 31, 2015, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $17.0 million decline in the fair market value of the portfolio. Due to our positive cash flow from operations, the relatively short-term nature of our investment portfolio and our ability to hold investments to maturity, such change in fair market value would likely not have resulted in any significant cash flow impact.

As of October 31, 2015, our investment portfolio included $12.5 million in par value of auction rate securities classified as long-term investments. Although these securities have continued to pay interest, there is currently limited trading volume. To estimate the fair value of the auction rate securities, we use a discounted cash flow model based on estimated timing and amount of future interest and principal payments. In developing the discounted cash flow model, we consider the credit quality and liquidity of the underlying securities and related issuer, the collateralization of underlying security investments and other considerations. The fair value of these auction rate securities as of October 31, 2015, was $2.3 million less than par value.

Based on our balance of approximately $2.3 billion in cash, cash equivalents and short-term investments, and the fact that we continue to generate positive cash flow on a quarterly basis, we do not anticipate having to sell these securities below par value and do not have the intent to sell these auction rate securities until recovery. Since we consider the impairment to be temporary, we recorded the unrealized loss to accumulated other comprehensive income, a component of shareholders equity.

*Investment Risk.* We invest in equity instruments of privately held companies for strategic purposes. We account for these investments under the cost method when we do not have the ability to exercise significant influence or control over the operations of these companies and under the equity method when we have the ability to exercise significant influence, but do not have control. Carrying value of these equity investments was $8.7 million at October 31, 2015, and was included in other non-current assets in our consolidated balance sheets. We monitor these investments for impairment and make appropriate reductions in carrying value when an impairment is deemed to be other-than-temporary.

*Foreign Currency Exchange Risk*. All of our sales and the majority of our expenses are denominated in U.S. dollars. Since we operate in many countries, we pay certain payroll and other operating expenses in local currencies and these expenses may be higher or lower in U.S. dollar terms. Furthermore, our operations in Israel and China represent a large portion of our total foreign currency exposure. Additionally, we may hold certain assets and liabilities, including potential tax liabilities, in local currency on our consolidated balance sheet. These tax

liabilities would be settled in local currency. Therefore, foreign exchange gains and losses from remeasuring the tax liabilities are recorded to interest and other income, net. The related effects of foreign exchange fluctuations on local currency expenses are recorded to operating expenses. There is also a risk that our customers may be negatively impacted in their ability to purchase our products priced in U.S. dollars when there has been significant volatility in foreign currency exchange rates.

We engage in hedging transactions to help mitigate some of the volatility to forecasted cash flows due to changes in foreign exchange rates, and in particular hedge a portion of the forecasted expenses denominated in Israeli shekel and on occasion Chinese yuan. We enter into certain short-term forward exchange contracts, typically less than 12 months in duration, to hedge exposures for expenses denominated in foreign currencies when the currency exposure is significant and there is a high certainty of the underlying cash flow. We do not enter into derivative financial instruments for trading or speculative purposes. We may choose not to hedge certain foreign exchange exposures due to immateriality, offsetting exposures, prohibitive economic cost of hedging a particular currency, and limited availability of appropriate hedging instruments. To the extent our foreign currency hedges are effective, the results of the hedge activities offset the underlying expense within the operating expense. Financial instruments not designated as hedges or hedges deemed ineffective are recorded in interest and other income, net. We do not hedge our tax liabilities denominated in local currency on our consolidated balance sheet as the timing of these tax liabilities becoming cash flows is not deemed to be certain.

To provide an assessment of the foreign currency exchange risk associated with our foreign currency exposures within operating expense, we performed a sensitivity analysis to determine the impact that an adverse change in exchange rates would have on our financial statements. If the U.S. dollar weakened by 10%, our operating expense could increase by 4.6%. We expect our hedges of foreign currency exposures to be highly effective and offset a significant portion of the short-term impact of changes in exchange rates on the hedged portion of our exposures.

**Item 4.** ***Controls and Procedures***

**Audit Committee Investigation**

As reported in the Current Report on Form 8-K filed by the Company with the SEC on March 1, 2016, the Audit Committee (the Audit Committee ) of the Company s Board of Directors completed and made its findings with respect to an internal investigation (the Audit Committee Investigation ). This investigation generally included a review of certain revenue recognized in the first and second quarters of fiscal 2016 and the fourth quarter of fiscal 2015, including transactions that would have, in the normal course of events and but for action by Marvell employees, been completed and recognized in a subsequent quarter (referred to internally as pull-ins ), the accrual of a litigation reserve in the second quarter of fiscal 2016, and stated belief by Marvell s former Chief Executive Officer and Chairman of ownership of certain patent rights related to the Final-Level Cache invention. The Audit Committee also reviewed disclosure concerning the foregoing matters and related circumstances, and whether senior management s operating style during the relevant periods resulted in an open flow of information and communication to set an appropriate tone at the top for an effective control environment.

The Audit Committee identified no fraudulent activity in the course of this investigation. The Audit Committee s key conclusions regarding this investigation included the following:

(a) revenue related to pull-in transactions during the subject periods was for most such transactions properly recognized in accordance with Marvell s revenue recognition policy and generally accepted accounting principles, though for certain transactions Marvell s internal controls were not fully followed and revenue from certain pull-in and distributor transactions was recognized prematurely based on certain provisions of the revenue recognition policy in place at the time;

(b) Marvell s public disclosures for such periods related to revenue properly including pull-in transactions were not misleading;

(c) while Marvell s former Chief Executive Officer and Chairman stated his belief that he had a good faith claim to ownership of the Final-Level Cache invention, the invention was owned by Marvell during all periods in which company resources related to such invention were deployed and, as a result, there were no errors in accounting related to the Final-Level Cache invention, and the disclosures relating to such invention contained in Marvell s Form 10-Q for the first quarter of fiscal 2016 were not misleading; and

(d) while Marvell lacked a well-structured process to establish significant and judgmental reserves associated with litigation and royalties, there was no contemporaneous evidence that the increase in the reserve ultimately recorded in Marvell s books and records for the second quarter of fiscal 2016 was not reasonable or appropriate.

The Audit Committee investigation also found certain tone at the top issues, including significant pressure on sales and finance personnel to meet revenue targets and the failure by Marvell s former Chief Executive Officer and Chairman and by legal counsel to raise to the appropriate level at the appropriate times the initial assertion of Marvell s former Chief Executive Officer and Chairman that he owned the Final-Level Cache invention, the patent applications for which he later assigned to Marvell.

**Management s Evaluation of Disclosure Controls and Procedures**

Management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of October 31, 2015. Disclosure controls and procedures are designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of October 31, 2015 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Notwithstanding the material weaknesses in our internal controls over financial reporting as of October 31, 2015 management has concluded that the consolidated financial statements included in this Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

**Material Weaknesses**

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. Management concluded that we did not maintain effective internal control over financial reporting as of October 31, 2015 because of certain material weaknesses in our internal control over financial reporting as of October 31, 2015 as follows:

*Entity Level Controls* The control environment, risk assessment, control activities, information and communication, and monitoring controls were not effective. These controls are the responsibility of senior management, who sets the tone of the organization, influences the control consciousness of employees, and is the foundation for internal control over financial reporting. As noted above, the Audit Committee investigation identified certain tone at the top issues that contributed to an ineffective control environment and to the deficiencies aggregating to the material weaknesses set forth below. The Company s entity level controls related to assessing risk and communication of information, including the reporting of information to management and the Board of Directors, did not operate effectively as they relied upon information derived from processes where applicable controls were not fully followed.

*Sufficiency of Accounting and Finance Department Resources* The Company had insufficient finance and accounting department resources with appropriate knowledge, expertise and training commensurate with the Company s corporate structure and financial reporting requirements to effectively assess risk, and design, operate and oversee effective internal controls over financial reporting. The Company has experienced significant turnover at the senior financial management level. The lack of certain appropriate resources in the Company s accounting and finance departments contributed to an ineffective control environment. This lack of resources resulted in inconsistent expectations around the preparation, review and maintenance of documentation critical to the design and consistent execution of internal controls. These factors contributed to deficiencies in the Company s financial reporting process over (i) the establishment of significant and judgmental reserves, which included reserves for litigation and royalties, (ii) the Company s process and controls over identification, communication and approval of related party transactions, and (iii) a lack of precision in the review controls over certain information and assumptions impacting various financial reporting areas, and monitoring of the Company s terms and conditions for certain contractual arrangements to verify that all critical contract terms were communicated to accounting and finance for assessment.

*Revenue Recognition* The Company s internal controls to identify, accumulate and assess the accounting impact of certain concessions or side agreements on whether the Company s revenue recognition criteria had been met were in certain instances not fully followed or were not effective. As noted above, the Audit Committee identified certain tone at the top issues, due to which the Company s controls were not effective to ensure (i) consistent standards in the level of documentation of agreements required to support accurate recording of revenue transactions, and (ii) that such documentation is retained, complete, and independently reviewed to ensure certain terms impacting revenue recognition were accurately reflected in the Company s books and records.

*Process to Identify Contingencies, Including Those Related to the Company s Intellectual Property* The Company s internal controls over contingencies were not effective as the Company lacked a well-structured process, including granting appropriate authority to senior legal management, to ensure the identification of actual and potential claims, and the assessment of probability of loss related to them. The Company also lacked a well-structured process to ensure the timely assignment to the Company of intellectual property.

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**Remediation Efforts to Address Material Weaknesses**

Our management has worked, and continues to work, to strengthen our internal control over financial reporting. We are committed to ensuring that such controls are designed and operating effectively. Since identifying the material weaknesses in our internal control over financial reporting, we have developed and implemented remediation plans to fully address these control failures. Our Board of Directors and management take internal controls over financial reporting and the integrity of the Company s financial statements seriously and believe that the remediation steps described below, including with respect to personnel changes, were and are essential steps to maintaining strong and effective internal controls over financial reporting and a strong internal control environment.

The Company has taken significant steps to address the material weaknesses set forth above. The Company believes that making the following changes was a critical step toward addressing the tone at the top concerns that contributed to the material weaknesses it has identified.

The following steps are among the measures that have been implemented or will be implemented as soon as practicable after the date of this filing:

Entity Level Controls

By unanimous action of the Board of Directors, we appointed five new independent directors to our Board of Directors. Two of the new members of the Board have significant finance and accounting experience, have been appointed to the Audit Committee, and have been determined by the Board of Directors to be audit committee financial experts as defined in rules promulgated by the SEC.

We appointed a new Chairman of our Board of Directors.

We recently appointed a new Chief Executive Officer who we expect will provide strong leadership to the Company and establish open lines of communication with his internal business unit leaders and external partners.

We are actively engaged in a search for a new, permanent Chief Financial Officer who we expect will bring expertise and leadership to the Company and our finance team and establish open lines of communication with his or her internal business unit leaders and the finance and accounting team world-wide.

We conducted a training program for our executives, vice presidents and associate vice presidents, led by our executive management team, to enhance awareness and understanding of the Company s Code of Conduct and Ethics Policy and the importance of financial reporting integrity. We are developing and planning to implement a similar program for finance, operations and sales personnel and others involved in the sales process.

In accordance with changes to the Audit Committee Charter approved by the Board on September 23, 2015, the Audit Committee now approves future earnings guidance in accordance with the Company s normal earnings cycle.

In accordance with changes to the Executive Compensation Committee Charter approved by the Board on September 23, 2015, the Executive Compensation Committee now reviews and approves the compensation arrangements of any employees with a title of Associate Vice President or higher reporting directly to the Chief Executive Officer, including, but not limited to, those designated as executive officers. We believe this provides more transparent monitoring of performance of, and incentives offered to, senior management that may influence tone at the top.

Sufficiency of Accounting and Finance Department Resources

We are actively engaged in a search for a new Chief Financial Officer who we expect will provide strong leadership to the Company and, in particular, to our finance and accounting function, and establish open lines of communication with his or her staff and internal business partners.

We have hired a new Senior Vice President of Finance and a new Assistant Controller to increase the depth and breadth of knowledge and expertise commensurate with the Company s corporate structure and financial reporting requirements. These new finance team members will support the Company s substantial efforts to design, operate and oversee effective internal controls over financial reporting.

We are actively engaged in a search for a new Chief Accounting Officer and Controller who we expect will bring additional technical expertise to our finance and accounting function and will support the Company s substantial efforts to design, operate and oversee effective internal controls over financial reporting.

We continue to enhance the Company s finance and accounting department staff, in terms of both number and competency of personnel, particularly in the area of revenue recognition and technical accounting. We expect our new senior finance team to contribute their substantial experience and abilities to raise the level of expertise across the finance and accounting teams.

The Audit Committee directed our Interim Chief Financial Officer, in coordination with our new Chief Legal Officer, to undertake a comprehensive review of the procedures to be followed by the Company for establishing significant and judgmental reserves, including reserves for litigation and royalties. As a result, a more comprehensive policy has been established and will be adhered to going forward. In addition, management will continue to report to the Audit Committee the methodologies used and basis of estimates for the establishment of significant and judgmental reserves.

We are in the process of developing a roles and responsibilities matrix for our key accounting and operations personnel to incorporate segregation of duties considerations. We expect our incoming senior finance personnel to contribute their significant expertise to this process.

Revenue Recognition

We have revised our revenue recognition policy to prohibit Company-initiated pull-in transactions. For fiscal 2017, pull ins will have no meaningful effect on our revenue.

As noted above, we conducted a training program for our executive officers, vice presidents and associate vice presidents, led by our executive management team, to enhance awareness and understanding of the Company s Code of Conduct and Ethics Policy and the importance of financial reporting integrity. We are developing and planning to implement a similar program for finance, operations and sales personnel and others involved in the sales process.

Process to Identify Contingencies, Including Those Related to the Company s Intellectual Property.

The Audit Committee directed the Company to hire a Chief Legal Officer, such position having the authority of an executive officer (as defined in SEC rules) and to be deemed as such. The Company has hired a new Executive Vice President and Chief Legal Officer to fill this role.

The Audit Committee directed the Interim CFO, in coordination with the Chief Legal Officer, to undertake a comprehensive review of the procedures to be followed by the Company for establishing significant and judgmental reserves, including reserves for litigation and royalties. As a result, a more comprehensive policy has been established and will be adhered to going forward. In addition, management will continue to report to the Audit Committee the methodologies used and basis of estimates for the establishment of significant and judgmental reserves.

We are in the process of adopting an updated patent disclosure and assignment policy that includes augmented procedures for review of claims of individual ownership and enhanced processes with respect to patent disclosure and assignment. We expect our new Chief Legal Officer to contribute his significant experience to this process.

The Audit Committee has directed management to develop a detailed plan and timetable for the completion of the implementation of the foregoing remedial measures and will monitor their implementation. In addition, under the direction of the Audit Committee, management will continue to review and make necessary changes to the overall design of our internal control environment, as well as to our policies and procedures in order to improve the overall effectiveness of internal control over financial reporting.

Aside from the above remediations, we reconstituted the memberships and chairmanships of the audit committee, the executive compensation committee and the nominating and governance committee.

We are committed to maintaining a strong internal control environment, and believe that these remediation actions represent significant improvements in our controls. Additional remediation measures continue to be considered and will be implemented as appropriate. We will continue to assess the effectiveness of our remediation efforts in connection with our evaluations of internal control over financial reporting.

**Changes in Internal Control Over Financial Reporting**

During the quarter ended October 31, 2015 (and including events during the quarter ended August 1, 2015), changes in our internal control over financial reporting that materially affected or are reasonably likely to materially affect our internal control over financial reporting were as follows:

Our Chief Financial Officer retired in May 2015 prior to our earnings release for the first quarter of fiscal 2016 and the filing of our Form 10-Q for the first quarter of fiscal 2016. On May 22, 2015, we appointed our Vice President, Financial Planning and Analysis, as interim Chief Financial Officer and he transitioned from that position to SVP, Corporate Development and Strategy, FP&A and Investor Relations on October 7, 2015. On October 16, 2015, we appointed David Eichler as our Interim Chief Financial Officer.

Our Vice President and Corporate Controller resigned prior to our earnings release for the second quarter of fiscal 2016 and the filing of our Form 10-Q for the second quarter of fiscal 2016. Our Forms 10-Q for the second and third quarters of fiscal 2016 were not filed when due and the Audit Committee commenced an independent investigation as described above. The Company s independent public accounting firm, PricewaterhouseCoopers, then resigned from our account in October 2015.

In the interim period between August 2015 and December 2015, the controllership role was shared by several senior managers in the finance and accounting departments, including our Vice President/Treasurer, our Vice President/Corporate Tax and our Director/Internal Audit. Our previous Finance Director of Marvell s Israel business then assumed the role of acting Controller/Assistant Controller until such time as we hired a new Controller in December 2015.

**Inherent Limitations on Effectiveness of Controls**

Our management, including our principal executive officer and our principal financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. The design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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## PART II. OTHER INFORMATION

### Item 1. *Legal Proceedings*

The information under the caption Contingencies as set forth in Note 10 Commitments and Contingencies of our Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1, is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see Part II, Item 1A, Risk Factors, immediately below.

### Item 1A. *Risk Factors*

*Investing in our common shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below and all information contained in this report before you decide to purchase our common shares. Many of these risks and uncertainties are beyond our control, including business cycles and seasonal trends of the computing, semiconductor and related industries and end markets. If any of the possible adverse events described below actually occurs, we may be unable to conduct our business as currently planned and our financial condition and operating results could be harmed. In addition, the trading price of our common shares could decline due to the occurrence of any of these risks, and you could lose all or part of your investment.*

### Factors That May Affect Future Results

***Our financial condition and results of operations may vary from quarter to quarter, which may cause the price of our common shares to decline.***

Our quarterly results of operations have fluctuated in the past and could do so in the future. Because our results of operations are difficult to predict, you should not rely on quarterly comparisons of our results of operations as an indication of our future performance.

Fluctuations in our results of operations may be due to a number of factors, including, but not limited to, those listed below and those identified throughout this Risk Factors section:

- changes in general economic and political conditions and specific conditions in the end markets we address, including the continuing volatility in the technology sector and semiconductor industry;
- the highly competitive nature of the end markets we serve, particularly within the semiconductor industry;
- any current and future litigation that could result in substantial costs and a diversion of management s attention and resources that are needed to successfully maintain and grow our business;
- our dependence on a few customers for a significant portion of our revenue;
- our ability to maintain a competitive cost structure for our manufacturing and assembly and test processes and our reliance on third parties to produce our products;
- cancellations, rescheduling or deferrals of significant customer orders or shipments, as well as the ability of our customers to manage inventory;
- gain or loss of a design win or key customer;

seasonality in sales of consumer devices in which our products are incorporated;

failure to qualify our products or our suppliers manufacturing lines;

our ability to develop and introduce new and enhanced products in a timely and effective manner, as well as our ability to anticipate and adapt to changes in technology;

failure to protect our intellectual property;

impact of a significant natural disaster, including earthquakes, floods and tsunamis, particularly in certain regions in which we operate or own buildings, such as Santa Clara, California and where our third party suppliers operate, such as Taiwan and elsewhere in the Pacific Rim; and

our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel.

Due to fluctuations in our quarterly results of operations and other factors, the price at which our common shares will trade is likely to continue to be highly volatile. From February 2, 2014 through October 31, 2015, our common shares traded as low as $7.55 and as high as $16.78 per share. Accordingly, you may not be able to resell your common shares at or above the price you paid. In future periods, our stock price could decline if, amongst other factors, our revenues or operating results are below our estimates or the estimates or expectations of securities analysts and investors. As a result of stock price volatility, we may be subject to securities class action litigation. Any litigation could result in substantial costs and a diversion of management s attention and resources that are needed to successfully maintain and grow our business.

***We operate in intensely competitive markets, and our failure to compete effectively would harm our results of operations.***

The semiconductor industry and specifically the data storage, networking and wireless communications markets are extremely competitive, and we expect competition to intensify as current competitors expand their product offerings and new competitors enter the market. This has especially intensified as semiconductor companies have begun to offer more integrated platforms. We expect competition to continue to increase as industry standards continue to evolve and become better known, and others realize the market potential of this trend to platform integration. We currently compete with a number of large domestic and international companies in the business of designing integrated circuits and related applications, some of which have greater financial, technical and management resources than us. Our efforts to introduce new products into markets with entrenched competitors will expose us to additional competitive pressures. For example, we are facing and expect we will continue to face significant competition in the networking market. Additionally, customer expectations and requirements have been evolving rapidly. For example, customers now expect us to provide turnkey solutions. Some of our competitors may be better situated to meet changing customer needs. As competition in the markets in which we operate continues to increase, our revenues and gross margins may decline. For example, competitors with greater financial resources may be able to offer lower prices than us, or they may offer additional products, services or other incentives that we may not be able to match. In addition, many of our competitors operate and maintain their own fabrication facilities and have longer operating histories, greater name recognition, larger customer bases, and greater sales, marketing and distribution resources than we do. Furthermore, our current and potential competitors in the data communication and wireless markets have established or may establish financial and strategic relationships among themselves or with existing or potential customers or other third parties to increase the ability of their products to address the needs of customers. Accordingly, new competitors or alliances among these competitors may acquire significant market share, which would harm our business. While we continue to pursue similar strategic relationships, and currently have significant financial and technical resources, we cannot assure you that we will be able to continue to compete successfully against existing or new competitors, which would harm our results of operations.

In addition, semiconductor providers have experienced consolidation over the past several years. For example, Avago Technologies Limited (which has renamed itself as Broadcom Limited ( Broadcom ) acquired Broadcom Corporation in February 2016 and LSI Corporation in May 2014, Intel acquired Altera Corporation in December 2015 and NXP Semiconductors acquired Freescale Semiconductor, Ltd. These transactions and other pending transactions may further consolidate competition in our industry. Consolidation among our competitors could lead to a changing competitive landscape, capabilities and market share, which could harm our results of operations.

***A significant portion of our business is dependent on the HDD industry, which is highly cyclical, experiences rapid technological change, is subject to industry consolidation and is facing increased competition from alternative technologies.***

The HDD industry is intensely competitive, and the technology changes rapidly. This industry has historically been cyclical, with periods of increased demand and rapid growth followed by periods of oversupply and subsequent contraction. These cycles may affect us because some of our largest customers are participants in this industry.

HDD manufacturers tend to order more components than they may need during growth periods, and sharply reduce orders for components during periods of contraction. Rapid technological changes in the HDD industry often result in shifts in market share among the industry s participants. If the HDD manufacturers using our products do not retain or increase their market share, our sales may decrease.

In addition, the HDD industry experienced consolidation in the past. For example, Western Digital completed the acquisition of Hitachi s HDD unit in March 2012, Seagate Technology PLC ( Seagate ) completed the acquisition of Samsung s HDD unit in December 2011 and Toshiba acquired the HDD operations of Fujitsu during fiscal 2010. Consolidation among our customers could lead to changing demand for our products, replacement of our products by the merged entity with those of our competitors and cancellation of orders, each of which could harm our results of operations. If we are unable to leverage our technology and customer relationships, we may not capitalize on the increased opportunities for our products within the combined company.

Furthermore, future changes in the nature of information storage products and personal computing devices could reduce demand for traditional HDDs. For example, products using alternative technologies, such as SSD and other storage technologies could become a source

of competition to manufacturers of HDDs. Although we offer SSD controllers, leveraging our technology in hard drives, we cannot ensure we will be able to maintain significant market share if demand for traditional HDDs decreases. Additionally, we depend on a few customers for our SSD controllers and as such, the loss of any SSD controller customer or a significant reduction in sales we make to them (for example, as a result of a significant drop in market share) may harm our financial condition and results of operations.

***Our sales are concentrated in a few customers, and if we lose or experience a significant reduction in sales to any of these key customers, or if any of these key customers experience a significant decline in market share, our revenues may decrease substantially.***

We receive a significant amount of our revenues from a limited number of customers. Net revenue from our two largest customers represented 31% of our net revenue for both of the nine months ended October 31, 2015 and November 1, 2014, respectively. Sales to our largest customers have fluctuated significantly from period to period and year to year primarily due to the timing and number of design wins with each customer, natural disasters that may divert a customer s operations, as well as the continued diversification of our customer base as we expand into new markets, and will likely continue to fluctuate in the future. The loss of any of our large customers or a significant reduction in sales we make to them would likely harm our financial condition and results of operations. Our operating results in the foreseeable future will continue to depend on sales to a relatively small number of customers, as well as the ability of these customers to sell products that incorporate our products. In the future, these customers may decide not to purchase our products at all, purchase fewer products than they did in the past, or alter their purchasing patterns in some other way, particularly because:

- a significant portion of our sales are made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with relatively short notice to us;
- customers may purchase integrated circuits from our competitors;
- customers may discontinue sales or lose market share in the markets for which they purchase our products (for example, a significant customer of our SSD products has recently seen a significant drop in its market share);
- customers may develop their own solutions or acquire fully developed solutions from third-parties (for example, in September 2014, Seagate acquired the SSD business from Broadcom); or
- customers may be subject to severe business disruptions.

***We have been named as a party to several legal proceedings and may be named in additional ones in the future, including litigation involving our patents and other intellectual property, which could subject us to liability, require us to indemnify our customers, require us to obtain or renew licenses, or to stop selling our products or force us to redesign our products.***

We have been named as a party to several lawsuits, government inquiries or investigations and other legal proceedings (referred to as litigation ), and we may be named in additional ones in the future. Please see Note 10 Commitments and Contingencies of our Notes to the Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q ( Note 10 ) for a more detailed description of a number of the litigation matters we are currently engaged in. In particular, litigation involving patents and other intellectual property is widespread in the high-technology industry and is particularly prevalent in the semiconductor industry, where a number of companies and other entities aggressively bring numerous infringement claims to assert their patent portfolios. The amount of damages alleged in intellectual property infringement claims can often be very significant. For example, the settlement of a lawsuit with Carnegie Mellon University resulted in a payment by us of $750 million as described further in Note 10.

From time to time our subsidiaries and customers receive, and may continue to receive in the future, standards-based infringement claims, as well as claims against us and our subsidiaries proprietary technologies, particularly those related to storage technology, microprocessors and other circuit components. Our subsidiaries and customers could face claims of infringement for certain patent licenses that have not been renewed. These claims could result in litigation and/or claims for indemnification, which, in turn, could subject us to significant liability for damages, attorneys fees and costs. Any potential intellectual property litigation also could force us to do one or more of the following:

stop selling, offering for sale, making, having made or exporting products or using technology that contains the allegedly infringing intellectual property;

limit or restrict the type of work that employees involved in such litigation may perform for us;

pay substantial damages and/or license fees and/or royalties to the party claiming infringement or other license violations that could adversely impact our liquidity or operating results;

- attempt to obtain or renew licenses to the relevant intellectual property, which licenses may not be available on reasonable terms or at all; and

- attempt to redesign those products that contain the allegedly infringing intellectual property.

Under certain circumstances, we have contractual and other legal obligations to indemnify and to incur legal expenses for current and former directors and officers. Additionally, from time to time, we have agreed to indemnify select customers for claims made against our products, where such claims allege infringement of third-party intellectual property rights, including, but not limited to, patents, registered trademarks and/or copyrights. If we are required to make a significant payment under any of our indemnification obligations, our results of operations may be harmed.

The ultimate outcome of litigation could have a material adverse effect on our business and the trading price for our securities. Litigation may be time consuming, expensive, and disruptive to normal business operations, and the outcome of litigation is difficult to predict. Litigation, regardless of the outcome, may result in significant expenditures, diversion of our management s time and attention from the operation of our business, damage to our reputation or relationship with third parties, which could materially and adversely affect our business, financial condition, results of operations, cash flows and our stock price.

***We identified material weaknesses in our internal controls over financial reporting, and we may be unable to develop, implement and maintain effective internal controls in future periods.***

The Sarbanes-Oxley Act of 2002 and SEC rules require that management report annually on the effectiveness of our internal control over financial reporting and our disclosure controls and procedures. Among other things, management must conduct an assessment of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Based on management s assessment, we concluded that our internal controls over financial reporting were not effective as of January 30, 2016. The specific material weaknesses are described in Part II Item 9A. Controls and Procedures of our Form 10-K in Management s Report on Internal Control over Financial Reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements would not be prevented or detected on a timely basis. As with any material weakness, if our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements. Any material misstatements could result in a restatement of our consolidated financial statements, cause us to fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Even when we have remediated our material weaknesses, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. Because of its inherent limitations, internal control over financial reporting will not necessarily prevent all error and all fraud. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. In addition, we may modify the design and operating effectiveness of our internal controls, which could affect the overall effectiveness or evaluation of the control system in the future by us or our independent registered public accounting firm. We cannot ensure that any design will succeed in achieving its stated goals under all potential future conditions, as controls may become inadequate due to changes in conditions or deterioration in the degree of compliance. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to provide reliable financial reports, or to detect and prevent fraud, which would harm our business.

***Matters relating to or arising from our Audit Committee investigation, including regulatory proceedings, litigation matters and potential additional expenses, may adversely affect our business and results of operations.***

As previously disclosed in our public filings, the Audit Committee of our Board of Directors of the Company has recently completed an investigation that generally included a review of certain revenue recognized in the first and second quarters of fiscal 2016 and the fourth quarter of fiscal 2015, including transactions that would have, in the normal course of events and but for action by certain Marvell employees, been completed and recognized in a subsequent quarter (referred to internally as pull-ins ), the accrual of a litigation reserve in the second quarter of fiscal 2016, and the stated belief by Marvell s former Chairman and Chief Executive Officer of ownership of certain patent rights related to the Final-Level Cache invention and his later assignment of associated patent applications to Marvell. In addition, we are also the subject of investigations by the Securities and Exchange Commission and the U.S. Attorney related to these matters. We are fully cooperating with the SEC and the US Attorney with respect to those investigations.

To date, we have incurred significant expenses related to legal, accounting, and other professional services in connection with the investigations and related matters, and may continue to incur significant additional expenses with regard to these matters and related remediation efforts. The expenses incurred, and expected to be incurred, on the investigations, the impact of our delay in meeting our periodic reports on the confidence of investors, employees and customers, and the diversion of the attention of the management team that has occurred, and is expected to continue, has adversely affected, and could continue to adversely affect, our business, financial condition and results of operations or cash flows. As a result of the delay in filing of our periodic reports, we are not eligible to use a registration statement on Form S-3, and will not be eligible to use that form until we have timely filed all periodic reports required by the SEC for one year, which may make it more difficult, costly or time consuming for us to raise capital if we should choose to do so.

As a result of the matter reported above, we are exposed to greater risks associated with litigation, regulatory proceedings and government enforcement actions. In addition, securities class actions or other lawsuits have been filed against us, our directors and officers (see also, *We are subject to pending securities class action and shareholder derivative legal proceedings* below). Any future such investigations or additional lawsuits may adversely affect our business, financial condition, results of operations and cash flows.

***We are subject to pending securities class action and shareholder derivative legal proceedings***

Several securities class action lawsuits were filed against us following our September 11, 2015 announcement of an independent audit committee investigation of certain accounting and internal control matters in the second quarter of fiscal 2016 and our subsequent delinquency in filing our periodic financial reports. We also have been named as a nominal defendant in a shareholder derivative lawsuit filed in fiscal 2016 concerning our announcement of the audit committee investigation. No specific amounts of damages have been alleged in the class action lawsuits and, by the nature of the lawsuits, no damages will be alleged against Marvell in the derivative lawsuit.

We will continue to incur legal fees in connection with these pending cases, including expenses for the reimbursement of legal fees of present and former officers and directors under indemnification obligations. The expense of continuing to defend such litigation may be significant. We intend to defend these lawsuits vigorously, however there can be no assurance that we will be successful in any defense. If any of the lawsuits related to our audit committee investigation are adversely decided, we may be liable for significant damages directly or under our indemnification obligations, which could adversely affect our business, results of operations and cash flows. Further, the amount of time that will be required to resolve these lawsuits is unpredictable and these actions may divert management s attention from the day-to-day operations of our business, which could adversely affect our business, results of operations and cash flows.

***Our indemnification obligations and limitations of our director and officer liability insurance may have a material adverse effect on our financial condition, results of operations and cash flows.***

Under Bermuda law, our articles of association and bye-laws and certain indemnification agreements to which we are a party, we have an obligation to indemnify, or we have otherwise agreed to indemnify, certain of our current and former directors and officers with respect to current and future investigations and litigation, including the matters discussed in Part II Item 1, Legal Proceedings. In connection with some of these pending matters, we are required to, or we have otherwise agreed to, advance, and have advanced, legal fees and related expenses to certain of our current and former directors and officers and expect to continue to do so while these matters are pending. Certain of these obligations may not be covered matters under our directors and officers liability insurance, or there may be insufficient coverage available. Further, in the event the directors and officers are ultimately determined to not be entitled to indemnification, we may not be able to recover the amounts we previously advanced to them.

In addition, we have incurred significant expenses in connection with the Audit Committee s independent investigation, the pending government investigations, and the shareholder litigation. We cannot provide any assurances that pending claims, or claims yet to arise, including the cost of fees, penalties or other expenses will not exceed the limits of our insurance policies, that such claims are covered by the terms of our insurance policies or that our insurance carrier will be able to cover our claims. Additionally, to the extent there is coverage of these claims, the insurers also may seek to deny or limit coverage in some or all of these matters. Furthermore, the insurers could become insolvent and unable to fulfill their obligation to defend, pay or reimburse us for insured claims. Accordingly, we cannot be sure that claims will not arise that are in excess of the limits of our insurance or that are not covered by the terms of our insurance policy. Due to these coverage limitations, we may incur significant unreimbursed costs to satisfy our indemnification obligations, which may have a material adverse effect on our business, financial condition, results of operations or cash flows.

***We rely on independent foundries and subcontractors for the manufacture, assembly and testing of our integrated circuit products, and the failure of any of these third-party vendors to deliver products or otherwise perform as requested could damage our relationships with our customers, decrease our sales and limit our ability to grow our business.***

We do not have our own manufacturing or assembly facilities and have very limited in-house testing facilities. Therefore, we currently rely on several third-party foundries to produce our integrated circuit products. We also currently rely on several third-party assembly and test subcontractors to assemble, package and test our products. This exposes us to a variety of risks, including the following:

*Regional Concentration*

Substantially all of our products are manufactured by third-party foundries located in Taiwan, and other sources are located in China and Singapore. In addition, substantially all of our third-party assembly and testing facilities are located in China, Singapore and Taiwan. Because of the geographic concentration of these third-party foundries, as well as our assembly and test subcontractors, we are exposed to the risk that their operations may be disrupted by regional disasters including, for example, earthquakes (particularly in Taiwan and elsewhere in the Pacific Rim close to fault lines), tsunamis or typhoons, or by political, social or economic instability. In the case of such an event, our revenues, cost of goods sold and results of operations would be negatively impacted. In addition, there are limited numbers of alternative foundries and identifying and implementing alternative manufacturing facilities would be time consuming. As a result, if we needed to implement alternate manufacturing facilities, we could experience significant expenses and delays in product shipments, which could harm our results of operations.

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*No Guarantee of Capacity or Supply*

The ability of each foundry to provide us with semiconductor devices is limited by its available capacity and existing obligations. When demand is strong, availability of foundry capacity may be constrained or not available, and with limited exceptions, our vendors are not obligated to perform services or supply products to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. We place our orders on the basis of our customers purchase orders or our forecast of customer demand, and the foundries can allocate capacity to the production of other companies products and reduce deliveries to us on short notice. It is possible that foundry customers that are larger and better financed than we are or that have long-term agreements with our main foundries may induce our foundries to reallocate capacity to those customers. This reallocation could impair our ability to secure the supply of components that we need. In particular, as we and others in our industry transition to smaller geometries, our manufacturing partners may be supply constrained or may charge premiums for these advanced technologies, which may harm our business or results of operations. See also, *We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.* Moreover, if any of our third-party foundry suppliers are unable to secure necessary raw materials from their suppliers, lose benefits under material agreements, experience power outages, lack sufficient capacity to manufacture our products, encounter financial difficulties or suffer any other disruption or reduction in efficiency, we may encounter supply delays or disruptions, which could harm our business or results of operations.

Despite our strategy to move to multiple sources, most of our products are not manufactured at more than one foundry at any given time, and our products typically are designed to be manufactured in a specific process at only one of these foundries. Accordingly, if one of our foundries is unable to provide us with components as needed, it would be difficult for us to transition the manufacture of our products to other foundries, and we could experience significant delays in securing sufficient supplies of those components. This could result in a material decline in our revenues, net income and cash flow.

In order to secure sufficient foundry capacity when demand is high and to mitigate the risks described in the foregoing paragraph, we may enter into various arrangements with suppliers that could be costly and harm our results of operations, such as non-refundable deposits with or loans to foundries in exchange for capacity commitments, or contracts that commit us to purchase specified quantities of integrated circuits over extended periods. We may not be able to make any such arrangement in a timely fashion or at all, and any arrangements may be costly, reduce our financial flexibility, and not be on terms favorable to us. Moreover, if we are able to secure foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

*Uncertain Yields and Quality*

The fabrication of integrated circuits is a complex and technically demanding process. Our foundries have from time to time experienced manufacturing defects and reduced manufacturing yields, which are difficult to detect at an early stage of the manufacturing process and may be time consuming and expensive to correct. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by our foundries could result in lower than anticipated manufacturing yields or unacceptable performance. In addition, we may face lower manufacturing yields and reduced quality in the process of ramping up and diversifying our manufacturing partners. Poor yields from our foundries, or defects, integration issues or other performance problems with our products could cause us significant customer relations and business reputation problems, harm our financial performance and result in financial or other damages to our customers. Our customers could also seek damages in connection with product liability claims, which would likely be time consuming and costly to defend. In addition, defects could result in significant costs. See also, *Costs related to defective products could have a material adverse effect on us.*

To the extent that we rely on outside suppliers to manufacture or assemble and test our products, we may have a reduced ability to directly control product delivery schedules and quality assurance, which could result in product shortages or quality assurance problems that could delay shipments or increase costs.

*Commodity Prices*

We are also subject to risk from fluctuating market prices of certain commodity raw materials that are incorporated into our end products or used by our suppliers to manufacture our end products. Supplies for such commodities may from time to time become restricted, or general market factors and conditions may affect pricing of such commodities.

***If we are unable to develop and introduce new and enhanced products that achieve market acceptance in a timely and cost-effective manner, our results of operations and competitive position will be harmed.***

Our future success will depend on our ability, in a timely and cost-effective manner, to develop and introduce new products and enhancements to our existing products. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions, short product life cycles and increasing demand for higher levels of integration and smaller process geometries. In addition, the development of new silicon devices is highly complex, and due to supply chain cross-dependencies and other issues, we may experience delays in completing the development, production and introduction of our new products. For example, we believe the success of Final-Level Cache ( FLC™ ) technology may be an important factor in the future growth of the company. If FLC™ technology fails to function in actual product development at the level required for market acceptance, or if our customers do not readily embrace the technology as quickly as we would anticipate, our future results may be impacted. No revenue was derived from FLC related products in fiscal 2016 and we anticipate no revenue in fiscal 2017 as these products are still in development. See also, *We may be unable to protect our intellectual property, which would negatively affect our ability to compete.*

Our ability to adapt to changes and to anticipate future standards, and the rate of adoption and acceptance of those standards, will be a significant factor in maintaining or improving our competitive position and prospects for growth. We may also have to incur substantial unanticipated costs to comply with these new standards. Our success will also depend on the ability of our customers to develop new products and enhance existing products for the markets they serve and to introduce and promote those products successfully in a timely manner. Even if we and our customers introduce new and enhanced products to the market, those products may not achieve market acceptance.

***Our gross margin and results of operations may be adversely affected in the future by a number of factors, including decreases in average selling prices of products over time and shifts in our product mix.***

The products we develop and sell are primarily used for high-volume applications. As a result, the prices of those products have historically decreased rapidly. In addition, our more recently introduced products tend to have higher associated costs because of initial overall development and production expenses. Therefore, over time, we may not be able to maintain or improve our gross margins. Our financial results could suffer if we are unable to offset any reductions in our average selling prices by other cost reductions through efficiencies, introduction of higher margin products and other means.

To attract new customers or retain existing customers, we may offer certain price concessions to certain customers, which could cause our average selling prices and gross margins to decline. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or by our competitors and other factors. We expect that we will continue to have to reduce prices of existing products in the future. Moreover, because of the wide price differences across the markets we serve, the mix and types of performance capabilities of our products sold may affect the average selling prices of our products and have a substantial impact on our revenue and gross margin. We may enter new markets in which a significant amount of competition exists, and this may require us to sell our products with lower gross margins than our established businesses. If we are successful in growing revenue in these markets, our overall gross margin may decline. Fluctuations in the mix and types of our products may also affect the extent to which we are able to recover the fixed costs and investments associated with a particular product, and as a result may harm our financial results.

Additionally, because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities, and our costs may even increase, which could also reduce our gross margins.

***We are subject to order and shipment uncertainties, and if we are unable to accurately predict customer demand, we may hold excess or obsolete inventory, which would reduce our gross margin; conversely, we may have insufficient inventory, which would result in lost revenue opportunities and potentially in loss of market share and damaged customer relationships.***

We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Customers can generally cancel or defer purchase orders on short notice without incurring a significant penalty. Due to their inability to predict demand or other reasons, some of our customers may accumulate excess inventories and, as a consequence, defer purchase of our products. We cannot accurately predict what or how many products our customers will need in the future. Anticipating demand is difficult because our customers face unpredictable demand for their own products and are increasingly focused more on cash preservation and tighter inventory management. In addition, as an increasing number of our chips are being incorporated into consumer products, we anticipate greater fluctuations in demand for our products, which makes it more difficult to forecast customer demand. We place orders with our suppliers based on forecasts of customer demand and, in some instances, may establish buffer inventories to accommodate anticipated demand. Our forecasts are based on multiple assumptions, each of which may introduce error into our estimates. For example, our ability to accurately forecast customer demand may be impaired by

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the delays inherent in our customer s product development processes, which may include extensive qualification and testing of components included in their products, including ours. In many cases, they design their products to use components from multiple suppliers. This creates the risk that our customers may decide to cancel or change product plans for products incorporating our integrated circuits prior to completion, which makes it even more difficult to forecast customer demand.

Our products are incorporated into complex devices and systems, which may create supply chain cross-dependencies. For example, in fiscal 2012, many areas of Thailand sustained massive damage from flooding, which disrupted the global supply chain for HDDs. Due to cross dependencies, any supply chain disruptions could negatively impact the demand for our products in the short term. We have a limited ability to predict the timing of a supply chain correction. In addition, the market share of our customers could be adversely impacted on a long-term basis due to any continued supply chain disruption, which could negatively affect our results of operations.

If we overestimate customer demand, our excess or obsolete inventory may increase significantly, which would reduce our gross margin and adversely affect our financial results. The risk of obsolescence and/or excess inventory is heightened for devices designed for consumer electronics due to the rapidly changing market for these types of products. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would miss revenue opportunities and potentially lose market share and damage our customer relationships. In addition, any future significant cancellations or deferrals of product orders or the return of previously sold products could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations.

A portion of our inventory is held by, and net revenues are derived from, sales through third-party logistics providers, whereby revenues are recognized when product is pulled from stock by the end customer. From time to time, our customers will take early delivery of product at the end of a fiscal quarter that was scheduled for delivery in the following fiscal quarter, which we internally refer to as pull-in if the early delivery was requested by Marvell. Variation in timing of large orders and our ability to effectively manage required inventory levels may be impacted by such arrangements, including increased expenses associated with excess or obsolete inventory and volatility in timing of revenues recognized period to period. Our operating results under these arrangements may vary significantly from quarter to quarter based on fluctuations in demand and our ability to deliver on forecasted customer orders. Beginning in fiscal 2017, our policy is not to engage in pull-in transactions and we therefore do not expect them to have any meaningful impact on our net revenue in future periods.

***If we fail to appropriately scale our operations in response to changes in demand for our existing products or to the demand for new products requested by our customers, our business and profitability could be materially and adversely affected.***

To achieve our business objectives, it may be necessary from time to time for us to expand or contract our operations. In the future, we may not be able to scale our workforce and operations in a sufficiently timely manner to respond effectively to changes in demand for our existing products or to the demand for new products requested by our customers. In that event, we may be unable to meet competitive challenges or exploit potential market opportunities, and our current or future business could be materially and adversely affected. Conversely, if we expand our operations and workforce too rapidly in anticipation of increased demand for our products, and such demand does not materialize at the pace at which we expected, the rate of increase in our costs and operating expenses may exceed the rate of increase in our revenue, which would adversely affect our results of operations. In addition, if such demand does not materialize at the pace which we expect, we may be required to scale down our business through expense and headcount reductions as well as facility consolidations or closures that could result in restructuring charges that would materially and adversely affect our results of operations. Because many of our expenses are fixed in the short-term or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any decrease in customer demand. If customer demand does not occur as anticipated, our profitability could be adversely affected due to our higher expense levels.

To implement our current business and product plans, we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort. Although we have an enterprise resource planning system to help us improve our planning and management processes, we anticipate that we will also need to continue to implement and improve a variety of new and upgraded operational and financial systems, as well as additional procedures and other internal management systems. These systems can be time consuming and expensive to implement, increase management responsibilities and divert management attention. If we are unable to effectively manage our expanding operations, we may be unable to scale our business quickly enough to meet competitive challenges or exploit potential market opportunities, or conversely, we may scale our business too quickly and the rate of increase in our costs and expenses may exceed the rate of increase in our revenue, either of which would materially and adversely affect our results of operations.

***Our business, financial condition and results of operations may be adversely impacted by global economic conditions, which may cause a decline in the market price of our common shares.***

We operate in the semiconductor industry, which is cyclical and subject to rapid change and evolving industry standards. From time to time, this industry has experienced significant demand downturns. These downturns are characterized by decreases in product demand, excess customer inventories and sometimes accelerated erosion of prices, including as a result of volatile global economic conditions. These factors

could cause substantial fluctuations in our net revenue, gross margin, cash flows and results of operations. In addition, during these downturns some competitors may become more aggressive in their pricing practices, which would adversely impact our gross margin. Any downturns in the current environment may be severe and prolonged, and any failure of the markets in which we operate to fully recover from downturns could seriously impact our revenue and harm our business, financial condition and results of operations. The semiconductor industry is also subject to periodic increases in demand and supply constraints, which may affect our ability to ship products. Accordingly, our results of operations may vary significantly as a result of the general conditions in the semiconductor industry, which could cause fluctuations in our stock price.

We cannot predict the timing, strength or duration of any economic slowdown or recovery or the impact of any such events on our vendors, customers or us. If the economy or markets in which we operate deteriorate from current levels, our business, financial condition and results of operations will likely be materially and adversely affected. Additionally, the combination of lengthy product development coupled with challenging macroeconomic conditions could adversely impact our results of operations.

***We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.***

In order to remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products and to redesign some products. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes. We are dependent on our relationships with our foundry subcontractors to transition to smaller geometry processes successfully. We cannot ensure that the foundries that we use will be able to effectively manage the transition or that we will be able to maintain our existing foundry relationships or develop new ones. If we or any of our foundry subcontractors experience significant delays in this transition or fail to efficiently implement this transition, we could experience reduced manufacturing yields, delays in product deliveries and increased expenses, all of which could harm our relationships with our customers and our results of operations. As smaller geometry processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as customer and third-party intellectual property, into our products. However, we may not be able to achieve higher levels of design integration or deliver new integrated products on a timely basis, if at all. Moreover, even if we are able to achieve higher levels of design integration, such integration may have a short-term adverse impact on our results of operations, as we may reduce our revenue by integrating the functionality of multiple chips into a single chip.

***We are exposed to potential impairment charges on certain assets.***

We had approximately $2.0 billion of goodwill and $21.0 million of acquired intangible assets, net on our consolidated balance sheet as of October 31, 2015. Under generally accepted accounting principles in the United States, we are required to review our intangible assets including goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. We perform an assessment of goodwill for impairment annually on the last business day of our fiscal fourth quarter and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We have identified that our business operates as a single operating segment with two components (Storage, and Smart Networked Devices and Solutions), which we have concluded can be aggregated into a single reporting unit for purposes of testing goodwill impairment. The fair value of the reporting unit is determined by taking our market capitalization as determined through quoted market prices and as adjusted for a control premium and other relevant factors. If our fair value declines to below our carrying value, we could incur significant goodwill impairment charges, which could negatively impact our financial results. If in the future a change in our organizational structure results in more than one reporting unit, we will be required to allocate our goodwill and perform an assessment of goodwill for impairment in each reporting unit. As a result, we may have an impairment of goodwill in one of our reporting units.

In addition, from time to time, we have made investments in private companies. If the companies that we invest in are unable to execute their plans and succeed in their respective markets, we may not benefit from such investments, and we could potentially lose the amounts we invest. We evaluate our investment portfolio on a regular basis to determine if impairments have occurred. If the operations of any businesses that we have acquired declines significantly, we could incur significant intangible asset impairment charges. Impairment charges could have a material impact on our results of operations in any period.

***We depend on key personnel to manage our business, and if we are unable to retain our current personnel or attract additional qualified personnel, our ability to develop and successfully market our products could be harmed. We have undergone significant management changes which could affect our implementation of our business strategy.***

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. The competition for qualified technical personnel with significant experience in the design, development, manufacturing, marketing and sales of integrated circuits is intense, and the inability to attract qualified personnel, including hardware and software engineers and sales and marketing personnel could delay the development and introduction of and harm our ability to sell our products. Additionally, we typically do not enter into employment agreements with any of our key technical personnel and the loss of such personnel could harm our business, as their knowledge of our business and industry would be extremely difficult to replace.

In recent years, we have experienced significant senior management turnover, including the departure of our Chief Executive Officer, Sehat Sutardja, and our President, Weili Dai, as officers and employees of the Company, effective April 1, 2016, and the retirement of our former Chief Financial Officer in May 2015. Our board of directors recently appointed our new President and Chief Executive Officer, who will assume his duties as the Company s principal executive officer immediately following the filing of our Quarterly Report on Form 10-Q for the second fiscal quarter of 2017, and is conducting a formal search to identify a new, permanent Chief Financial Officer. In addition, our board of directors has designated our Chairman of the Board, Richard S. Hill, as the Company s Interim Principal Executive Officer until we file our Quarterly Report on Form 10-Q for the second fiscal quarter of 2017.

The marketplace for such key employees is very competitive and limited. Our growth may be adversely impacted if we are unable to attract and retain key employees. In addition, turnover of senior management can adversely impact our stock price, our results of operations and our client relationships and has made recruiting for future management positions more difficult. We have recently added a number of new executive officers in addition to our President and Chief Executive Officer, including our new Executive Vice President, Marketing and Sales, our Executive Vice President and Chief Legal Officer, our Chief Operations Officer and our Senior Vice President of Finance. Although the individual members of our senior management team have significant experience, they, and the Chief Financial Officer we hire, previously have not worked together as a group, and it will take time for them to become an integrated management team. Delays in the integration of our management team could affect our ability to implement our business strategy, which could have a material adverse effect on our business and results of operations.

***As a result of our global operations, we face additional risks, which may harm our results of operations, because a majority of our products and our customers products are manufactured and sold outside of the United States.***

A substantial portion of our business is conducted outside of the United States and, as a result, we are subject to foreign business, political and economic risks. All of our products are manufactured outside of the United States. Our current qualified integrated circuit foundries are located in the same region within Taiwan, and our primary assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located outside of the United States, primarily in Asia, which further exposes us to foreign risks. Sales to customers with operations in Asia represented approximately 96% of our net revenue in the nine months ended October 31, 2015, 96% of our net revenue in fiscal 2015 and 95% of our net revenue in fiscal 2014.

We also have substantial operations outside of the United States. These operations are directly influenced by the political and economic conditions of the region in which they are located, and with respect to Israel, possible military hostilities, such as the recent turmoil in the region, that could affect our operations there. We anticipate that our manufacturing, assembly, testing and sales outside of the United States will continue to account for a substantial portion of our operations and revenue in future periods. Accordingly, we are subject to risks associated with international operations, including:

- political, social and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions;

- compliance with domestic and foreign export and import regulations, and difficulties in obtaining and complying with domestic and foreign export, import and other governmental approvals, permits and licenses;

- local laws and practices that favor local companies, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anti-corruption laws and regulations;

- difficulties in staffing and managing foreign operations;

natural disasters, including earthquakes, tsunamis and floods;

trade restrictions or higher tariffs;

transportation delays;

difficulties of managing distributors;

less effective protection of intellectual property than is afforded to us in the United States or other developed countries;

- inadequate local infrastructure; and

- exposure to local banking, currency control and other financial-related risks.

As a result of having global operations, the sudden disruption of the supply chain and/or the manufacture of our customer s products caused by events outside of our control could impact our results of operations by impairing our ability to timely and efficiently deliver our products. For example, during fiscal 2012, the earthquake and tsunami that affected Japan disrupted the global supply chain for certain components important to our products and the flooding in Thailand affected the supply chain and manufacturing of the products for a number of our customers.

Moreover, the international nature of our business subjects us to risk associated with the fluctuation of the U.S. dollar versus foreign currencies. Decreases in the value of the U.S. dollar versus currencies in jurisdictions where we have large fixed costs or our third-party manufacturers have significant cost will increase the cost of such operations, which could harm our results of operations. For example, we have large fixed costs in Israel, which will become greater if the U.S. dollar declines in value versus the Israeli shekel. On the other hand, substantially all of our sales have been denominated in U.S. dollars.

***Costs related to defective products could have a material adverse effect on us.***

We have experienced, from time to time, hardware and software defects and bugs associated with the introduction of our highly complex products. Despite our testing procedures, we cannot ensure that errors will not be found in new products or releases after commencement of commercial shipments in the future, which could result in loss of or delay in market acceptance of our products, material recall and replacement costs, delay in revenue recognition or loss of revenues, writing down the inventory of defective products, the diversion of the attention of our engineering personnel from product development efforts, our having to defend against litigation related to defective products or related property damage or personal injury, and damage to our reputation in the industry that could adversely affect our relationships with our customers. In addition, the process of identifying a recalled product in devices that have been widely distributed may be lengthy and require significant resources and we may have difficulty identifying the end customers of the defective products in the field, which may cause us to incur significant replacement costs, contract damage claims from our customers and further reputational harm. Any of these problems could materially adversely affect our results of operations.

***Any potential future acquisitions, strategic investments, divestitures, mergers or joint ventures may subject us to significant risks, any of which could harm our business.***

Our long-term strategy may include identifying and acquiring, investing in or merging with suitable candidates on acceptable terms, or divesting of certain business lines or activities. In particular, over time, we may acquire, make investments in, or merge with providers of product offerings that complement our business or may terminate such activities. Mergers, acquisitions and divestitures include a number of risks and present financial, managerial and operational challenges, including but not limited to:

- diversion of management attention from running our existing business;

- possible material weaknesses in internal control over financial reporting;

- increased expenses including legal, administrative and compensation expenses related to newly hired or terminated employees;

- increased costs to integrate or, in the case of a divestiture, separate the technology, personnel, customer base and business practices of the acquired or divested business or assets;

- potential exposure to material liabilities not discovered in the due diligence process;

potential adverse effects on reported operating results due to possible write-down of goodwill and other intangible assets associated with acquisitions;

potential damage to customer relationships or loss of synergies in the case of divestitures; and

unavailability of acquisition financing or unavailability of such financing on reasonable terms.

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Any acquired business, technology, service or product could significantly under-perform relative to our expectations, and may not achieve the benefits we expect from possible acquisitions. For all these reasons, our pursuit of an acquisition, investment, divestiture, merger or joint venture could cause its actual results to differ materially from those anticipated.

***We rely on third-party distributors and manufacturers representatives and the failure of these distributors and manufacturers representatives to perform as expected could reduce our future sales.***

From time to time, we enter into relationships with distributors and manufacturers representatives to sell our products, and we are unable to predict the extent to which these partners will be successful in marketing and selling our products. Moreover, many of our distributors and manufacturers representatives also market and sell competing products, and may terminate their relationships with us at any time. Our future performance will also depend, in part, on our ability to attract additional distributors or manufacturers representatives that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. If we cannot retain or attract quality distributors or manufacturers representatives, our sales and results of operations will be harmed.

***Changes in existing taxation benefits, rules or practices may adversely affect our financial results.***

Changes in existing taxation benefits, rules or practices may also have a significant effect on our reported results. For example, both the U.S. Congress and the G-20 (Group of Twenty Finance Ministers and Central Bank Governors) may consider legislation affecting the taxation of foreign corporations and such legislation if enacted might adversely affect our future tax liabilities and have a material impact on our results of operations. Furthermore, in prior years, we have entered into agreements in certain foreign jurisdictions that if certain criteria are met, the foreign jurisdiction will provide a more favorable tax rate than their current statutory rate. For example, we have obtained an undertaking from the Minister of Finance of Bermuda that in the event Bermuda enacts legislation imposing tax computed on profits, income, or capital asset, gain or appreciation, then the imposition of any such taxes will not apply to us until March 31, 2035. Additionally, our Singapore subsidiary qualified for Pioneer status until it expired in June 2014. However, we re-negotiated with the Singapore government and in fiscal 2015, they extended the Development and Expansion Incentive until June 2019. Furthermore, under the Israeli Encouragement law of approved or benefited enterprise, two branches of our subsidiary in Israel, Marvell Israel (M.I.S.L) Ltd., are entitled to, and have certain existing programs that qualify as, approved and benefited tax programs that include reduced tax rates and exemption of certain income through fiscal 2027. Our subsidiary in Switzerland also had tax incentives on revenues from research and design, and wafer supply trading activities, which expired at the end of fiscal 2016. Moreover, receipt of past and future benefits under tax agreements may depend on our ability to fulfill commitments regarding employment of personnel or performance of specified activities in the applicable jurisdiction. Changes in our business plans, including divestitures, could result in termination of an agreement or loss of benefits thereunder. If any of our tax agreements in any of these foreign jurisdictions were terminated, our results of operations would be harmed.

***If we were classified as a passive foreign investment company, there would be adverse tax consequences to U.S. holders of our ordinary shares.***

If we were classified as a passive foreign investment company or PFIC under section 1297 of the Internal Revenue Code, of 1986, as amended, or the Code, for any taxable year during which a U.S. holder holds ordinary shares, such U.S. holder generally would be taxed at ordinary income tax rates on any gain realized on the sale or exchange of the ordinary shares and on any excess distributions (including constructive distributions) received on the ordinary shares. Such U.S. holder could also be subject to a special interest charge with respect to any such gain or excess distribution.

We would be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of our gross income is passive income or (ii) on average, the percentage of our assets that produce passive income or are held for the production of passive income is at least 50% (determined on an average gross value basis). We were not classified as a PFIC for fiscal year 2016 or in any prior taxable year. Whether we will, in fact, be classified as a PFIC for any subsequent taxable year depends on our assets and income over the course of the relevant taxable year and, as a result, cannot be predicted with certainty. In particular, because the total value of our assets for purposes of the asset test will be calculated based upon the market price of our ordinary shares, a significant and sustained decline in the market price of our ordinary shares and corresponding market capitalization relative to our passive assets could result in our being classified as a PFIC. There can be no assurance that we will not be classified as a PFIC in the future or the Internal Revenue Service will not challenge our determination concerning PFIC status for any prior period.

***We rely upon the performance of our information technology systems to process, transmit, store and protect electronic information, and the failure of or security breaches of any critical information technology system may result in serious harm to our reputation, business, results of operations and/or financial condition.***

We are heavily dependent on our technology infrastructure and maintain and rely upon certain critical information systems for the effective operation of our business. We routinely collect and store sensitive data in our information systems, including intellectual property and other proprietary information about our business and that of our customers, suppliers and business partners. These information technology systems are subject to damage or interruption from a number of potential sources including natural disasters, viruses, destructive or inadequate code, malware, power failures, cyber-attacks, and other events. We have implemented processes for systems under our control intended to mitigate risks, however, there can be no guarantee that they will be effective in mitigating those risks. Given the frequency of cyber attacks and resulting breaches reported by other businesses and governments, it is likely we will experience one or more breaches of some extent in the future. We may incur significant costs in order to implement, maintain and/or update security systems that we feel are necessary to protect our information systems or we may miscalculate the level investment necessary to protect our systems adequately. To the extent that any system failure, accident or security breach results in disruptions or interruptions to our operations or the theft, loss or disclosure of, or damage to our data or confidential information, including our intellectual property, our reputation, business, results of operations and/or financial condition could be materially adversely affected.

***We may be unable to protect our intellectual property, which would negatively affect our ability to compete.***

We believe one of our key competitive advantages results from our collection of proprietary technologies that we have developed and acquired since our inception. If we fail to protect these intellectual property rights, competitors could sell products based on technology that we have developed that could harm our competitive position and decrease our revenues. We believe that the protection of our intellectual property rights is and will continue to be important to the success of our business. We rely on a combination of patents, copyrights, trademarks, trade secret laws, contractual provisions, confidentiality agreements, licenses and other methods, to protect our proprietary technologies. We also enter into confidentiality or license agreements with our employees, consultants and business partners, and control access to and distribution of our documentation and other proprietary information. Notwithstanding these agreements, we have experienced disputes with employees regarding ownership of intellectual property in the past and we currently have a disagreement with our former Chief Executive Officer, Dr. Sehat Sutardja, regarding his claim to ownership of the Final-Level Cache intellectual property. To the extent that any third party has a claim to ownership of any relevant technologies used in our products, we may not be able to recognize the full revenue stream from such relevant technologies.

We have been issued a significant number of U.S. and foreign patents and have a significant number of pending U.S. and foreign patent applications. However, a patent may not be issued as a result of any applications or, if issued, claims allowed may not be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented. Despite our efforts, unauthorized parties may attempt to copy or otherwise obtain and use our products or proprietary technology. Monitoring unauthorized use of our technology is difficult, and the steps that we have taken may not prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. If our patents do not adequately protect our technology, our competitors may be able to offer products similar to ours, which would adversely impact our business and results of operations.

Certain of our software (as well as that of our customers) may be derived from so-called open source software that is generally made available to the public by its authors and/or other third parties. Open source software is made available under licenses that impose certain obligations on us in the event we were to distribute derivative works of the open source software. These obligations may require us to make source code for the derivative works available to the public, and/or license such derivative works under a particular type of license, rather than the forms of license customarily used to protect our intellectual property. While we believe we have complied with our obligations under the various applicable licenses for open source software, in the event that the copyright holder of any open source software were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public and/or stop distribution of that work if the license is terminated.

***There can be no assurance that we will continue to declare cash dividends at all or in any particular amount, and statutory requirements under Bermuda Law, as well as ongoing litigation, may require us to defer payment of declared dividends.***

In May 2012, we announced the declaration of our first quarterly cash dividend. Future payment of a regular quarterly cash dividend on our common shares will be subject to, among other things, the best interests of our company, our results of operations, cash balances and future cash requirements, financial condition, statutory requirements under Bermuda law and other factors that the board of directors may deem relevant. Our dividend payments may change from time to time, and we cannot provide assurance that we will continue to declare dividends at all or in any particular amounts. In addition, developments in ongoing litigation could affect our ability to make a dividend payment on a declared payment date until such time as we can meet statutory requirements under Bermuda law. A reduction in, a delay of, or elimination of our dividend payments could have a negative effect on our share price.

***We must comply with a variety of existing and future laws and regulations that could impose substantial costs on us and may adversely affect our business.***

We are subject to various state, federal and international laws and regulations governing the environment, including restricting the presence of certain substances in electronic products and making producers of those products financially responsible for the collection, treatment, recycling and disposal of those products. In addition, we are also subject to various industry requirements restricting the presence

of certain substances in electronic products. Although our management systems are designed to maintain compliance, we cannot assure you that we have been or will be at all times in complete compliance with such laws and regulations. If we violate or fail to comply with any of them, a range of consequences could result, including fines, import/export restrictions, sales limitations, criminal and civil liabilities or other sanctions.

We and our customers are also subject to various import and export laws and regulations. Government export regulations apply to the encryption or other features contained in some of our products. If we fail to continue to receive licenses or otherwise comply with these regulations, we may be unable to manufacture the affected products at foreign foundries or ship these products to certain customers, or we may incur penalties or fines.

We are also subject to the conflict mineral rules promulgated by the SEC, which impose disclosure requirements on us regarding the use of conflict minerals mined from the Democratic Republic of Congo and adjoining countries in our products and the procedures our manufacturer s use to prevent the sourcing of such conflict minerals. The ongoing implementation of these requirements could affect the sourcing, availability and pricing of minerals used in the manufacture of semiconductor devices, including our products. As a result, there may only be a limited pool of suppliers who provide conflict-free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices, which could adversely affect our operations and product margins. Additionally, if we are unable to sufficiently source conflict-free metals, we may face difficulties in satisfying customers who may require that the products they purchase from us are conflict-free, which may harm our sales and operating results.

The costs of complying (including the costs of any investigations, auditing and monitoring) with these laws could adversely affect our current or future business. In addition, future regulations may become more stringent or costly and our compliance costs and potential liabilities could increase, which may harm our current or future business.

***We are subject to the risks of owning real property.***

Our buildings in Santa Clara, California; Singapore; Etoy, Switzerland; and Shanghai, China subject us to the risks of owning real property, which include:

- the possibility of environmental contamination and the costs associated with fixing 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;
- the possible need for structural improvements in order to comply with zoning, seismic and other legal or regulatory requirements;
- the potential disruption of our business and operations arising from or connected with a relocation due to moving to or renovating the facility;
- increased cash commitments for improvements to the buildings or the property or both;
- increased operating expenses for the buildings or the property or both;
- possible disputes with tenants or other third parties related to the buildings or the property or both;
- failure to achieve expected cost savings due to extended non-occupancy of a vacated property intended to be leased; 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 earthquakes, floods and or other natural disasters.

Additionally, the second surety bond, issued in connection with the patent litigation action with CMU, and commitment from the sureties are secured by our campus located in Santa Clara, California.

***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 very limited coverage available with respect to the services provided by our third-party foundries and assembly and test subcontractors. In the event of a natural disaster (such as an earthquake or tsunami), political or military turmoil, widespread health issues or other significant disruptions to their operations, insurance may not adequately protect us from this exposure. We believe our existing insurance coverage is consistent with common practice, economic considerations and availability considerations. If our insurance coverage is insufficient to protect us against unforeseen catastrophic losses, any uncovered losses could adversely affect our financial condition and results of operations.

***We have not been in compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act ) and Nasdaq s requirements for continued listing and, as a result, our common shares may be delisted and suspended from trading on the Nasdaq Global Select Market.***

We have been delinquent in the filing of our periodic financial reports with the SEC and, as a result, we are not in compliance with the Nasdaq rule that requires the timely filing of our periodic financial reports with the SEC. On September 14, 2015, Nasdaq notified us that due to our delay in filing with the SEC our Quarterly Report on Form 10-Q for the quarter ended August 1, 2015, our common shares would be delisted unless we timely requested a hearing before a Nasdaq Listings Qualification Panel (a Hearings Panel ). We timely requested such a hearing, which was held on April 14, 2016. At the hearing, we presented a plan to regain compliance with the rule and requested an extension of time for the filing of our delayed reports, and on May 3, 2016 the Hearings Panel granted Marvell an extension of time to September 6, 2016, to regain compliance with our continued listing requirements. After filing this Form 10-Q with the SEC, we will continue to be delinquent in our filings with the SEC due to our delay in filing a Form 10-Q for the quarter ended April 30, 2016. There can be no assurance that, we will be successful in regaining compliance with the listing rule during the extension period. If our common shares are delisted, there can no assurance whether or when it would again be listed for trading on Nasdaq or any other exchange. If our common shares are delisted, the market price of our shares will likely decline and become more volatile, and our shareholders may find that their ability to trade in our stock will be adversely affected. A delisting from Nasdaq may also have other negative implications, including the potential loss of confidence by customers and employees, the loss of institutional investor interest and fewer business development opportunities.

***We are incorporated in Bermuda, and, as a result, it may not be possible for our shareholders to enforce civil liability provisions of the securities laws of the United States. In addition, our Bye-Laws contain a waiver of claims or rights of action by our shareholders against our officers and directors, which will severely limit our shareholders right to assert a claim against our officers and directors under Bermuda law.***

We are organized under the laws of Bermuda. As a result, it may not be possible for our shareholders to affect service of process within the United States upon us, or to enforce against us in U.S. courts judgments based on the civil liability provisions of the securities laws of the United States. There is significant doubt as to whether the courts of Bermuda would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liability provisions of the securities laws of the United States or any state or hear actions brought in Bermuda against us or those persons based on those laws. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not be automatically enforceable in Bermuda.

Our Bye-Laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers and directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties with or for us, other than with respect to any matter involving any fraud or dishonesty on the part of the officer or director or to any matter arising under U.S. federal securities laws. This waiver will limit the rights of our shareholders to assert claims against our officers and directors unless the act complained of involves fraud or dishonesty or arises as a result of a breach of U.S. federal securities laws. Therefore, so long as acts of business judgment do not involve fraud or dishonesty or arise as a result of a breach of U.S. federal securities laws, they will not be subject to shareholder claims under Bermuda law. For example, shareholders will not have claims against officers and directors for a breach of trust, unless the breach rises to the level of fraud or dishonesty, or arises as a result of a breach of U.S. federal securities laws.

***Our Bye-Laws contain provisions that could delay or prevent a change in corporate control, even if the change in corporate control would benefit our shareholders.***

Our Bye-Laws contain change in corporate control provisions, which include:

authorizing the issuance of preferred shares without shareholder approval; and a shareholder vote requiring the approval $66^{2/3}$% of votes cast in person or by proxy to approve any business combination in the event the action is not approved by at least $66^{2/3}$% of the directors holding office at the date of the Board meeting to approve the action.

These foregoing provisions could make it more difficult for a third party to acquire us, even if doing so would be a benefit to our shareholders.

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**Item 2.** ***Unregistered Sales of Equity Securities and Use of Proceeds***

There were no sales of unregistered securities during the three months ended October 31, 2015.

**Issuer Purchases of Equity Securities**

The following table presents details of our share repurchases during the three months ended October 31, 2015 (in thousands, except per share data):

| Period (1) | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2) |
|---|---|---|---|---|
| August 2 August 29, 2015 | 3,681,919 | $ 12.39 | 3,681,919 | $ 182,582 |
| August 30 September 26, 2015 | | | | |
| September 27 October 31, 2015 | | | | |
| Total | 3,681,919 | $ 12.39 | 3,681,919 | $ 182,582 |

(1) The monthly periods presented above for the three months ended October 31, 2015, are based on our fiscal accounting periods which follow a quarterly 4-4-5 week fiscal accounting period.

(2) In August 2010, our board of directors initially authorized our current share repurchase program to repurchase up to $500 million of our outstanding common shares. Our board of directors authorized an additional $1.5 billion in fiscal 2012 and $1.0 billion in fiscal 2013 and $250 million in fiscal 2015 to be used to repurchase our outstanding common shares under the share repurchase program for a total available under the program of $3.25 billion. We intend to effect share repurchases in accordance with the conditions of Rule 10b-18 under the Exchange Act, but may also make repurchases in the open market outside of Rule 10b-18 or in privately negotiated transactions. The share repurchase program will be subject to market conditions and other factors and does not obligate us to repurchase any dollar amount or number of our common shares and the repurchase program may be extended, modified, suspended or discontinued at any time.

**Item 6.** ***Exhibits***

See the Index to Exhibits immediately following the signature page of this Quarterly Report on Form 10-Q.

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## SIGNATURES

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

| | |
|---|---|
| | MARVELL TECHNOLOGY GROUP LTD. |
| Date: July 21, 2016 | By: /s/ DAVID P. EICHLER<br>**David P. Eichler**<br>***Interim Chief Financial Officer***<br>**(Principal Financial Officer)** |

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**EXHIBIT INDEX**

| Exhibit No. | Description |
|---|---|
| 3.1 | Memorandum of Association of Marvell Technology Group Ltd., incorporated by reference to Exhibit 3.1 of the registrant s Registration Statement on Form S-1 (file no. 333-33086) as filed on March 23, 2000 |
| 3.2 | Third Amended and Restated Bye-Laws of Marvell Technology Group Ltd., incorporated by reference to Exhibit 3.1 of the registrant s Current Report on Form 8-K (file no. 000-30877) as filed on July 13, 2010 |
| 3.3 | Memorandum of Increase of Share Capital of Marvell Technology Group Ltd., incorporated by reference to Exhibit 3.1 of the registrant s Current Report on Form 8-K (file no. 000-30877) as filed on July 6, 2006 |
| 10.1# | Interim Services Agreement between the registrant and Randstad Professionals US, LP d/b/a Tatum dated October 15, 2015 in connection with the retention of David Eichler as Interim Chief Financial Officer as filed herewith |
| 31.1 | Certification of Interim Principal Executive Officer as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Interim Chief Financial Officer as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1* | Certification of Interim Principal Executive Officer as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Interim Chief Financial Officer as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

# Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.
* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed filed for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.



ily of interest rate risk associated with our cash and cash equivalents, as well as foreign exchange rate risk.

*Interest rate risk.* The primary objectives of our investment activity are to preserve principal, provide liquidity and earn a market rate of return. To minimize market risk, we maintain our portfolio in cash and diversified short-term investments, which may consist of bank deposits, money market funds and highly-rated, short-term US government securities and short-term commercial paper through domestic banks who are insured by the Federal Deposit Insurance Corporation. The interest rates are variable and fluctuate with current market conditions. The risk associated with fluctuating interest rates is limited to this investment portfolio. We believe that a 10% change in interest rates would not have a material impact on our financial position or results of operations.

Our exposure to market risk also relates to the increase or decrease in the amount of interest expense we must pay on our revolving credit facility. The interest rate on our revolving credit facility is a variable interest rate based on our lender s prime rate or the federal funds effective rate, in each case, plus the applicable lender s margin or an adjusted LIBOR plus the applicable lender s margin, which exposes us to market interest rate risk when we have outstanding borrowings under the revolving credit facility. We have no outstanding borrowings under the revolving credit facility. We believe that a 10% change in interest rates would not have a material impact on our financial position or results of operations.

*Foreign currency risk.* To date, our international customer agreements have been denominated primarily in U.S. dollars. Accordingly, we have limited exposure to foreign currency exchange rates. The functional currency of a majority of our foreign operations is U.S. dollars with the remaining operations being local currency. The effects of exchange rate fluctuations on the net assets of the majority of our operations are accounted for as transaction gains or losses. We believe that a change of 10% in such foreign currency exchange rates would not have a material impact on our financial position or results of operations. In the future, we may enter into foreign currency exchange hedging contracts to reduce our exposure to changes in exchange rates.

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## BUSINESS

### Company Overview

We are a leading provider of high-performance analog semiconductor solutions for use in wireless and wireline applications across the RF, microwave and millimeterwave spectrum. We leverage our system-level expertise to design and manufacture differentiated, high-value products for customers who demand high performance, quality, and reliability. The diversity and depth of our business across technologies, products, applications, end markets and geographies provide us with a stable foundation for growth and enable us to develop strong relationships with our customers. We offer over 2,700 standard and custom devices, which include ICs, multi-chip modules, power pallets and transistors, diodes, switches and switch limiters, passive and active components and complete subsystems, across 38 product lines serving over 6,000 end customers in three large and growing primary markets. Our semiconductor products are electronic components that our customers incorporate into their larger electronic systems, such as point-to-point radios, radar, automobile navigation systems, CATV set-top boxes, magnetic resonance imaging systems and unmanned aerial vehicles. Our primary markets are Networks, which includes CATV, cellular backhaul, cellular infrastructure and fiber optic applications; A&D; and Multi-market, which includes automotive, industrial, medical, mobile and scientific applications.

We build upon a strong 60-year heritage of delivering innovative solutions dating back to the founding of Microwave Associates, Inc. We utilize our system-level knowledge and our extensive capabilities in high-frequency modeling, IC design, integration, packaging and manufacturing of semiconductors to address our customers needs. Our specialized engineers and technologists located across six global design centers collaborate with our customers during the early stage of their system development process to incorporate our standard products and identify custom products we can develop to enhance their overall system performance. We believe the combination of our market-facing strategy and our engineering expertise enables us to identify profitable growth opportunities and rapidly develop and deliver new products and solutions. We have a comprehensive new product opportunity assessment process with 155 products in development as of December 30, 2011 that we believe will enhance our revenue growth and improve our gross margin through a richer product mix. Many of our products have long lifecycles ranging from 5 to 10 years, and some of our products have been shipping for over 20 years. We believe these factors create a competitive advantage. Our goal is to leverage this advantage into strengthened customer relationships and sole source design wins, where a customer allows us to be its only supplier of a particular component used in its system.

We believe our fab-lite manufacturing model provides us with a competitive advantage and an attractive financial model through a variable cost structure. We operate a single GaAs and silicon semiconductor fab at our Lowell, Massachusetts headquarters. We also utilize external semiconductor foundries to supply us with additional capacity in periods of high demand and to provide us access to additional process technologies. The ability to utilize a broad array of internal proprietary process technologies as well as commercially available foundry technologies allows us to select the most appropriate technology to solve our customers needs. We believe our fab-lite strategy also provides us with dependable domestic supply, control over quality, reduced capital investment requirements, faster time to market, and additional outsourced capacity when needed. In the A&D market, an internal domestic fab is often a requirement to be a strategic supplier. In addition, the experience base cultivated through the continued operation of our internal fab provides us with the expertise to better manage our external foundry suppliers.

We serve our broad and diverse customer base through a multi-channel sales strategy utilizing direct sales and a global network of independent sales representatives and distributors. Our direct sales force and application engineers are focused on securing design wins by supporting industry-leading OEM customers. Our five largest OEM and contract manufacturer customers by revenue in fiscal year 2011 in each of our primary markets, listed in alphabetical order, were as follows: (i) Alcatel-Lucent, Cisco Systems, Inc., Ericsson AB, Nokia Corporation and Samsung in the Networks market, (ii) Celestica Inc., CIENJ HK Limited, Harris Corporation, Motorola Solutions, Inc. and Rockwell Collins, Inc. in the A&D market, and (iii) Autoliv Inc., BG Tech America, Inc.,

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Ford, SAE Magnetics (H.K.) Ltd. and Samsung in the Multi-market. We depend on orders from our top 25 direct customers and our distributors for a significant portion of our revenue. Our top 25 direct customers, most of whom have been purchasing our products for at least a decade, accounted for 50.9% of our revenue in fiscal year 2010 and 56.8% of our revenue in fiscal year 2011. Sales to our distributors accounted for 30.0% of our revenue in fiscal year 2010 and 25.8% of our revenue in fiscal year 2011.

We generated revenue of $260.3 million for fiscal year 2010, $310.3 million for fiscal year 2011 and $73.0 million in the three months ended December 30, 2011. Our revenue grew 19.2% for fiscal year 2011 over fiscal year 2010. Our income from operations was $17.9 million for fiscal year 2010, $45.9 million for fiscal year 2011 and $8.5 million in the three months ended December 30, 2011. Our net income (loss) was $7.0 million for fiscal year 2010, $(1.0) million for fiscal year 2011 and $22.0 million in the three months ended December 30, 2011. Our total assets were $164.8 million as of October 1, 2010, $211.3 million as of September 30, 2011 and $198.2 million as of December 30, 2011.

**Industry**

The growth of advanced electronic systems using RF, microwave and millimeterwave technologies has created strong demand for high-performance analog semiconductor components, modules and solutions. This market demand is driven by the growth of mobile internet devices, cloud computing and streaming video that strain existing network capacity, as well as the growth in advanced information-centric military applications. In addition, the increasing need for real-time information, sensing and imaging functions in automotive, industrial, medical, scientific and test and measurement applications is driving demand in these markets. Frost & Sullivan estimates that the worldwide market for RF, microwave and millimeterwave semiconductors across Networks, A&D and Multi-market applications will expand from $33.2 billion in 2010 to $83.1 billion in 2017, representing a CAGR of 14.0%.

The terms RF, microwave and millimeterwave are used to refer to electromagnetic waves in a particular frequency range produced by applying an alternating current to an antenna or conductor. A wide variety of advanced electronic systems rely on electromagnetic waves for high-speed data transmission or reception.

The Networks market is experiencing growth with the proliferation of wireless and wired devices from smartphones and tablets to set-top boxes, as well as the data rich applications and services they enable such as mobile internet, cloud computing, video-on-demand, social media, global positioning functionality and location based services. According to the 2011 Cisco Visual Networking Index, Global Internet Protocol traffic will quadruple from 2010 to 2015, growing at an approximately 32% CAGR. The growth in Global Internet Protocol traffic is driving demand for communications infrastructure equipment consisting of amplifiers, filters, receivers, switches, synthesizers, transformers, upconverters, and other components to expand and upgrade cellular backhaul, cellular infrastructure, CATV, broadband, and fiber optic networks. In addition, semiconductor products and solutions must continually deliver higher throughput performance and functionality to meet the increasing demands of end users.

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In the A&D market, electronic content continues to grow as military applications require more advanced electronic systems, such as radar warning receivers, communications data links and tactical radios, unmanned aerial vehicles (UAV), RF jammers, electronic countermeasures and smart munitions. Military applications are becoming more sophisticated, favoring higher performance semiconductor ICs based on GaAs and GaN technology due to their high power density, improved power efficiency and broadband capability. Radar systems for mapping and targeting missions are undergoing a major transition from existing mechanically-scanned radar products to a new generation of active electronically-scanned array (AESA) based products. Consisting of hundreds or thousands of transmit/receive modules commonly based on GaAs and increasingly on GaN technology, AESAs deliver greater speed, range, resolution and reliability over mechanically-scanned radar products that utilize a single transmitter and receiver with mechanical steering. Military communications employing wireless infrastructure and tactical radios in the field remain critical for allowing geographically dispersed users to exchange information quickly and efficiently. The tactical radio market is transitioning from single-band, single-mode radios to multi-band, multi-mode radios and the annual multi-band military radio market is estimated to grow from $1.3 billion in 2009 to $4.4 billion in 2020, representing an approximately 12% CAGR, according to Strategy Analytics. UAVs and their underlying semiconductor content require innovative designs to meet the rigorous specifications for high performance, small size, and low power consumption. The Teal Group forecasts that the worldwide UAV market will double over the next decade due to heightened interest in information warfare and peace keeping missions.

The Multi-market category encompasses various applications including automotive, industrial, medical, mobile, test and measurement and scientific applications, where RF, microwave and millimeterwave semiconductor solutions are gaining prevalence. Semiconductor content in automobiles is projected to grow in order to offer connectivity, safety, performance and navigation features. For example, market research provider IC Insights forecasts that average semiconductor content per automobile will rise to $350 in 2011, a 15% increase from the $305 average in 2010, and to $425 in 2014. In addition, evolving medical technology has increased the need for high-performance semiconductor solutions in medical imaging and patient monitoring to provide enhanced analysis and functionality.

**Industry Challenges**

As the demand for advanced electronics systems relying on RF, microwave and millimeterwave technologies increases, OEMs are facing increasing challenges to provide high-performance, high quality and reliable products and systems including:

*Higher performance requirements.* End users of communication devices and advanced electronic systems are increasingly demanding higher performance, longer usage time, improved reception, faster data upload and download speeds, and longer service life. In order to meet these demands, OEMs seek innovative semiconductor solutions that offer greater performance attributes that result in increased throughput, reduced power consumption and increased signal integrity.

*Increasing systems complexity.* Growing competitive pressures to enhance system features and improve overall performance is creating greater system complexity. A common technology trend in many wireless markets is the proliferation of multi-band, multi-mode applications that operate at higher frequencies. This increasing complexity coupled with the pressure to reduce costs and simplify assembly operations, is forcing OEMs to seek highly-integrated solutions that combine multiple functions, thereby reducing component count and system size without compromising performance.

*Faster time to market.* OEMs must reduce their development time in order to bring their systems to market faster and respond to growing competition. Due to long OEM program lifecycles and their customer planning processes, we believe the OEM s ability to secure initial design wins is especially critical to drive future revenue. As a result, OEMs seek integrated solutions and technical support that shorten their time to design, develop, test, qualify and launch their systems.

*Greater cost pressure.* The global competitive landscape demands that OEMs deliver more advanced and complex systems in a cost-effective manner. Many OEMs have reduced or eliminated their internal semiconductor design and manufacturing capabilities and instead rely on specialized, best-in-class suppliers for these solutions. This trend has yielded additional opportunities for qualified semiconductor suppliers to provide cost-effective, high-performance products and solutions.

*Higher quality and reliability requirements.* Our primary markets are dominated by applications requiring high quality and reliable products. Components and systems in these markets may be subject to extreme environmental conditions for extended periods of time, in some cases over 10 years. For example, in automotive, battlefield and communications infrastructure applications, quality and reliability requirements are more stringent as the consequences of a field failure can be particularly serious or expensive to service. As a result, OEMs may require their suppliers to implement specialized design, manufacturing, quality assurance and testing processes.

**Our Competitive Strengths**

We believe our key competitive strengths include the following:

*Extensive design and integration capabilities.* Our 60-year heritage of innovation has allowed us to develop a comprehensive understanding of high-performance analog semiconductor solutions for wireless and wireline RF, microwave and millimeterwave applications. Our expertise includes advanced modeling, IC design, wafer fabrication processes, packaging and associated assembly and testing of individual devices and complete subsystems. Our system-level approach to integration in conjunction with innovative IC and package design capabilities enable us to rapidly provide a comprehensive set of high-performance and high-value solutions to meet the increasingly complex needs of our customers. For example, our SmartSet chipset solution of six highly-integrated, multi-function ICs simplifies complex point-to-point radio design for our customers. The six ICs consist of an upconverter, receiver, driver amplifier, power amplifier, frequency multiplier and voltage controlled oscillator, which when combined together in our SmartSet chipset deliver optimal system performance while enabling OEMs to achieve faster time to market. Our engineers use proprietary semiconductor and package modeling techniques to further enhance our design capabilities and accurately model performance of our new designs before fabrication, thus reducing cost and shortening time to market. Our team of engineers, many of whom have over 20 years of experience in high-frequency analog design, are located across six global design centers. The combination of our extensive knowledge base, patents and trade secrets, design and modeling expertise and experienced engineering talent provides a competitive advantage.

*Fab-lite manufacturing with broad and differentiated process and packaging technologies.* We believe our fab-lite model provides us with an operating advantage over fabless competitors and those that only use an internal fab, by giving us the flexibility to use our internal fab for proprietary process technologies or external fabs for other technologies. Our fab-lite model also provides us with dependable domestic supply, control over quality, reduced capital investment requirements, faster time to market and additional outsourced capacity when needed. In the A&D market, an internal domestic fab is often a requirement to be a strategic supplier. For example, our diode and switch manufacturing capabilities include our patented aluminum GaAs (AlGaAs) and heterolithic microwave integrated circuit (HMIC) process technologies. With our AlGaAs diode technology, we have been able to secure design wins in high end systems such as semiconductor test and measurement equipment and A&D missile seeker heads that require high power, low insertion loss switching components up to 70 GHz. We have also pioneered the design of low cost surface mount packaging for high-frequency, millimeterwave applications, which allows our customers to leverage lower cost and high-volume assembly lines to manufacture their products. The combination of these processes and packaging technology innovations with our fab-lite manufacturing model and broad engineering expertise enables us to optimize our products to best address our customers needs while providing a competitive advantage that we believe is difficult to replicate.

*Breadth and depth of product portfolio and diverse end markets*. We offer a broad range of standard and custom ICs, modules and complete subsystems across 38 product lines. Many of our products have long lifecycles ranging from 5 to 10 years. Our product portfolio currently includes more than 2,700 products actively sold across various product lines in the following key platforms:

**Key Product Platforms**

More than 6,000 customers in various applications and end markets worldwide have purchased our products, either from us directly or through our global network of sales representatives and distributors. Our products are offered in numerous form factors to facilitate their use in a variety of applications within our diverse primary markets of Networks, A&D and Multi-market, which represented 26.9%, 33.0%, and 40.1%, respectively, of our revenue in fiscal year 2010 and 30.3%, 30.4% and 39.3%, respectively, of our revenue in fiscal year 2011. Our disciplined approach to new product development allows us to produce new product platforms with a fast cycle time from opportunity assessment to product launch. Our broad offering and reach into three large and growing markets provide us with competitive advantages to identify and address new opportunities for growth. For example, our commercial manufacturing experience and capabilities in the Networks and Multi-market allow us to provide cost-effective solutions to the A&D market. In addition, while our A&D customers may be the first to demand products fabricated in the newest high-performance process technologies, as manufacturing volumes increase and wafer prices drop, we believe our Networks and Multi-market customers will increasingly demand next-generation products leveraging these technologies.

*Global sales and engineering footprint fostering strong customer relationships.* We employ a global multi-channel sales strategy and support model intended to facilitate our customer s evaluation and selection of our products. We sell through our direct sales force, our application engineering staff and our global network of independent sales representatives and distributors. We have strategically positioned our direct sales and applications engineering staff in 25 locations worldwide, augmented by independent sales representatives and distributors in 135 locations worldwide to offer responsive local support resources to our customers and to build long-term relationships. With our global design centers, our application engineers visit customers at their engineering and manufacturing facilities, aid them in understanding our capabilities and collaborate with them to optimize their system performance. Our global distribution network allows us to reach new customers in new geographies more effectively than we can using our direct sales force alone.

*Proven track record, extensive history and reputation for delivering high-quality and reliable solutions.* Our management leadership team has an average of 23 years of experience in our industry. In addition, M/A-COM as a global brand leverages a 60-year heritage of experience in designing and manufacturing innovative and reliable solutions to meet the needs of our industry-leading OEM customers. Over the years we have developed broad expertise in a number of disciplines that are critical to the design and manufacture of ICs, components and modules for technically demanding RF, microwave and millimeterwave applications. We have organized our business globally around key markets and are often selected by customers on the basis of our demonstrated industry expertise to provide them with insight, innovation and high quality, reliable solutions. Our U.S.-based fab provides us and our customers the confidence that our technology and their supply are both secure and dependable for their relatively long-lived programs. Running our own fab assures us and our customers that our production quality standards will be adhered to at the highest level. We place a relentless focus on operational quality and efficiency, which has resulted in deep and lasting relationships with our core customers.

**Strategy**

Our objective is to be the leader in providing high-performance analog semiconductor solutions for use in wireless and wireline applications across the RF, microwave and millimeterwave spectrum. Key elements of our strategy to achieve this objective include:

*Aggressively deliver new products and solutions.* Our system-level expertise, engineering talent and broad technology portfolio provide us with a strong foundation for delivering new products and solutions. We intend to use our new product opportunity assessment process to identify and develop more integrated, higher-margin and value-added solutions with long lifecycles that we believe can support our revenue growth and improve our gross margin through a richer product mix. Product opportunities are evaluated on various criteria, including market and customer opportunity, product and technology strategy, and financial targets. We continue to invest in our product portfolio and recently doubled the size of our engineering team, expanded from two to six global design centers and significantly increased our research and development spending. As of December 30, 2011, we had 155 new products in development with expected design cycle times ranging from 8 weeks to 18 months. For example, we recently introduced GaN transistors as well as a Smart Pallet that integrates multiple GaN transistors and additional circuitry on a low-cost board. The uniquely designed Smart Pallet reduces the complexity and cost for our customers to integrate our solutions into their system by lowering their bill of materials and enabling programmability. We believe we will continue to provide more technology solutions and extend our position as a leading provider in the markets we serve.

*Leverage technology expertise and innovation*. We believe our core competency is the ability to model, design, integrate, package and manufacture differentiated solutions. We intend to leverage this core competency to continue to solve increasingly difficult and complex challenges that our customers face during their system design phases. We believe our integrated and customized solutions provide high performance, quality, reliability and faster time to market and we will continue to enhance and defend our technology leadership and sole supplier status with many of our customers. For example, we developed innovative, patented technologies such as HMIC, which provides high integration, high power and low loss switching capabilities for our primary markets. This technology replaces mechanical switches for very high power applications.

*Increase sales to existing customers and pursue new markets and customers*. We intend to continue to expand our revenue opportunities through our market-facing strategy of aligning our solutions with our customers needs and collaborating with them during the product definition stage of their systems to design in our standard products and identify custom products we can develop to enhance their overall system. We believe this approach will allow us to sell more complete semiconductor solutions that integrate more functions and incorporate more highly-valued content into our products. Our multi-channel sales strategy allows us to reach new customers in new geographies more effectively than we can with only our direct sales force. We also intend to increase our direct sales force presence in attractive international markets with high-growth potential.

*Utilize our fab-lite manufacturing approach to optimize our solutions*. We intend to continue capitalizing on our fab-lite strategy as an operating advantage. In any situation, we may choose to leverage our internal proprietary process technologies or other technologies from external fabs. Our domestic fab provides us with a dependable source of supply and allows us to better control quality and develop products faster with shorter fabrication lead times over external foundries. We believe our ability to leverage our existing internal capabilities and external outsourcing helps us to provide optimized solutions for our customers and will help us gain market share over time.

*Opportunistically pursue complementary acquisitions*. We intend to pursue acquisitions of technologies, design teams, products and companies that complement our strengths and help us execute our strategies. Our acquisition strategy is designed to accelerate our revenue growth, expand our technology portfolio, grow our addressable market and create shareholder value. We believe our management team has a proven track record in identifying, acquiring and successfully integrating companies and technologies in the high-performance analog semiconductor industry. We acquired Mimix for its complementary products and technologies in our core markets, which enabled us to strengthen customer relationships, and Optomai for technologies that have accelerated our entrance into the fiber optics market.

*Continue to improve operational efficiency*. We intend to expand our gross margin primarily through a higher margin product mix driven by our new product opportunity assessment program. We also intend to continue to increase our operational efficiency by leveraging our existing fixed-cost structure, achieving greater capacity utilization and continuing to optimize our supply chain.

**Markets**

We offer high-performance analog semiconductor products for both wireless and wireline applications across the frequency spectrum from RF to millimeterwave. We regularly develop high-value products to serve our customers in three primary markets: Networks, A&D and Multi-market.

*Networks*. In the Networks market, our expertise in system-level architectures and advanced IC design capability allow us to offer OEMs highly-integrated solutions optimized for performance and cost. We are a leader in high-frequency semiconductors used in point-to-point radios for cellular backhaul and we provide a highly-integrated solution featuring innovative IC and package design capabilities. Similarly, we offer a broad portfolio of opto-electronics products for transmitter and receiver applications in 40/100 gigabits per second (Gbps) fiber optic networks, enabling telecommunications carriers and data centers to cost-efficiently increase their network capacity by a factor of four to ten times. For optical communications applications, we utilize a proprietary combination of GaAs and InP technologies to obtain advantages in performance and size. For CATV applications, we offer OEMs the opportunity to streamline their supply chain through our broad portfolio of active components such as active splitters, amplifiers, multi-function ICs and switches, as well as passive components such as transformers, diplexers, filters, power dividers and combiners. Our revenue from sales of Networks products accounted for 26.9% of our revenue for fiscal year 2010 and 30.3% for fiscal year 2011.

*Aerospace & Defense*. In the A&D market, we believe our in-depth knowledge of critical radar system requirements, integration expertise and track record of reliability make us a trusted resource for customers faced with demanding application parameters. For radar applications, we offer standard and custom power transistor pallets, discrete components, limiters, phase shifters and integrated modules for transmission functions in air traffic control, marine, weather and military radar applications. For military communications data link and tactical radio applications, we offer a family of active, passive and discrete products that can fill out both the transmit and receive chain in such systems, such as integrated IC modules, control components, voltage-controlled oscillators (VCOs), transformers, power transistors and pallets, and diodes. In some cases, we design parts specifically for these applications, while in others, our reputation for quality allows these demanding customers to reduce the cost of their high-performance systems by designing in standard dual-use or commercial off-the-shelf parts that we have developed for other applications. We believe manufacturing many of these products in our U.S. fab offers us a competitive advantage in the A&D market because of our proprietary process technologies and certain A&D customers requirements for a domestic supply chain. Our revenue from sales of A&D products accounted for 33.0% of our revenue for fiscal year 2010 and 30.4% for fiscal year 2011.

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*Multi-market*. In Multi-market, our products are used in automotive, industrial, medical, mobile, test and measurement and scientific applications. For automotive applications, we leverage our patented technology, proprietary software, advanced integration expertise and system architecture to provide an integrated global positioning system (GPS) module with smaller form factor and lower cost. In the medical industry, our custom designed non-magnetic diode product line is critical for MRI applications. For automotive sensing and test and measurement applications, we believe our patented HMIC process is ideal for high-performance, integrated bias networks. Our portfolio of general purpose GaAs ICs includes low noise amplifiers and power amplifiers that address a wide range of applications from industrial automation systems to test and measurement equipment, tablets and other wireless local area network devices. Our revenue from sales of Multi-market products accounted for 40.1% of our revenue for fiscal year 2010 and 39.3% for fiscal year 2011.

The table below presents the major applications in our three primary markets:

| Networks | Aerospace & Defense | Multi-market |
|---|---|---|
| Broadcast | Avionics | Automotive / GPS |
| CATV Headend Equipment | Electronic Warfare | Body / Object Scanning |
| CATV Infrastructure | Military Comm. Data Links | Datacards |
| Cellular Backhaul | Military Comm. Radios | Industrial |
| Cellular Infrastructure | Public Safety Radios | Scientific |
| Commercial Satellite | Radar | Medical |
| FTTx Broadband | Space/High-Reliability | Smart Energy |
| Optical Communications | | Smartphones / Tablets |
| Satellite Communications | | Test & Measurement |
| Set-Top Box / DVR / Modems | | Wireless LAN |
| Video / Media Gateway | | |

**Products**

We offer 38 product lines with an extensive portfolio of over 2,700 standard and custom devices, ICs, modules and complete subsystems that OEMs can utilize to build their complex systems. Our new product introductions since the beginning of 2010 have included GaN power transistors, low phase noise VCOs, active splitters, highly-linear packaged power amplifiers, HMIC broadband switches, highly-integrated and packaged 38 GHz chipsets, 4- and 6-bit phase shifters, modulator drivers and transimpedance amplifiers.

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The table below presents the major product lines in each of our three primary markets:

| Product Lines | Networks | Aerospace & Defense | Multi-market |
|---|---|---|---|
| Active Splitter | ü | | |
| Amplifier | ü | ü | ü |
| Attenuator | ü | ü | ü |
| Automotive Module | | | ü |
| Balun | ü | | |
| Bias Networks | | | ü |
| Capacitor | | ü | ü |
| Component | | ü | ü |
| Coupler | ü | ü | ü |
| Diode | ü | ü | ü |
| Down Converter IC | | ü | |
| Filter | ü | | |
| Frequency Multiplier | ü | ü | ü |
| Hybrid Voltage Controlled Oscillator | ü | ü | ü |
| Integrated Receiver IC | ü | ü | |
| Integrated Transmitter IC | | ü | |
| Logic Driver Circuit | ü | ü | ü |
| Mixer | ü | ü | ü |
| Modulator / Demodulator | | ü | ü |
| Multi-Function Integrated Circuit | ü | ü | |
| Multi-Function Module | ü | ü | ü |
| Optical Limiting Amplifier | ü | | |
| Optical Modulator Driver | ü | | |
| Phase Shifter | ü | ü | |
| Power Combiner | ü | ü | ü |
| Power Detector | ü | ü | ü |
| Power Divider | ü | ü | ü |
| Power Hybrid Pallet | ü | ü | ü |
| Power Hybrid Transistor | ü | ü | ü |
| Switch | ü | ü | ü |
| Switch Limiter | ü | ü | |
| Synthesizer | ü | ü | |
| Transceiver | | | ü |
| Transformer | ü | ü | |
| Transimpedance Amplifier | ü | | |
| Upconverter IC | ü | | |
| Variable Gain Amplifier | ü | ü | ü |
| Voltage Controlled Oscillator | ü | ü | |

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**Technology**

The interaction of semiconductor process technology, circuit design technology and in some cases, packaging technology defines the performance parameters of our products.

*Circuit design and device modeling expertise*. Our engineers are experts in the design of circuits capable of reliable, high-performance RF, microwave and millimeterwave signal conditioning. Our staff has decades of experience in solving complex design challenges in applications involving high frequency, high power, and environmentally-rugged operating conditions. We also developed proprietary device and electro-magnetic modeling techniques that our engineers use to generate predictive models prior to fabrication, which reduce the number of physical prototype builds necessary to bring a new product design to market.

*Packaging expertise*. Our extensive packaging expertise enables us to model the interaction between the semiconductor and its package, and our engineers make appropriate adjustments in the design of both to take account of that interaction. We offer products in a variety of different package types for specific applications, including plastic over-molded, ceramic and laminate-based.

*Semiconductor process technology*. We leverage our domestic semiconductor wafer fabrication capabilities and our foundry suppliers to offer customers the right process technology to meet their particular requirements. Depending on the requirements for the application, our semiconductor products may be designed using any of the following internally developed and externally sourced process technologies:

| Internal<br><br>Process Technologies | External<br><br>Process Technologies |
|---|---|
| AlGaAs Diodes | GaAs HBT |
| GaAs MESFET | GaAs HFET |
| GaAs pHEMT | GaAs MESFET |
| HMIC Technology | GaAs pHEMT |
| Silicon Bipolar | GaN on SiC |
| Silicon Diodes | InP HBT |
| Silicon LDMOS | RF CMOS |
| Silicon MOSFET | SiGe |

We regularly develop and continue to invest in proprietary processes to enable us to develop and manufacture unique high-value solutions. For example, our HMIC technology is a patented process offered only by us that uses a silicon/glass process to produce components with compact die outlines that have high isolation and low loss, and are optimized for wide operating frequency ranges. Our engineers complex system-level design expertise allows us to offer differentiated solutions that leverage multiple process technologies and are integrated into a single, higher-level assembly thereby delivering our customers solutions with enhanced functionality.

**Research and Development**

Our research and development efforts are directed toward the rapid development of new and innovative products and solutions, process technologies and packaging techniques. Our predictive modeling expertise allows us to achieve faster design cycle times resulting in shorter time to market for our products. Our new product introductions in fiscal years 2010 and 2011 have included:

- GaN power transistors and pallets for radar and avionic applications;
- low phase noise VCOs for the cellular backhaul market and military communications applications;
- active splitters for CATV multi-tuner broadband voice, video and data customer premises equipment, and front-end ICs for home networking applications;

highly-linear, packaged power amplifiers well-suited to cellular backhaul and satellite communication applications;

HMIC broadband diode switches with packaging optimized for broadband performance, well-suited to military and test equipment applications;

highly-integrated, packaged 38 GHz chipsets for point-to-point radio applications, including an integrated upconverter and receiver, driver and power amplifiers, a VCO and a multiplier;

4- and 6-bit phase shifters across multiple frequency bands for commercial communications and radar applications; and

optical modulator drivers and transimpedance amplifiers for 40/100 Gbps fiber optic networks.

Research and development expenses were $36.1 million for fiscal year 2011 and $25.8 million and $13.6 million for fiscal years 2010 and 2009, respectively. As of December 30, 2011, we had 155 new products in development. We anticipate that we will continue to make significant research and development expenditures in order to drive future new product introductions and maintain our competitive position. As of December 30, 2011, we had 160 employees dedicated to research and development at six global design locations.

**Sales & Marketing**

We sell our products and solutions through our multi-channel sales strategy consisting of our direct sales force and our applications engineering staff in 25 locations worldwide, augmented by independent sales representatives and our authorized distributors, including Richardson and Avnet Electronics Marketing located in 135 locations worldwide. Our products are principally sold in the U.S., Asia and Western Europe, which is also where our direct sales force, engineering staff, independent sales representatives and distributors are concentrated. Sales to our distributors accounted for 30.0% of our revenue in fiscal year 2010 and 25.8% of our revenue in fiscal year 2011. Our agreements with our distributors provide for an initial term of one or more years with the opportunity for subsequent renewals and also provide that either party may terminate the agreement for convenience with a minimum period of prior notice to the other party, typically between 30 and 90 days.

As of December 30, 2011, we had 124 employees dedicated to sales and marketing, strategically positioned in more than 25 locations worldwide to offer dedicated local support resources to our customers. The sales team is focused on customer needs in our three primary markets rather than on particular product lines, facilitating product cross-selling across end markets and within key accounts. Through our website, customers can request samples, as well as access our product selection guide, detailed product brochures and data sheets, application notes, suggested design block diagrams and test fixture information, technical articles and information regarding quality and reliability.

**Customers**

Our diversified customer base of over 6,000 customers includes systems manufacturers, OEMs, contract manufacturers and distributors. For fiscal years 2010 and 2011, our only direct customer individually accounting for more than 10% of our revenue was Ford at 10.9% and 11.6%, respectively. In addition, our principal distributor Richardson individually accounted for 23.4% and 21.3%, respectively, of our revenue in fiscal years 2010 and 2011, respectively. Our top 25 direct customers accounted for 50.9% of our revenue in fiscal year 2010 and 56.8% of our revenue in fiscal year 2011.

**Competition**

The markets for our products are highly competitive and are characterized by rapid technological change and continuously evolving customer requirements. We believe that the principal competitive factors in our markets include:

the ability to timely design and deliver products and solutions that meet customers performance, reliability and price requirements;

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- the breadth and diversity of product offerings;
- the ability to provide a reliable supply of products in sufficient quantities and in a timely manner;
- the ability of engineering talent to drive innovation and new product development;
- the quality of customer service and technical support; and
- financial and operational stability and reputation.

We believe that we compete favorably with respect to these factors. However, many of our competitors have significantly greater financial, technical, manufacturing and marketing resources than we do and might be perceived by prospective customers to offer financial and operational stability superior to ours. The competition for similar products also affects the pricing of our products and pricing may not remain at a level where we can sell our products on a profitable basis.

We compete primarily with other suppliers of high-performance analog semiconductor solutions for use in wireless and wireline RF, microwave and millimeterwave applications. We expect competition in our markets to intensify, as new competitors enter the RF, microwave and millimeterwave markets, existing competitors merge or form alliances, and new technologies emerge. Some of our competitors are also our customers, and in certain product categories we compete with semiconductor manufacturers from which we also obtain foundry services, including TriQuint and RFMD.

We compete with Hittite across all three of our primary markets. In the Networks market, we also compete with Avago, RFMD and TriQuint. In the A&D market, we also compete with Aeroflex, Microsemi and TriQuint. In the Multi-market arena, we also compete with Aeroflex, Avago, Microsemi and Skyworks Solutions, Inc.

**Geographic Information**

For information regarding revenue and long-lived assets by geographic region, see Note 24 to our consolidated financial statements appearing elsewhere in this prospectus. Risks attendant to our foreign operations are discussed elsewhere in this prospectus under the heading Risk Factors.

**Backlog and Inventory**

Our sales are made primarily on a purchase order basis, rather than pursuant to long-term contracts where the customer commits to buy any minimum amount of product over an extended period. We also sometimes ship finished goods inventory to certain customer or third-party hub locations, but do not recognize revenue associated with such shipments until these customers consume the inventory from the hub. Due to these arrangements and industry practice, which allows customers to cancel orders with limited advance notice prior to shipment, and with little or no penalty, we believe that backlog as of any particular date may not be a reliable indicator of our future revenue levels. We also frequently ship products from inventory shortly after receipt of an order, which we refer to as turns business. The cancellation or deferral of product orders, the return of previously sold products, or overproduction due to a change in anticipated order volumes could result in us holding excess or obsolete inventory, which could result in inventory write-downs and, in turn, could have a material adverse effect on our financial condition.

**Intellectual Property**

Our success depends in part upon our ability to protect our intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, copyrights, trademarks and trade secrets, as well as customary contractual protections with our customers, suppliers, employees and consultants.

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As of January 30, 2012, we had 81 U.S. and 15 foreign patents and 12 U.S. and two foreign pending patent applications covering elements of circuit design, manufacturing and wafer fabrication. We do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. The expiration dates of our patents range from 2012 to 2029. We do not regard any of the patents scheduled to expire in the next 12 months as material to our overall intellectual property portfolio. Notwithstanding our active pursuit of patent protection when available, we believe that our future success will be determined by the innovation, technical expertise and management abilities of our engineers and management more than by patent ownership.

The semiconductor industry is characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by the vigorous pursuit, protection and enforcement of intellectual property rights. Many of our customer agreements require us to indemnify our customers for third-party intellectual property infringement claims, which may in the future require that we defend those claims and might require that we pay damages in the case of adverse rulings. Claims of this sort could harm our relationships with our customers and might deter future customers from doing business with us. With respect to any intellectual property rights claims against us or our customers or distributors, we may be required to cease manufacture of the infringing product, pay damages, expend resources to develop non-infringing technology, seek a license, which may not be available on commercially reasonable terms or at all, or relinquish patents or other intellectual property rights.

**Facilities**

Our principal executive offices are located in two adjacent leased facilities in Lowell, Massachusetts. We do not own any real property, and conduct our administration, manufacturing, research and development and sales and marketing in our leased facilities. We believe that our leased facilities are adequate for our present operations. The following is a list of our main facilities and their primary functions.

| Site | Major Activity | Square Footage | Lease Expiration |
|---|---|---|---|
| Lowell, Massachusetts | Administration,<br><br>Wafer Fabrication,<br>Assembly and Test,<br>Research and Development,<br>Sales and Marketing | 157,000 | September 2013 |
| Lowell, Massachusetts | Assembly and Test,<br>Research and Development | 60,000 | June 2014 |
| Cork, Ireland | Administration, Research and Development | 21,000 | September 2013 |

We also maintain leased facilities for our design centers located in Santa Clara, California, Belfast, Northern Ireland, and Sydney, Australia, our design, assembly and test operations located in Torrance, California, our administrative, assembly and test operations located in Hsinchu, Taiwan, and our local sales offices in China, India and South Korea.

**Manufacturing, Sources of Supply and Raw Materials**

All of our internal wafer fabrication, and a majority of our internal assembly and test operations, are conducted at our Lowell, Massachusetts headquarters. We believe having a U.S.-based four-inch wafer fab is a competitive advantage for us over fabless competitors, in that we have greater control over quality, a secure source of supply and a domestic source for U.S. A&D customers for whom this may be an important sourcing advantage. We also perform internal assembly and test functions at our Torrance, California and Hsinchu, Taiwan locations.

The remainder of our manufacturing is outsourced, and our operations staff has extensive expertise in the management of outsourced manufacturing service providers and other supply chain participants. We believe our fab-lite model of outsourcing certain of our manufacturing activities rather than investing heavily in capital-intensive production facilities to support those functions internally provides us with the flexibility to respond to new market opportunities, simplifies our operations and significantly reduces our capital requirements.

We utilize external foundries to supply us with semiconductor wafers manufactured in process technologies which we have chosen not to develop internally, and to provide us additional manufacturing capacity on some internally fabricated process technologies. We also use third-party contract manufacturers for assembly, packaging and test functions, and in some cases for fully-outsourced turnkey manufacturing of our products. As of December 30, 2011, we had 310 employees devoted to internal fabrication and manufacturing operations, and the management of our outsourced manufacturing activities.

The principal materials used in the production of our IC products are semiconductor substrates and high purity source materials such as gallium, aluminum, arsenic and silicon. We purchase from hundreds of suppliers worldwide a wide variety of other semiconductors, packages, metals, printed circuit boards, electromechanical components and other materials for use in our operations. These supply relationships are generally conducted on a purchase order basis. The use of external suppliers involves a number of risks, including the possibility of material disruptions in the supply of key raw materials and components, the lack of control over delivery schedules, capacity constraints, quality and costs.

While we attempt to maintain alternative sources for our principal raw materials to reduce the risk of supply interruptions or price increases, some of the raw materials and components are not readily available from alternate suppliers due to their unique nature, design or the length of time necessary for re-design or qualification. We routinely utilize single sources of supply for various materials based on availability, performance, efficiency or cost considerations. For example, wafers procured from merchant foundries for a particular process technology are generally sourced through one foundry only, on which we rely for all of our wafers in that process. Our reliance on external suppliers puts us at risk of supply chain disruption if the supplier does not have sufficient raw material inventory to meet our manufacturing needs, goes out of business, changes or discontinues the process in which components or wafers are manufactured, or declines to continue supplying us for competitive or other reasons, as discussed in more detail in Risk Factors beginning on page 11. Where practical, we attempt to mitigate these risks by qualifying multiple sources of supply, redesign of products for alternative components and purchase of incremental inventory of raw materials and components in order to protect us against supply problems.

**Quality Assurance**

The goal of our quality assurance program is for our products to meet our customers requirements, be delivered on time, and function reliably throughout their useful lives. The International Organization for Standards (ISO) provides models for quality assurance in various operational disciplines, such as design, manufacturing and testing, which comprise one part of our overall quality management system. Our Lowell, Massachusetts; Torrance, California; Cork, Ireland; Sydney, Australia and Hsinchu, Taiwan locations have each received ISO 9001:2008 certifications in their principal functional areas. In addition, our Lowell facility has received an ISO 14001:2004 environmental management systems certification.

**Environmental Regulation**

Our operations involve the use of hazardous substances and are regulated under international, federal, state and local laws governing health and safety and the environment. These regulations include limitations on discharge of pollutants to air, water, and soil; remediation requirements; product chemical content limitations; manufacturing chemical use and handling restrictions; pollution control requirements; waste minimization considerations; and treatment, transport, storage and disposal of solid and hazardous wastes. We are also subject to regulation by the U.S. Occupational Safety and Health Administration and similar health and safety laws in other jurisdictions.

We believe that our properties and operations at our facilities comply in all material respects with applicable environmental laws and worker health and safety laws; however, the risk of environmental liabilities cannot be completely eliminated, and there can be no assurance that the application of environmental and health and safety laws to our business will not require us to incur material future expenditures.

We are also regulated under a number of international, federal, state and local laws regarding recycling, product packaging and product content requirements, including legislation enacted in the European Union and other foreign jurisdictions that have placed greater restrictions on the use of lead, among other chemicals, in electronic products, which affects materials composition and semiconductor packaging. These laws are becoming more stringent and may in the future cause us to incur material expenditures.

**Export Regulations**

We market and sell our products both inside and outside the U.S. Certain of our products are subject to the Export Administration Regulations, administered by the Department of Commerce, Bureau of Industry Security, which require that we obtain an export license before we can export products or technology to specified countries. Additionally, some of our products are subject to the International Traffic in Arms Regulations, which restrict the export of information and material that may be used for military or intelligence applications by a foreign person. Other of our products are controlled by similar laws in other jurisdictions. Failure to comply with these laws could result in sanctions by the government, including substantial monetary penalties, denial of export privileges and debarment from government contracts. We maintain an export compliance program staffed by dedicated personnel under which we screen export transactions against current lists of restricted exports, destinations and end users with the objective of carefully managing export-related decisions and transactions and shipping logistics and ensuring compliance with these regimes. We believe we have obtained all export licenses required for our shipments subject to these regulations.

**Legal Proceedings**

We are routinely subject to claims of a type we believe are common for companies engaged in our line of business, including commercial disputes, employment issues and claims by other companies in the industry that we have infringed or misappropriated their intellectual property rights. Any such claims may lead to future litigation and material damages and defense costs. As of the date of this filing, other than as set forth below, we are not involved in any material pending legal proceedings.

In April 2011, GigOptix, Inc. (GigOptix) filed a first amended complaint in the Santa Clara County Superior Court against us, our subsidiary Optomai, and five employees (the Ex-Employees) who had previously worked for GigOptix. GigOptix alleged that the Ex-Employees began conceptualizing a new business venture in 2009 (which would later become Optomai) before resigning from their employment with GigOptix, and that they used confidential information of GigOptix in their new business. The complaint sought unspecified damages, attorneys fees and costs, and injunctive relief for alleged breach of employment-related agreements, trade secret misappropriation and other related alleged torts by the employee defendants, Optomai and, following our April 2011 acquisition of Optomai, us.

In July 2011, GigOptix sought a temporary restraining order and thereafter an injunction on the same grounds, both of which were denied by the court. In August 2011, GigOptix amended its complaint for the second time, to delete its claims for negligent and intentional interference with economic advantage and unfair competition, leaving the following claims pending: (i) breach of duty of loyalty against the Ex-Employees only, (ii) breach of contract against the Ex-Employees only, (iii) misappropriation of trade secrets against all defendants, and (iv) unfair business practices against all defendants. Each side has served discovery requests, and the parties have narrowed the discovery being sought. We intend to defend the lawsuit vigorously.

Claims that our products or processes infringe or misappropriate any third-party intellectual property rights (including claims arising through our contractual indemnification of our customers) often involve highly complex, technical issues, the outcome of which is inherently uncertain. Moreover, from time to time we may pursue litigation to assert our intellectual property rights. Regardless of the merit or resolution of any such litigation, complex intellectual property litigation is generally costly and diverts the efforts and attention of our management and technical personnel.

**Employees**

As of December 30, 2011, we employed 667 persons worldwide and none of our domestic employees were represented by a collective bargaining agreement; however, a number of our employees working in our European operations were covered by collective bargaining agreements. We consider our relations with employees to be good, and we have not experienced a work stoppage due to labor issues.

**General Development**

We were incorporated under the laws of the State of Delaware in March 2009. Our operations are conducted through our various subsidiaries, which are organized and operated according to the laws of their respective jurisdictions of incorporation, and consolidated by M/A-COM Tech.

M/A-COM Technology Solutions Inc., our primary operating subsidiary which provides high-performance analog semiconductor solutions for use in wireless and wireline applications across the RF, microwave and millimeterwave spectrum, was incorporated under the laws of the state of Delaware on July 16, 2008. M/ACOM Technology Solutions (Cork) Limited, our primary foreign operating subsidiary which focuses on solutions for broadband and communications infrastructure applications, was incorporated under the laws of Ireland on November 18, 2008. In September 2008, Cobham acquired certain assets from a third party, including the RF and microwave component and subsystem design and business operations that would ultimately become the operations of M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited. The heritage of some of these business operations dates back over 60 years to the founding of Microwave Associates, Inc. and the M/A-COM brand dates back over 30 years.

On March 30, 2009, we acquired 100% of the outstanding stock of M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited and the related M/A-COM brand from Cobham for $22.1 million in cash net of purchase price adjustments, the issuance of $35.0 million in short- and long-term debt payable to the seller and contingent consideration of up to $30.0 million based on our achievement of revenue targets in the 12-month periods ended September 30, 2010 and 2011 and ending September 30, 2012. We paid Cobham contingent consideration of $8.8 million for the period ended September 30, 2010 in November 2010. Contingent consideration due to Cobham for the period ended September 30, 2011 was $15.0 million, which was paid in November 2011. Our current expectation is that we will likely pay Cobham the remaining maximum possible earn-out payment of $6.2 million for the period ending September 30, 2012.

On May 28, 2010, we acquired Mimix, a supplier of high-performance GaAs semiconductors, for $1.2 million in cash and 17.5 million shares of our Series A-2 convertible preferred stock.

On April 25, 2011, we acquired Optomai, a fabless semiconductor company that develops high-performance ICs and modules for next generation fiber optic networks, for $1.8 million in cash and contingent consideration of up to $16.0 million based on our achievement of certain revenue, product release and contribution margin targets based on sales of products utilizing Optomai intellectual property in the 12-month periods ending March 30, 2012 and March 29, 2013.

In the second and third quarters of fiscal year 2011, we sold the assets related to our non-core laser diode and ferrite business lines.

In addition, on December 21, 2010, we issued and sold an aggregate of 34,169,559.75 shares of our Class B convertible preferred stock and warrants to purchase 1,281,358.49 shares of our common stock to Mainsail Partners II, L.P. and certain investment funds affiliated with Summit Partners, L.P., for an aggregate purchase price of $120.0 million. Peter Chung, one of our directors, is a managing partner and member of certain investment funds affiliated with Summit Partners, L.P. See Certain Relationships and Related Person Transactions Sale of Class B Convertible Preferred Stock and Warrants appearing elsewhere in this prospectus for additional detail. We declared a one-time special dividend in the aggregate amount of $80.0 million on our Series A-1 convertible preferred stock, Series A-2 convertible preferred stock and common stock in January 2011. We have decided to pursue this offering to gain access to the public equity markets and to raise cash to support our business plan, and also to provide liquidity to the selling stockholders by allowing them to offer a portion of the shares to be sold pursuant to this offering if the underwriters exercise their option to purchase additional shares.

For additional information regarding the general development of our business and subsidiaries, see Management s Discussion and Analysis of Financial Condition and Results of Operations Overview History and Basis of Presentation on page 42 of this prospectus.

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## MANAGEMENT

### Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of February 28, 2012:

| Name | Age | Position |
|---|---|---|
| John Ocampo | 52 | Chairman |
| Charles Bland | 63 | Chief Executive Officer and Director |
| Conrad Gagnon | 57 | Chief Financial Officer |
| Michael Murphy | 50 | Vice President, Engineering |
| Susan Ocampo | 54 | Director |
| Peter Chung | 44 | Director |
| Gil Van Lunsen | 69 | Director |

There are no family relationships among any of our directors or executive officers, other than John Ocampo, the Chairman of the Board, and Susan Ocampo, a director, who are married to each other.

### Executive Officers

***John Ocampo*** has served as our Chairman and as a director since our inception in March 2009. Mr. Ocampo has also served as President of GaAs Labs, LLC, a private investment fund targeting the communications semiconductor market, since co-founding it in February 2008. Previously, Mr. Ocampo co-founded Sirenza Microdevices, Inc. (Sirenza), a supplier of radio frequency semiconductors and related components for the commercial communications, consumer and aerospace, defense and homeland security equipment markets. Mr. Ocampo served as a director of Sirenza from its inception in 1984 through its sale to RFMD, a designer and manufacturer of semiconductor components, in November 2007, and served in a number of senior executive roles throughout that period, most recently as its Chairman from December 1998 through November 2007. Mr. Ocampo also served as a director of RFMD from November 2007 to November 2008. Mr. Ocampo currently serves as a director of Ubiquiti Networks, Inc., a network communications technology company. Mr. Ocampo holds a B.S.E.E. from Santa Clara University.

Mr. Ocampo s strategic vision, developed over more than 30 years successfully leading public and private companies in the RF semiconductor and component industry, is a unique asset to our board of directors. His engineering background and extensive knowledge of our operations, markets and technology provides our board of directors with important insights. We also believe that having our largest stockholder on the board of directors assists the board in making decisions aimed at increasing shareholder value over the long term.

***Charles Bland*** has served as our Chief Executive Officer since February 2011 and as a director since December 2010. From June 2010 to February 2011, he served as our Chief Operating Officer. From April 2007 through December 2010, Mr. Bland also served as a director and as the chairman of the audit committee of NightHawk Radiology Holdings, Inc., a provider of teleradiology services. During 2009, Mr. Bland served as the Chief Financial Officer of American Gaming Systems, a privately-held designer, manufacturer and operator of gaming machines. Mr. Bland served as the Chief Financial Officer of Sirenza from July 2005 to November 2007 and also as its Chief Operating Officer from May 2003 until July 2005. Mr. Bland received his B.S., Accounting and Finance, degree from Ohio State University and his M.B.A. from the Sloan School, Massachusetts Institute of Technology.

Mr. Bland s qualifications to serve as a director include his unique perspective and insights into our operations as our current Chief Executive Officer, including his knowledge of our products, technologies, business relationships, competitive and financial positioning, senior leadership, and strategic opportunities and challenges. In addition, Mr. Bland s extensive experience in a variety of executive roles at public companies in our industry, his executive experience in other industries, and his prior experience as a public company director and audit committee chair allow him to bring broad and diverse perspective to our board of directors. His prior CFO and audit committee experience have provided him expertise with accounting principles and financial reporting rules and regulations, evaluating financial results and generally overseeing the financial reporting process.

***Conrad Gagnon*** has served as our Chief Financial Officer since March 2009. From September 2008 to March 2009, he served as the Chief Financial Officer of M/A-COM Technology Solutions Inc. Prior to that, Mr. Gagnon served for more than 25 years in roles of increasing responsibility associated with related business lines at Cobham and Tyco Electronics, most recently as Vice President of Finance for the aerospace and defense and commercial business units for Cobham from September 2006 to September 2008. Mr. Gagnon holds a B.S. in Accounting and Computer Sciences from Boston College.

***Michael Murphy*** has served as our Vice President, Engineering, since November 2009. From July 2006 to November 2009, he served as Vice President of Engineering of the Networks Division of TriQuint Semiconductor, Inc., a supplier of RF components for wireless communications. Mr. Murphy holds a B.S.E.E. and an M.S.E.E from the University of Massachusetts and an M.B.A. from Boston University.

**Non-Employee Directors**

***Peter Chung*** has served as a director since December 2010. Mr. Chung is a Managing Director of Summit Partners, L.P., which he joined in August 1994. Mr. Chung currently serves as a director of Ubiquiti Networks, Inc. Mr. Chung has also served as a director of numerous other public companies, including most recently as a director of NightHawk Radiology Holdings, Inc., a provider of teleradiology services, from March 2004 to December 2010, as a director of SeaBright Holdings, Inc., a provider of multi-jurisdictional workers compensation insurance and general liability insurance, from October 2003 to May 2010, and as a director of Sirenza from October 1999 to April 2006. Mr. Chung also serves as a director of several privately-held companies. Mr. Chung received an A.B. from Harvard University and an M.B.A from Stanford University. Mr. Chung was designated for nomination and election as a director by those of our stockholders affiliated with Summit Partners, L.P. pursuant to the terms of our amended and restated investor rights agreement.

Mr. Chung is an experienced investor in market-leading growth companies. He contributes broad-based knowledge and experience in business strategy, capital markets and the communications semiconductor and technology industries. Mr. Chung provides valuable insight to our board of directors on all matters facing us, from operational to strategic.

***Gil Van Lunsen*** has served as a director since August 2010. Prior to his retirement in June 2000, Mr. Van Lunsen was a Managing Partner of KPMG LLP and led the firm s Tulsa, Oklahoma office. During his 33-year career, Mr. Van Lunsen held various positions of increasing responsibility with KPMG. Mr. Van Lunsen is currently a member of the board of directors and the audit committee chairman at Array Biopharma Inc., a biopharmaceutical company, and a member of the board of directors and vice chairman of the audit committee of ONEOK Partners, L.P., a natural gas gathering, processing, storage and transportation company. Previously, Mr. Van Lunsen served as a director of Sirenza and was chairman of its audit committee from October 2003 through November 2007. Mr. Van Lunsen received a B.S./B.A. in accounting from the University of Denver. Our board of directors has determined that Mr. Van Lunsen is an audit committee financial expert.

Mr. Van Lunsen has extensive experience with complex financial and accounting issues and, as a former partner of KPMG LLP and audit committee chairman at other public companies in our industry and others, provides valuable leadership and insights to our board of directors on accounting, financial and governance matters. Having served as a director of Sirenza, Mr. Van Lunsen has also developed strong domain knowledge of the operational and financial issues facing our company and our industry.

***Susan Ocampo*** has served as a director since December 2010. She has also served as Vice President, Secretary and Treasurer of GaAs Labs, LLC, a private investment fund targeting the communications semiconductor market, since co-founding it in February 2008. Previously, Mrs. Ocampo co-founded Sirenza.

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Mrs. Ocampo served as Sirenza s Treasurer from November 1999 through its sale to RFMD in November 2007. Mrs. Ocampo holds a B.A. from Maryknoll College.

Mrs. Ocampo s extensive experience investing and serving in financial leadership roles with semiconductor companies strengthens our board of director s oversight of our enterprise risk management, treasury functions and internal financial controls. We also believe that having our largest shareholder on the board of directors assists the board in making decisions aimed at increasing shareholder value over the long term.

**Board Composition**

Our board of directors is currently composed of five members designated for election pursuant to our amended and restated investor rights agreement, which is described under Certain Relationships and Related Person Transactions in this prospectus. Immediately prior to the completion of this offering, our board of directors will be divided into three classes of directors of the same or nearly the same number. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose terms are then expiring. Directors will serve from their time of election and qualification until the third annual meeting following their election or until their successors are duly elected and qualified.

The initial Class I directors will be Mr. Chung and Mr. Van Lunsen, and their terms will expire at our first annual meeting of stockholders held after this offering;

The initial Class II directors will be Mr. Bland and Mrs. Ocampo, and their terms will expire at our second annual meeting of stockholders held after this offering; and

The initial Class III director will be Mr. Ocampo, whose term will expire at our third annual meeting of stockholders held after this offering.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the total number of directors. The authorized number of directors is currently set at five and may be changed by subsequent resolution of the board of directors. Vacancies on the board of directors can be filled by the board of directors.

**Director Independence**

Our board of directors has reviewed its composition, the composition of its committees and the independence of each member of our board of directors.

Based on information requested from and provided by each director concerning his or her background, employment and affiliates, our board of directors has determined that each of our directors who will continue in office following this offering, with the exception of Mrs. Ocampo and Messrs. Ocampo and Bland, qualify as independent according to the rules and regulations of the SEC and the listing requirements and rules of the Nasdaq Stock Market. Mr. Ocampo and Mr. Bland are not independent according to the rules and regulations of the SEC and the listing requirements and rules of the Nasdaq Stock Market because they are our employees, and Mrs. Ocampo is not independent because she is the spouse of one of our executive officers.

The listing requirements and rules of the Nasdaq Stock Market require that the board of directors of a listed company be comprised of a majority of independent directors and that the compensation, nominating and governance and audit committees of such listed company be comprised solely of independent directors. We intend to rely on the transition periods provided by the Nasdaq Stock Market rules, which provide for phase-in compliance for companies that are listing on the exchange in connection with their initial public offering. As a result, we intend to have our board of directors comprised of a majority of independent directors within one year after our listing. In addition, we intend to have our audit committee comprised solely of three independent directors within one year of our listing. Although we currently do not intend to do so, as a controlled company as defined by the rules of the Nasdaq Stock Market, we may also rely on the controlled company exceptions of the Nasdaq Stock Market rules which do not require us to have a board of directors comprised of a majority of independent directors.

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**Board Committees**

Our board of directors has established an audit committee and a compensation committee and, prior to the completion of this offering, will establish a nominating and governance committee. The composition and responsibilities of each of the committees of our board of directors upon the completion of this offering is described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

*Audit Committee*

Upon the completion of this offering, our audit committee will consist of Messrs. Van Lunsen and Chung, with Mr. Van Lunsen serving as Chair. Our audit committee oversees our corporate accounting and financial reporting process, internal accounting and financial controls and audits of the financial statements. Our audit committee also evaluates the independent auditor s qualifications, independence and performance; engages and provides for the compensation of the independent auditor; establishes the policies and procedures for the retention of the independent auditor to perform any proposed permissible non-audit services; reviews our annual audited financial statements; reviews our critical accounting policies, our disclosure controls and procedures and internal controls over financial reporting; discusses with management and the independent auditor the results of the annual audit and the reviews of our quarterly unaudited financial statements; oversees our risk management program; and reviews related-person transactions that would be disclosed under Item 404 of Regulation S-K. Our board of directors has determined that each of our expected audit committee members meet the requirements for independence and financial literacy under the applicable rules and regulations of the SEC and the Nasdaq Stock Market. Our board of directors has determined that Mr. Van Lunsen is an audit committee financial expert as defined under the applicable rules of the SEC. Upon completion of the offering, the audit committee will operate under a written charter that satisfies the applicable rules of the SEC and the listing requirements and rules of the Nasdaq Stock Market.

*Compensation Committee*

Upon the completion of this offering, our compensation committee will consist of Messrs. Van Lunsen and Chung, with Mr. Chung serving as Chair. Our compensation committee oversees our compensation plans, policies and programs for our executive officers, compensation of our other employees at the level of Vice President or above and non-employee directors of our board of directors. The compensation committee is also responsible for overseeing our employee benefit plans and reviewing and approving our Compensation Discussion and Analysis. Our board of directors has determined that each expected member of our compensation committee meets the requirements for independence under the applicable rules and regulations of the SEC, the Nasdaq Stock Market and Section 162(m) of Internal Revenue Code of 1986, as amended (the Code). Upon completion of the offering, the compensation committee will operate under a written charter that satisfies the applicable listing requirements and rules of the Nasdaq Stock Market.

*Nominating and Governance Committee*

Upon the completion of this offering, our nominating and governance committee will consist of Messrs. Van Lunsen and Chung, with Mr. Chung serving as Chair. The nominating and governance committee is responsible for identifying individuals qualified to become members of our board of directors, making recommendations regarding candidates to serve on our board of directors and overseeing evaluations of the board of directors and its committees. In making recommendations regarding board candidates, the nominating and governance committee will consider desired board member qualifications, expertise and characteristics. In addition, the nominating and corporate governance committee will be responsible for making recommendations concerning governance matters. Our board of directors has determined that each expected member of our nominating and governance committee meets the requirements for independence under the applicable rules and regulations of the Nasdaq Stock Market. Upon completion of the offering, the nominating and corporate governance committee will operate under a written charter that satisfies the applicable listing requirements and rules of the Nasdaq Stock Market.

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**Director Compensation**

*2011 Director Compensation*

The following table provides information regarding the compensation earned by our non-employee directors during fiscal year 2011. Directors who are also our employees receive no additional compensation for their service as a director.

| Name | Fees Earned or Paid in Cash | Stock Awards | Option Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value and Nonqualified Deferred Compensation Earnings | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|
| Gil Van Lunsen | $20,000 (1) | | | | | | $20,000 |
| Susan Ocampo (2) | | | | | | $720,000 (2) | $720,000 |
| Peter Chung (3) | | | | | | | |

(1) Prior to this offering, Mr. Van Lunsen was paid a cash stipend of $20,000 per annum for his service to us as a director, payable in quarterly increments in arrears.

(2) Mrs. Ocampo did not receive any fees with respect to her service on our board of directors during fiscal year 2011. Management service fees of $60,000 per month are paid by us to GaAs Labs, which is an affiliate of Mrs. Ocampo. See Certain Relationships and Related Person Transactions GaAs Labs Management Fee for more information regarding this arrangement.

(3) Mr. Chung was a director pursuant to the contractual rights of the holders of our Class B convertible preferred stock under the amended and restated investor rights agreement. Mr. Chung did not receive any fees with respect to his service on our board of directors during fiscal year 2011.

*Future Director Compensation*

During our fiscal year 2011, we adopted a formal compensation program for our non-employee directors with respect to their service as directors, which will apply to such directors following the closing of this offering. The program has two elements, cash compensation and equity compensation.

*Cash Compensation.* The cash component of our non-employee director compensation program includes:

- a $35,000 annual cash retainer for each non-employee director;
- an annual cash stipend of $6,000 for each member of the audit committee and the compensation committee, and $4,000 for each member of the nominating and governance committee, in each case excluding the chairmen of such committees; and
- an annual cash stipend of $15,000 for the chairman of the audit committee, $10,000 for the chairman of the compensation committee and $8,000 for the chairman of the nominating and governance committee.

These cash payments are calculated and paid in quarterly installments in arrears. Directors are also reimbursed for expenses in connection with attendance at board of directors and committee meetings. Directors are also eligible for coverage under our health care insurance plans at their sole expense. None of our non-employee directors has elected coverage under our health care insurance plans. Independent, non-employee directors may not receive consulting, advisory or other compensatory fees from us in addition to their board compensation.

*Equity Compensation.* Directors are also eligible to participate in our 2012 Omnibus Incentive Plan. Each of our non-employee directors will be granted an annual restricted stock unit award representing a number of shares of common stock having a grant date fair market value of $50,000 in the aggregate. Each such grant will vest in full on the first anniversary of its grant date. In February 2012, our board of directors approved the annual grants for fiscal year 2012 for Messrs. Chung and Van Lunsen contingent and effective upon the closing of this offering. In addition to and not in lieu of the above annual grant, when a non-employee director first joins the

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board of directors, he or she will be granted a second restricted stock unit award representing a number of shares of common stock having an aggregate grant date fair market value representing that portion of $50,000 which is equivalent to the portion of the current calendar year during which such non-employee director serves on the board of directors. Any such grant will vest in full on the next regular annual director award grant date.

**Compensation Committee Interlocks and Insider Participation**

Messrs. Bland and Ocampo served on our compensation committee during fiscal year 2011. None of the other members of our compensation committee is or has at any time during the past year been an officer or employee of ours. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

**Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The code of business conduct and ethics will be available on our website at *www.macomtech.com*. The information on or accessible through our website is not part of this prospectus. We intend to disclose any amendments to the code or any waivers of its requirements in accordance with the applicable SEC and Nasdaq rules and regulations.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

*The following discussion and analysis of compensation arrangements of our named executive officers should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. The actual amount and form of compensation and the compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.*

***Objectives of Our Executive Compensation Programs***

The compensation committee of our board of directors oversees our named executive officer compensation plans, policies and programs pursuant to our compensation philosophy and objectives under its authority as delegated by our board of directors. Our compensation programs for our named executive officers are designed to:

- attract and retain the best executive talent;
- motivate our executives to achieve our financial and business goals; and
- align our executives interests with those of our stockholders to drive increased shareholder value.

To achieve these goals, we structure our named executive officer compensation programs to provide a competitive level of total compensation and create a strong link with our business results by tying a significant portion of each executive s compensation to the achievement of specific performance elements that we expect will significantly increase shareholder value.

***How We Set Executive Compensation***

The compensation arrangements in effect for our named executive officers for fiscal year 2011 reflect individually negotiated agreements that we executed with each of our named executive officers in connection with their entering into or agreeing to continue in our employ prior to fiscal year 2011 (other than those of our Chief Executive Officer and Chief Operating Officer, which were updated in fiscal year 2011 as discussed in more detail below under Base Salary and Benefits ). The compensation arrangement for our Chairman of the Board, which consists of an annual base salary and benefits, was put in place in connection with the M/A-COM Acquisition. The specific terms of the compensation arrangements for the other named executive officers were negotiated with our Chairman of the Board and, in the case of certain named executive officers other than our former Chief Executive Officer, with our former Chief Executive Officer.

During fiscal year 2011, we engaged Radford, a compensation consultant, to evaluate our current compensation programs and make recommendations for our programs going forward. As part of this analysis, Radford reviewed our current compensation programs and compared them to compensation at the following companies that we consider potential competition for executive talent: Anadigics, Analogic, Atheros Communications, Cabot Microelectronics, Hittite, Integrated Device Technology, Intersil, Micrel, Microsemi, Monolithic Power Systems, Power Integrations, RFMD, Semtech, Silicon Image, Silicon Laboratories, Skyworks, Standard Microsystems, Tessera Technologies, TriQuint and Verigy. Based on this evaluation by Radford, our board of directors concluded that our executive compensation (not including for our Chairman of the Board) was overall at market for annual base salary, equity compensation and benefits, and slightly lower than market for annual incentive compensation. We did not specifically benchmark total compensation or components of compensation for our named executive officers.

Going forward we anticipate that our compensation committee will determine the compensation of our named executive officers and will have the authority to engage consultants and advisors as it determines appropriate.

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***Elements of Executive Compensation***

Our compensation program for our named executive officers, other than our Chairman of the Board, consists of the following elements:

- base salary and benefits;
- annual cash incentives; and
- long-term equity incentives.

**Base Salary and Benefits**

The annual base salary in place for fiscal year 2011 for each of our named executive officers was determined pursuant to the terms of each executive s employment agreement, and reflects each executive s relative level of experience and responsibility. In addition, our board of directors authorized an increase to the base salaries of our Chief Executive Officer and our Chief Operating Officer in connection with the promotion of each of these executives to his respective position in February 2011. The following table shows the annual base salaries for our named executive officers in place at the end of fiscal year 2011.

| Name | Fiscal Year 2011 Salary | | Fiscal Year 2011 Cash Incentive Award Opportunity (% of Salary) |
|---|---|---|---|
| Charles Bland<br>*Chief Executive Officer* | $ | 475,000 | 100% |
| Conrad Gagnon<br>*Chief Financial Officer* | $ | 270,000 | 100% |
| John Ocampo<br>*Chairman* | $ | 300,000 | Not applicable |
| Michael Murphy<br>*Vice President, Engineering* | $ | 300,000 | 100% |
| Robert Donahue<br>*Former Chief Operating Officer* | $ | 350,000 | 100% |

We generally provide our named executive officers the same health and welfare benefits on the same terms as our other salaried employees, including health benefits and life insurance coverage, as well as the opportunity to receive matching contributions under our 401(k) plan. At the time of his hiring in June 2010, Mr. Bland, our current Chief Executive Officer, resided outside the Boston metropolitan area. In connection with Mr. Bland s promotion to Chief Executive Officer in February 2011, we agreed to pay relocation expenses to Mr. Bland, including costs associated with commuting to and from our facilities from his family s home outside of the Boston metropolitan area. During fiscal year 2010, we also reimbursed similar commuting expenses for Mr. Bland while he served as our Chief Operating Officer. We believe that, in order for us to attract top executive talent, we must not be limited to those residing in the Boston metropolitan area and in some cases must be willing to offer to pay an agreed upon amount of relocation costs. We also paid a management fee to a company affiliated with the Chairman of our Board pursuant to a previously negotiated management services agreement with that company, and we have included these payments in the 2010 Summary Compensation Table as additional compensation to the Chairman. See Certain Relationships and Related Person Transactions GaAs Labs Management Fee for more information regarding these payments.

**Annual Cash Incentives**

During fiscal year 2011, our named executive officers, other than our Chairman of the Board, have also participated in a special cash incentive program with respect to the first half of fiscal year 2011 and a separate special cash incentive program with respect to the second half of fiscal year 2011. Our board of directors determined the maximum cash incentive award opportunity for each of our named executive officers for 2011 based on its business judgment regarding the appropriate level of incentive opportunity to motivate and retain these executives. In making this business judgment, the board of directors considered each named executive officer s historical levels of incentive opportunity as well as each named executive officer s respective salary and level of incentive opportunity relative to those of our other named executive officers. This maximum opportunity was also subject to potential increase or reduction based on individual executive performance during the period. The table included above shows the cash incentive award opportunity of each of our named executive officers for fiscal year 2011, expressed as a percentage of each executive s annual base salary.

*First Half 2011 Program.* Payments under the cash incentive program for the first half of fiscal year 2011 were based on the achievement of a minimum adjusted gross margin target for the period of 42.5%. If this target was not met, there would be no incentive pool funded. Assuming the target adjusted gross margin was achieved, then the level of funding of any incentive pool would depend on our performance against the following adjusted operating income goals for the six months ended March 31, 2011:

| First Half Fiscal Year 2011 Performance Goal | Threshold | Target | Maximum | Actual Performance |
|---|---|---|---|---|
| Adjusted Operating Income | $ 24.2 million | $ 26.7 million | $ 30.7 million | $ 28.0 million |

We selected these performance metrics as primary drivers of shareholder value. The calculation of adjusted gross margin and adjusted operating income exclude the impact of accrued costs for the payment of incentives under the cash incentive program itself, as well as amortization expense, restructuring charges, non-recurring charges incurred in connection with acquisitions, divestments, capital-raising events, share-based compensation and other non-cash compensation and asset retirement obligations. If performance exceeded the threshold level, a pool would be funded at $2.2 million for target performance and $4.4 million for maximum performance, and each named executive officer would be eligible for a payment based on an allocated portion of this pool based on both a specified percentage of annual base salary and the executive s individual job performance.

In light of our performance for the first half of fiscal year 2011 (see the Actual Performance column in the table above), and our determination regarding each named executive officer s job performance at 100% of expected levels, we paid each named executive officer approximately 57% of his cash incentive award opportunity.

*Second Half 2011 Program.* Payments under the cash incentive program for the second half of fiscal year 2011 were based on the achievement of a minimum adjusted gross margin target for the period of 45.5%. If this target was not met, there would be no incentive pool funded. Assuming the target adjusted gross margin was achieved, then the level of funding of any incentive pool would depend on our performance against the following adjusted operating income goals for the six months ended September 30, 2011:

| Second Half Fiscal Year 2011 Performance Goal | Threshold | Target | Maximum | Actual Performance |
|---|---|---|---|---|
| Adjusted Operating Income | $ 30.3 million | $ 33.7 million | $ 38.7 million | $ 27.1 million |

We selected these performance metrics as primary drivers of shareholder value. The calculation of adjusted gross margin and adjusted operating income exclude the impact of accrued costs for the payment of incentives under the cash incentive program itself, as well as amortization expense, restructuring charges, non-recurring charges incurred in connection with acquisitions, divestments, capital-raising events, share-based compensation and other non-cash compensation and asset retirement obligations. If performance exceeded the threshold level, a pool would be funded at $2.2 million for target performance and $4.3 million for maximum performance, and each named executive officer would be eligible for a payment based on an allocated portion of this pool based on both a specified percentage of annual base salary and the executive s individual job performance.

Our named executive officers will not receive any payment with respect to this cash incentive award opportunity under the cash incentive program for the second half of fiscal year 2011 because we did not meet the established performance metrics.

**Long-Term Equity Incentives**

In fiscal years 2009 and 2010, we provided our named executive officers, other than our Chairman of the Board, with long-term incentives through the grant of stock options under our equity incentive plans, which we believed provided an appropriate long-term incentive because an executive will receive value under a stock option only in connection with an increase in the price of our common stock, and this directly aligns the executives compensation with increases in stockholder returns. We did not grant any long-term incentives to these executives (other than our Chief Executive Officer as described below) during fiscal year 2011 because we believed their existing stock options provided an adequate long-term incentive for them to remain employed with us and build shareholder value.

We granted our current Chief Executive Officer 110,000 restricted shares of our common stock during fiscal year 2011 as part of his negotiated employment agreement and as an inducement to accept employment as our Chief Executive Officer. Our board of directors approved this restricted stock award on the terms that we had negotiated with our current Chief Executive Officer based on its business judgment that it reflected an appropriate level of long-term incentive to motivate him to accept his position, as well as to retain him and further align his compensation with increases in shareholder value. In making this determination, the board of directors took into consideration that Mr. Bland had previously been granted an option to purchase 60,000 shares of our common stock in fiscal year 2010, as negotiated with him by us in connection with his initial hiring as our Chief Operating Officer. At the time of Mr. Bland s initial hiring in fiscal year 2010, we anticipated that his role would be an interim one, focused on helping us drive targeted operational improvements, and accordingly, his option award called for time-based vesting over a one-year period. The size of Mr. Bland s fiscal year 2011 restricted stock award reflects the fact that his prior stock option award was nearly fully vested when he assumed the role of Chief Executive Officer. Our choice of a restricted stock award for Mr. Bland rather than a stock option award in fiscal year 2011 reflects a general trend in our equity-based award grants toward full value restricted stock awards.

We believe that full value restricted stock awards are a useful tool for compensating our executives, in that they align executives interests with those of our stockholders in a manner similar to an option award, and provide a valuable retention incentive in that they have no associated exercise price. Based on the value of this feature, we require fewer shares to deliver the same amount of retention incentive to a given executive using a restricted stock award than we would using a stock option award. For this reason, we believe that restricted stock awards also reduce the overall potential dilution to our stockholders from our equity-based compensation programs.

**Severance Arrangements**

Because we believe it is in our best interests and the best interests of our stockholders to encourage and reinforce the continued dedication and attention of our senior executives without distraction in circumstances arising from the possibility of an involuntary termination of employment without cause, we have agreed to provide certain of our named executive officers with severance benefits in connection with this type of termination. Our former Chief Executive Officer received severance benefits in connection with his retirement in February 2011. We also agreed to provide our former Chief Executive Officer and our current Chief Operating Officer with certain severance benefits in connection with a change in control. See Potential Payments Upon Termination or Change in Control below for a more detailed discussion of these potential payments.

**Tax Treatment of Compensation**

Section 162(m) of the Code generally disallows a tax deduction to a public corporation for annual compensation in excess of $1 million paid to its principal executive officer and the three other most highly compensated named executive officers (excluding the principal financial officer). Compensation that qualifies as performance-based is excluded for purposes of calculating the amount of compensation subject to the $1 million limit. In addition, in the case of a privately held corporation that becomes a public corporation, the $1 million limit generally does not apply to compensation paid pursuant to a compensation plan or agreement that existed prior to the initial public offering. However, a newly public corporation only may rely on this particular exception until the earliest of the following events: (i) the expiration of the plan or agreement; (ii) a material modification of the plan or agreement (as determined under Section 162(m) of the Code); (iii) the

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issuance of all the employer stock and other compensation allocated under the plan; or (iv) the first meeting of stockholders at which directors are to be elected that occurs after the close of the third calendar year following the year in which the initial public offering occurs.

Because we have been a privately-held corporation, we have not previously taken the deductibility limit under Section 162(m) of the Code into consideration in setting compensation for our executive officers. Under the exception for newly public corporations described above, any equity-based awards granted under our 2012 Omnibus Incentive Plan that we intend to implement following the offering will not be subject to the $1 million limit, provided such awards are made prior to the earliest of the events specified above. While our compensation committee has not adopted a policy regarding tax deductibility of compensation paid to our named executive officers, we expect that our compensation committee will consider tax deductibility under Section 162(m) as a factor in compensation decisions, but may approve compensation that is not deductible if it believes that such payments are appropriate to attract, retain and motivate our executive officers.

**2011 Summary Compensation Table**

The following table provides information regarding the compensation of our named executive officers for the fiscal year ended September 30, 2011. Unless otherwise specified, positions listed below are those currently held by the named executive officers.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) (1) | Option Awards ($) (1) | Non-Equity Incentive Plan Compensation ($) | All Other Compensation ($) (2) | Total ($) |
|---|---|---|---|---|---|---|---|---|
| **Charles Bland (3)** | 2011 | 411,058 | | 888,800 | | 85,200 | 112,390 | 1,497,448 |
| *Chief Executive Officer* | | | | | | | | |
| **Joseph Thomas, Jr. (4)** | 2011 | 161,538 | | | | | 871,004 | 1,032,542 |
| *Former Chief Executive Officer* | 2010 | 420,000 | 45,000 | | | 276,204 | 6,301 | 747,505 |
| **Conrad Gagnon** | 2011 | 270,000 | | | | 76,680 | 7,985 | 354,665 |
| *Chief Financial Officer* | 2010 | 270,000 | 30,000 | | 32,100 | 177,560 | 6,148 | 515,808 |
| **John Ocampo** | 2011 | 300,000 | | | | | 723,773 | 1,023,773 |
| *Chairman* | 2010 | 300,000 | | | | | 722,981 | 1,022,981 |
| **Michael Murphy** | 2011 | 300,000 | | | | 68,164 | 8,058 | 376,222 |
| *Vice President, Engineering* | 2010 | 277,269 | 160,000 | | 73,780 | 157,831 | 6,167 | 675,047 |
| **Robert Donahue (5)** | 2011 | 336,298 | | | | 88,750 | 8,086 | 433,134 |
| *Former Chief Operating Officer* | 2010 | 312,500 | 55,000 | | | 205,509 | 6,249 | 579,258 |

(1) The amounts included under the Stock Awards and Option Awards columns reflect aggregate grant date fair value of the restricted stock awards and option awards to purchase our common stock granted in each respective fiscal year, computed in accordance with FASB ASC Topic 718, excluding the effect of any estimated forfeitures. Assumptions used to calculate these amounts are described in Note 16 to our consolidated financial statements appearing elsewhere in this prospectus.

(2) Consists of the following amounts for each named executive officer for fiscal year 2011:

| Name | Basic Life Insurance Premiums ($) | Company Contributions to 401(k) Plans ($) | Management Service Fee ($) | Relocation Expenses ($) | Severance ($) | Total ($) |
|---|---|---|---|---|---|---|
| Charles Bland | 706 | 7,779 | | 103,905 | | 112,390 |
| Joseph Thomas, Jr. | 412 | 1,837 | | | 868,755** | 871,004 |
| Conrad Gagnon | 635 | 7,350 | | | | 7,985 |
| John Ocampo | 706 | 3,067 | 720,000* | | | 723,773 |
| Michael Murphy | 708 | 7,350 | | | | 8,058 |
| Robert Donahue | 736 | 7,350 | | | | 8,086 |

* Management service fees of $60,000 per month are paid by us to GaAs Labs, which is an affiliate of Mr. Ocampo. See Certain Relationships and Related Person Transactions GaAs Labs Management Fee for more information regarding this arrangement.

** Mr. Thomas retired as our Chief Executive Officer effective February 7, 2011. In connection with Mr. Thomas s retirement, we entered into a separation agreement with Mr. Thomas pursuant to which Mr. Thomas earned the following in fiscal year 2011,

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which are included in the amount reported as Severance in the table above: (i) $420,000 of cash severance payments for 12 months following his resignation, (ii) $16,688 to pay for premiums for continued health and medical benefits and life insurance, (iii) $309,997 for accelerated vesting of 41,666 unvested options to purchase shares of our common stock, (iv) $89,460 for a bonus under our cash incentive program for the first half of fiscal year 2011, and (v) $32,610 for payout of accrued vacation.

(3) Mr. Bland was appointed as our Chief Operating Officer on June 1, 2010 and he was subsequently appointed as our Chief Executive Officer effective February 8, 2011.

(4) Mr. Thomas retired as Chief Executive Officer effective February 7, 2011.

(5) Mr. Donahue resigned from his position as Chief Operating Officer effective December 5, 2011. Mr. Donahue remains employed with us and is on paid leave of absence.

**2011 Grants of Plan-Based Awards Table**

The following table provides information regarding plan-based awards granted to our named executive officers for the fiscal year ended September 30, 2011.

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | **All Other Stock Awards: Number of Shares of Stock or Units (#)** | **All Other Option Awards: Number of Securities Underlying Options (#)** | **Exercise or Base Price of Option Awards ($)** | **Grant Date Fair Value of Stock and Option Awards ($) (1)** |
| **Charles Bland** | | | 193,750 | 387,500 | | | | |
| | 02/08/11 | | | | 110,000 | | | 880,000 |
| **Joseph Thomas, Jr. (2)** | 02/08/11 | | | | | 41,666 | 0.64 | 309,997 |
| **Conrad Gagnon** | | | 135,000 | 270,000 | | | | |
| **John Ocampo** | | | | | | | | |
| **Michael Murphy** | | | 150,000 | 300,000 | | | | |
| **Robert Donahue** | | | 165,623 | 331,250 | | | | |

(1) The amounts included under this column reflect grant date fair value of the restricted stock awards and option awards to purchase our common stock granted during 2011, computed in accordance with FASB ASC Topic 718, excluding the effect of any estimated forfeitures. Assumptions used to calculate these amounts are described in Note 16 to our consolidated financial statements appearing elsewhere in this prospectus.

(2) Represents the amendment of outstanding options to purchase shares of our common stock held by Mr. Thomas pursuant to his separation agreement to accelerate the vesting with respect to 41,666 shares that otherwise would not have vested and would have terminated on his retirement.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table**

Our Chairman of the Board receives an annual base salary and benefits, but does not participate in our cash incentive or long-term equity incentive compensation programs.

Amounts in the Non-Equity Incentive Plan Compensation column of the 2011 Summary Compensation Table represent the cash incentive award earned by each named executive officer under the cash incentive programs in place for fiscal year 2011. Amounts in the Estimated Future

Payouts Under Non-Equity Incentive Plan Awards columns of the 2011 Grants of Plan Based Awards Table represent the cash incentive award opportunity for each named executive officer under the cash incentive programs in place for fiscal year 2011. The amount of each executive s cash incentive award opportunity is based on the executive s annual base salary and cash incentive award opportunity percentage. See Compensation Discussion and Analysis Annual Cash Incentives for a more detailed description of these programs.

Amounts in the Bonus column of the 2011 Summary Compensation Table for fiscal year 2010 for Mr. Murphy consist of a discretionary cash incentive payment of $10,000 paid with respect to our performance during the first quarter of fiscal year 2010 and one-time retention incentive payment in the amount of $150,000 paid

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pursuant to Mr. Murphy s employment agreement with us dated September 28, 2009, which is subject to a claw-back forfeiture restriction that lapses in four equal annual installments on each of the first four anniversary dates of the retention payment subject to Mr. Murphy s continued employment with us.

Amounts in the Bonus column of the 2011 Summary Compensation Table for fiscal year 2010 for Mr. Donahue consist of a discretionary cash incentive payment of $20,000 paid with respect to our performance during the first quarter of fiscal year 2010 and a one-time signing bonus in the amount of $35,000 paid pursuant to Mr. Donahue s employment agreement dated July 16, 2009, which was subject to repayment upon termination of Mr. Donahue s employment with us within 12 months of his start date. In addition, the bonuses for fiscal year 2010 for Messrs. Thomas and Gagnon represent discretionary cash incentive payments paid with respect to our performance during the first quarter of fiscal year 2010.

Amounts in the Stock Awards and Option Awards columns of the 2011 Summary Compensation Table and the All other Stock Awards and All Other Option Awards columns of the 2011 Grants of Plan-Based Awards Table represent stock option and restricted stock awards granted under our 2009 Omnibus Stock Plan.

**2011 Outstanding Equity Awards at Fiscal Year-End Table**

The following table sets forth the outstanding equity awards held by each of our named executive officers at September 30, 2011.

| | | Option Awards | | | | | Stock Awards | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Number of Securities Underlying Unexercised Options (#) Exercisable** | **Number of Securities Underlying Unexercised Options (#) Unexercisable** | **Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)** | **Option Exercise Price ($)** | **Option Expiration Date** | **Number of Shares or Units of Stock That Have Not Vested (#)** | **Market Value of Shares or Units of Stock That Have Not Vested (1) ($)** |
| **Charles Bland** | 7/22/10 | 20,000 | | | 2.00 | 7/22/20 | | |
| | 2/8/11 | | | | | | 110,000(2) | 1,707,200 |
| **Joseph Thomas, Jr.** | | | | | | | | |
| **Conrad Gagnon** | 9/29/09 | 4,208 | 29,028(3) | | 0.64 | 9/29/19 | | |
| | 10/23/09 | | | 75,000(4) | 0.64 | 10/23/19 | | |
| **John Ocampo** | | | | | | | | |
| **Michael Murphy** | 11/10/09 | | 95,000(5) | | 0.64 | 11/10/19 | | |
| | 11/10/09 | | | 50,000(4) | 0.64 | 11/10/19 | | |
| **Robert Donahue** | 9/29/09 | | | 112,500(4) | 0.64 | 9/29/19 | | |
| | 9/29/09 | | | 112,500(4) | 0.64 | 9/29/19 | | |
| | 9/29/09 | 20,000 | 77,500(6) | | 0.64 | 9/29/19 | | |

(1) Amounts based on the fair market value of our common stock of $15.52 per share, which was the fair market value of our common stock as determined by our board of directors as of September 30, 2011. The valuation assumptions used in determining the fair market value of our common stock are described in Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Share-based compensation.

(2) Represents a restricted stock grant which vests as follows: (i) 50,000 shares vest on February 1, 2012, (ii) 15,000 shares vest on May 1, 2012, (iii) 15,000 shares vest on August 1, 2012, (iv) 15,000 shares vest on November 1, 2012 and (v) 15,000 shares vest of February 1, 2013. In each case the vesting is subject to Mr. Bland s continued employment with us on each vesting date.

(3) Represents the unvested portion of options to purchase 150,000 shares of our common stock. One-third (1/3) of the options vested on April 1, 2010 with an additional one thirty-sixth (1/36) of the total options vesting each month thereafter until all options are vested, subject to continued employment with us on

each vesting date.

(4) The options vest based upon achievement of specified financial targets before December 31, 2012.

(5) Represents unvested options to purchase 150,000 shares of our common stock. One-fifth (1/5) of the options vested on November 2, 2010 with an additional one sixtieth (1/60) of the total options vesting each month thereafter until all options are vested, subject to continued employment with us on each vesting date.

(6) Represents the unvested portion of options to purchase 150,000 shares of our common stock. One-fifth (1/5) of the options vested on April 1, 2010 with an additional one sixtieth (1/60) of the options vesting each month thereafter until all options are vested, subject to continued employment with us on each vesting date.

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### 2011 Option Exercises Table

The following table provides information regarding options to purchase our common stock that were exercised by our named executive officers during the fiscal year ended September 30, 2011.

| Name | Option Awards: Number of Shares Acquired on Exercise (#) | Option Awards: Value Realized on Exercise ($)(1) |
|---|---|---|
| **Charles Bland** | 40,000 | 151,800 |
| **Joseph Thomas, Jr.** | 147,222 | 1,063,996 |
| **Conrad Gagnon** | 41,625 | 410,860 |
| **John Ocampo** | | |
| **Michael Murphy** | 55,000 | 411,200 |
| **Robert Donahue** | 10,000 | 58,300 |

(1) Amounts based on the difference between the exercise price of the options and the most recent fair market value of our common stock as determined by our board of directors at the time of exercise. The valuation assumptions used in determining the fair market value of our common stock are described in Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Share-based compensation.

### Pension Benefits

We currently do not (and did not in fiscal year 2011) sponsor any defined benefit pension or other actuarial plan.

### Nonqualified Deferred Compensation

We currently do not (and did not in fiscal year 2011) maintain any nonqualified defined contribution or other deferred compensation plan or arrangement for our named executive officers.

### Potential Payments Upon Termination or Change in Control

Certain of our named executive officers have employment agreements with us that provide for guaranteed payments upon involuntary termination for other than cause (as described in each respective named executive officer s employment agreement) and upon involuntary termination within six months after a change in control. Mr. Ocampo does not have any arrangements with us that provide for payments to him upon his termination or a change of control. A summary of the potential payments that each of our named executive officers, other than our former Chief Executive Officer, would have received upon the occurrence of these events, assuming that each triggering event occurred on September 30, 2011, is set forth below. Mr. Thomas retired as our Chief Executive Officer effective February 7, 2011, and the amounts included for him in the table below represent amounts earned under the separation agreement we entered into with him in connection with his retirement.

| | Involuntary Termination for Other than Cause | | | | | | Involuntary Termination within Six Months Following a Change in Control | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name | Severance | Bonus | Health/Life Insurance Benefits | Vacation Payout | Acceleration of Restricted Stock/Option Awards | Total | Severance | Health Benefits | Acceleration of Stock Options (1) | Total |
| **Charles Bland (2)** | $ | $ | $ | $ | $ 517,313(1) | $ 517,313 | $ | $ | $ | $ |
| **Joseph Thomas, Jr. (3)** | 420,000 | 89,460 | 16,688 | 32,610 | 309,997 | 868,755 | | | | |
| **Conrad Gagnon (4)** | 202,500 | | 14,310 | | | 216,810 | | | | |
| **John Ocampo** | | | | | | | | | | |
| **Michael Murphy (4)** | 150,000 | | 5,941 | | | 155,941 | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Robert Donahue (4)(5)** | 175,000 | 9,105 | 184,105 | 350,000 | 18,209 | 224,218 | 592,427 |

(1) Amounts based on the fair market value of our common stock of $15.52 per share, which was the fair market value of our common stock as determined by our board of directors as of September 30, 2011. The valuation assumptions used in determining the fair market value of our common stock are described in Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Share-based compensation.

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(2) Pursuant to Mr. Bland s employment agreement, upon termination for other than cause prior to February 1, 2012, Mr. Bland will receive acceleration of his restricted award of 4,167 shares per month for each month or partial month that Mr. Bland remains continuously employed with us between February 1, 2011 and the date his employment is terminated.

(3) Mr. Thomas retired as our Chief Executive Officer effective February 7, 2011. The amounts in the table for Mr. Thomas represent amounts earned under the separation agreement we entered into with Mr. Thomas in connection with his retirement. The amount included for Mr. Thomas s accelerated vesting of stock options is calculated based on the difference between the exercise price of the options and the fair market value of our common stock of $8.08 per share, which at the time of Mr. Thomas s retirement was the most recent fair market value of our common stock as determined by our board of directors.

(4) Pursuant to the employment agreements for Messrs. Gagnon, Murphy and Donahue, the payments due to such named executive officer upon an involuntary termination for other than cause would also be due upon such named executive officers resignation for good reason (as defined in each respective named executive officer s employment agreement).

(5) Mr. Donahue resigned from his position as Chief Operating Officer effective December 5, 2011. He remains employed with us and is on a paid leave of absence. In connection with Mr. Donahue s resignation, we amended Mr. Donahue s employment agreement to provide that, if he does not return to active duty with us following his leave of absence and his employment with us is terminated, we will enter into a separation agreement pursuant to which he will be entitled to receive: (i) any accrued and unpaid salary, expense reimbursement and accrued and unused vacation amounts through the termination date; (ii) $195,000 in cash severance payments; (iii) up to $40,000 in medical and related expense reimbursements; and (iv) vesting of 25,000 unvested stock options on the first anniversary of his termination date provided he complies with post-employment restrictive covenants described in the agreement.

## Employee Benefit and Stock Plans

### *Amended and Restated 2009 Omnibus Stock Plan*

Our board of directors originally adopted, and our stockholders approved, the 2009 Omnibus Stock Plan (2009 Plan) on May 26, 2009. The 2009 Plan was amended and restated on September 29, 2009. No additional awards will be granted under the 2009 Plan after completion of this offering. After completion of this offering, outstanding options under the 2009 Plan will continue to be governed by their existing terms and conditions and those of the 2009 Plan.

The principal features of the 2009 Plan are summarized below. This summary is qualified by reference to the text of the 2009 Plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

***Purpose.*** The purpose of the 2009 Plan is to promote the interests of us and our stockholders by providing our employees, officers, directors, consultants, advisors and independent contractors with an opportunity to acquire an equity interest in us and reward them for achieving a high level of performance. In addition, the opportunity to acquire an equity interest in us will aid in attracting and retaining individuals of outstanding ability.

***Administration.*** The compensation committee of our board of directors administers the 2009 Plan (the administrator). Subject to the terms of the 2009 Plan, the administrator has the authority to, among other things, interpret the plan and determine who is granted awards under the 2009 Plan, the types of awards granted and the terms and conditions of the awards, including the number of shares covered by awards, the exercise price of awards and the vesting schedule or other restrictions applicable to awards. In addition, subject to the terms of the 2009 Plan, the administrator is authorized to establish, amend or waive regulations relating to administration of the 2009 Plan. Determinations of the administrator may be made by a majority of the members present at a meeting at which at least a majority of the committee members are present, or by unanimous written approval of all members of the committee. Solely for purposes of determining and administering awards to persons who are not officers as defined under Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended (Exchange Act), the administrator may delegate all or any portion of its authority under the 2009 Plan to one or more persons who are not non-employee directors. Our full board of directors administers the plan with respect to awards to non-employee directors.

***Eligibility.*** Our employees, non-employee directors and certain consultants, advisors or other persons who provide services to us are eligible to receive awards under the 2009 Plan. Incentive stock options may be granted only to our employees.

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***Share Reserve.*** There are 7,500,000 shares of our common stock reserved for issuance under the 2009 Plan. As of February 8, 2012, 186,548 shares subject to restricted stock awards and 2,202,344 shares of our common stock issuable upon the exercise of options had been granted under the 2009 Plan. As of February 8, 2012, options to purchase 2,202,344 shares of our common stock were outstanding at a weighted-average exercise price of $1.28 per share and 3,748,093 shares remained available for future grant under the 2009 Plan. The number of shares of our common stock authorized for issuance under the 2009 Plan is subject to adjustment in the event of a stock split, stock dividend, recapitalization or other change to our capitalization.

***Awards.*** The 2009 Plan allows us to grant stock options, stock appreciation rights (SARs), restricted stock, performance units and other share-based awards. Each award is evidenced by an agreement with the award recipient setting forth the terms and conditions of the award, including, but not limited to, vesting conditions, term of the award and any performance conditions. The administrator at any time may amend the terms of any award previously granted, except that, in general, no amendment may be made that materially impairs the rights of any participant with respect to an outstanding award without the participant s consent.

*Stock Options.* Stock options permit the holder to purchase a specified number of shares of our common stock at a set price. Options granted under the 2009 Plan may be either incentive or nonqualified stock options. Except as set forth in the 2009 Plan, options may not be exercised more than 10 years after the date of grant. The exercise price of options granted under the plan generally may not be less than the fair market value of our common stock on the date of grant. Incentive stock options granted to employees who hold more than 10% of the total combined voting power of all classes of our stock must have an exercise price not less than 110% of the fair market value of our common stock on the date of grant and a maximum term of five years. The administrator will determine the terms and conditions of all options granted under the 2009 Plan, including the exercise price and vesting and exercisability terms.

*SARs.* SARs provide for payment to the holder of all or a portion of the excess of the fair market value of a specified number of shares of our common stock on the date of exercise over a specified exercise price. Payment may be made in cash or shares of our common stock or a combination of both, as determined by the administrator. The administrator will establish the terms and conditions of exercise, including the exercise price, of SARs granted under the 2009 Plan.

*Restricted Stock.* Restricted stock awards are awards of shares of our common stock that are subject to restrictions and conditions determined by the administrator, which may include vesting, forfeiture and other restrictions or conditions. The holder of a restricted stock award will have all rights of a stockholder of our company, including, but not limited to, the right to receive dividends and the right to vote the shares of restricted stock.

*Performance Units.* Performance units provide the holder with the right to receive payment, in cash or shares of our common stock or a combination of both, as determined by the administrator, based upon the achievement of pre-established performance targets. The administrator will establish the terms and conditions of the performance units, including the performance targets to be met and the amount and timing of any payment.

*Other.* The administrator, in its discretion, may grant other share-based awards under the 2009 Plan. The administrator will set the terms and conditions of such awards.

***Termination of Employment or Service.*** Unless otherwise determined by the administrator or provided in an award agreement, upon termination of an award recipient s service with our company, the following terms apply to awards under the 2009 Plan:

If an award recipient s service with us terminates due to such person s death or disability (as defined in Section 22(e)(3) of the Code), (i) unexpired options or SARs that were exercisable immediately prior to the award recipient s death or disability remain exercisable for six months following such person s death or disability, (ii) the award recipient is entitled to payment with respect to performance units based upon the extent to which achievement of performance targets was met at the end of the

performance period, pro-rated for the time in which the person was employed by us prior to such person s death or disability and (iii) all unvested shares of restricted stock immediately terminate and are forfeited to us.

If an award recipient s service with us terminates for any reason other than death or disability, (i) unexpired options or SARs that were exercisable immediately prior to the award recipient s termination of service remain exercisable for 90 days following such person s termination of service with us, (ii) the award recipient is not entitled to payment with respect to any performance units and (iii) all unvested shares of restricted stock immediately terminate and are forfeited to us.

***Fundamental Change; Change in Control.*** Unless otherwise provided in an award agreement, in the event of a fundamental change (as defined in the 2009 Plan), the administrator may, but is not obligated to: (i) if the fundamental change is a merger, consolidation or share exchange, make appropriate provision for the protection of outstanding options and SARs by the assumption or substitution of options, SARs and appropriate voting common stock of the corporation, or parent corporation, surviving the fundamental change or (ii) at least 10 days before the occurrence of the fundamental change, provide written notice to each holder of outstanding options or SARs that each outstanding option or SAR, whether or not exercisable, may be canceled at the time of, or immediately before the occurrence of the fundamental change, in exchange for a cash payment for each option or SAR as set forth in the 2009 Plan.

In the event of a change in control (as defined in the 2009 Plan), the administrator, in its discretion, may provide that any outstanding award will become fully vested and exercisable upon the change in control and may remain exercisable during the remaining term thereof or for such other period as provided in the award agreement or by the administrator. In addition, the administrator may provide that any outstanding award will be assumed or an equivalent award will be substituted by the successor entity or it may cause any outstanding award to terminate effective as of the date of the change in control. The administrator may also provide that any outstanding award will be cancelled as of the effective date of the change in control in exchange for a cash payment. The plan administrator has sole discretion in setting the terms of an award with respect to a change in control and may amend an outstanding award at any time without stockholder approval or consent of the award recipient, even if such change is to the recipient s detriment.

***Amendment and Termination.*** Our board of directors may terminate, suspend or amend the 2009 Plan at any time, but, in general, no termination, suspension or amendment may materially impair the rights of any participant with respect to outstanding awards without the participant s consent. Awards that are outstanding on the termination date of the 2009 Plan will remain in effect in accordance with the terms of the 2009 Plan and the applicable award agreements. Stockholder approval of any amendment of the 2009 Plan will be obtained if required by applicable law or stock exchange rule.

***Expiration Date.*** The 2009 Plan will expire on, and no awards may be granted pursuant to the 2009 Plan after, September 29, 2019. In any event, no additional awards will be granted under the 2009 Plan after completion of this offering.

***2012 Omnibus Incentive Plan***

Our board of directors and stockholders approved our 2012 Omnibus Incentive Plan (2012 Plan) contingent upon the completion of this offering. We intend that the 2012 Plan will become effective upon execution of the underwriting agreement for this offering.

***Purpose.*** The purpose of the 2012 Plan will be to attract, retain and motivate our employees, officers, directors, consultants, agents, advisors and independent contractors by providing them with the opportunity to acquire an equity interest in us and to align their interests and efforts to the long-term interests of our stockholders.

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***Administration.*** Our board of directors or the compensation committee of our board of directors will be authorized to administer the 2012 Plan. Our board of directors may delegate concurrent administration of the 2012 Plan to different committees consisting of one or more members of our board of directors or to one or more officers in accordance with the 2012 Plan s terms. The plan administrator will be authorized to select the individuals to be granted awards, the types of awards to be granted, the number of shares subject to awards, and the other terms, conditions and provisions of such awards. References to the committee below are, as applicable, to our board of directors or the compensation committee, or other committee or officers that may be authorized to administer the 2012 Plan.

***Eligibility.*** Awards may be granted under the 2012 Plan to our employees, officers, directors, consultants, agents, advisors and independent contractors and those of our subsidiaries and other related companies.

***Share Reserve.*** The 2012 Plan will initially authorize the issuance of up to 4.5 million shares of our common stock. In addition, as of the effective date of the 2012 Plan, any shares not issued or subject to existing awards under our 2009 Plan, plus any shares then subject to outstanding awards under our 2009 Plan that subsequently cease to be subject to such awards (other than by reason of exercise or settlement of the awards in vested or nonforfeitable shares), will automatically become available for issuance under the 2012 Plan, up to an aggregate maximum of 6.0 million shares. The number of shares authorized under the 2012 Plan also may be increased on the first day of each fiscal year beginning in fiscal year 2013 by an amount equal to the least of (i) 4% of our outstanding common stock on a fully diluted basis as of the end of our immediately preceding fiscal year, (ii) 1.9 million shares and (iii) a lesser amount determined by our board of directors.

The following shares will be available again for issuance under the 2012 Plan:

- shares subject to awards that lapse, expire, terminate or are canceled prior to the issuance of the underlying shares;

- shares subject to awards that are subsequently forfeited to or otherwise reacquired by us;

- shares withheld by or tendered to us as payment for the purchase price of an award or to satisfy tax withholding obligations related to an award; and

- shares subject to an award that is settled in cash or in another manner where some or all of the shares covered by the award are not issued.

Awards granted on assumption of or in substitution for previously granted awards by an acquired company will not reduce the number of shares authorized for issuance under the 2012 Plan.

If any change in our stock occurs by reason of a stock dividend, stock split, spin-off, recapitalization, merger, consolidation, combination or exchange of shares, distribution to stockholders other than a normal cash dividend or other change in our corporate or capital structure, the committee will make proportional adjustments to the maximum number and kind of securities (i) available for issuance under the 2012 Plan, (ii) issuable as incentive stock options and (iii) subject to any outstanding award, including the per share price of such securities (without any change in the award s aggregate price).

***Awards.*** The 2012 Plan will permit the grant of any or all of the following types of awards:

- *Stock Options.* The committee may grant either incentive stock options, which must comply with Code Section 422, or nonqualified stock options. The exercise price of stock options granted under the 2012 Plan must not be less than 100% of the fair market value of our common stock on the date of grant, except in the case of options granted in connection with assuming or substituting options in acquisition transactions. Unless the committee otherwise determines, fair market value means, as of a given date, the closing price of our common stock. Options have a maximum term of ten years from the date of grant, subject to earlier termination following a participant s termination of employment or service relationship with us.

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*Stock Appreciation Rights (SARs).* The committee may grant SARs as a right in tandem with the number of shares underlying stock options granted under the 2012 Plan or as a freestanding award. Upon exercise, SARs are the right to receive payment per share in stock or cash, or in a combination of stock and cash, equal to the excess of the share s fair market value on the date of exercise over the grant price of the SAR. The grant price of a tandem SAR is equal to the exercise price of the related stock option and the grant price of a freestanding SAR is determined by the committee in accordance with the procedures described above for stock options. Exercise of an SAR issued in tandem with a stock option will reduce the number of shares underlying the related stock option to the extent of the SAR exercised. The term of a stand-alone SAR cannot be more than ten years, and the term of a tandem SAR cannot exceed the term of the related option.

*Stock Awards, Restricted Stock and Stock Units.* The committee may grant awards of shares of common stock, or awards denominated in units of common stock, under the 2012 Plan. These awards may be made subject to repurchase or forfeiture restrictions at the committee s discretion. The restrictions may be based on continuous service with us or the achievement of specified performance criteria, as determined by the committee.

*Performance Awards.* The committee may grant performance awards in the form of performance shares or performance units. Performance shares are units valued by reference to a designated number of shares of common stock, and performance units are units valued by reference to a designated amount of property other than shares of common stock. Both types of awards may be payable in stock, cash or other property, or a combination thereof, upon the attainment of performance criteria and other terms and conditions as established by the committee.

*Other Stock or Cash-Based Awards.* The committee may grant other incentives payable in cash or in shares of common stock, subject to the terms of the 2012 Plan and any other terms and conditions determined by the committee.

***Repricing.*** The 2012 Plan will permit the committee, without stockholder approval, to (i) reduce the exercise or grant price of an option or SAR after it is granted, (ii) cancel an option or SAR at a time when its exercise or grant price exceeds the fair market value of the underlying stock, in exchange for cash, another option or SAR, restricted stock or other equity award or (iii) take any other action that is treated as a repricing under GAAP.

***Change in Control or Liquidation.*** Under the 2012 Plan, unless otherwise provided in the instrument evidencing an award or in a written employment, services or other agreement between a participant and us, the following will apply in the event of a change in control (as will be defined in the 2012 Plan):

Upon certain changes in control, such as specified reorganizations, mergers or consolidations, outstanding awards will become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions will lapse, only if and to the extent the awards are not converted, assumed, substituted for or replaced by a successor company. Except for such specified types of changes of control in which awards are converted, assumed, substituted for or replaced by a successor company, all outstanding awards, other than performance shares, performance units and other performance-based awards, will become fully vested and exercisable and all applicable restrictions or forfeiture provisions will lapse immediately prior to the change in control and the awards (other than stock awards) will terminate at the effective time of the change in control.

Upon a change in control, all performance shares, performance units and other performance-based awards that are earned and outstanding as of the effective date of the change in control for which the payout level has been determined will be payable in full in accordance with the payout schedule for the award.

In the event of certain reorganizations, mergers or consolidations, the committee, in its discretion, may provide that a participant s outstanding awards will be cashed out.

If we dissolve or liquidate, unless the committee determines otherwise, outstanding awards will terminate immediately prior to such dissolution or liquidation.

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***Amendment and Termination.*** Subject to applicable law, regulation or stock exchange rule, our board of directors or the compensation committee will be permitted to amend the 2012 Plan or any outstanding award thereunder, except that, any amendment that requires stockholder approval may only be made by our board of directors and not the compensation committee. Amendment of an outstanding award generally may not materially adversely affect a participant s rights under the award without the participant s consent, subject to certain exceptions to be set forth in the 2012 Plan.

Our board of directors or compensation committee may suspend or terminate all or any portion of the 2012 Plan at any time, but in such event, outstanding awards will remain outstanding in accordance with their existing terms and conditions and the 2012 Plan s terms and conditions. Unless sooner terminated by our board of directors or the compensation committee, the 2012 Plan will terminate ten years from the earlier of (i) the date our board of directors adopts the 2012 Plan and (ii) the date our stockholders approve the 2012 Plan.

In February 2012, our board of directors approved the grant of an aggregate of 355,440 restricted stock units to certain of our employees under the 2012 Plan contingent and effective upon the closing of this offering.

***401(k) Plan***

We maintain a tax-qualified 401(k) retirement plan for all employees who satisfy certain eligibility requirements. Under our 401(k) plan, employees may elect to defer up to 100% of their eligible compensation subject to applicable annual limits set pursuant to the Code. We may provide a discretionary employee matching contribution and discretionary profit sharing contribution under the 401(k) plan. We intend for the 401(k) plan to qualify, depending on the employee s election, under Section 401(a) of the Code so that contributions by employees, and income earned on those contributions, are not taxable to employees until withdrawn from the 401(k) plan.

***2012 Employee Stock Purchase Plan***

Our board of directors and stockholders approved our 2012 Employee Stock Purchase Plan (2012 ESPP) contingent upon completion of this offering. We intend that the 2012 ESPP will become effective upon the effective date of the registration statement of which this prospectus is a part.

***Purpose***. The purpose of the 2012 ESPP is to provide our employees and those of our subsidiaries designated to participate in the 2012 ESPP with an opportunity to purchase shares of our common stock at a discount using payroll deductions. The 2012 ESPP has two portions one portion for employees in the U.S. and one portion for international employees.

The portion of the 2012 ESPP for employees in the U.S. is intended to qualify as an employee stock purchase plan under Section 423 of the Code, though we make no representation of such status or undertaking to maintain such status.

***Administration***. The 2012 ESPP will be administered by the compensation committee of our board of directors or any other committee appointed by our board of directors to administer the 2012 ESPP. The compensation committee or other authorized committee will have the full and exclusive discretionary authority to construe and interpret the 2012 ESPP and the rights granted under it, to establish rules for the administration of the 2012 ESPP, to designate from time to time which of our subsidiaries will be eligible to participate in the 2012 ESPP, and to amend the 2012 ESPP to satisfy applicable laws, to obtain any exemption under such laws or to reduce or eliminate any unfavorable legal, accounting or other consequences. The compensation committee or other authorized committee also may adopt special rules for employees of our international subsidiaries to conform to the particular laws and practices of the countries in which such employees reside. References to the committee below are, as applicable, to our compensation committee or other committee that may be authorized to administer the 2012 ESPP.

***Eligibility***. Generally, all our employees and those of our designated subsidiaries whose customary employment is for more than 20 hours per week will be eligible to participate in the 2012 ESPP. However, any employee who would own or have options to acquire 5% or more of the total combined voting power or value of all classes of our stock or any subsidiary will be excluded from participation in the 2012 ESPP.

***Share Reserve***. The 2012 ESPP will initially authorize the issuance of up to 1.0 million shares of our common stock. In addition, the number of shares authorized under the 2012 ESPP may be increased on the first day of each fiscal year starting in fiscal year 2013 by an amount equal to the least of (a) 1.25% of our outstanding common stock on a fully diluted basis as of the end of our immediately preceding fiscal year, (b) 0.6 million shares and (c) a lesser amount determined by our board of directors. If any purchase right terminates under the 2012 ESPP for any reason without having been exercised, the shares of common stock not purchased under such right will again become available for issuance under the 2012 ESPP. To the extent shares are issued to employees under one portion of the 2012 ESPP, they will no longer be available for issuance under the other portion of the 2012 ESPP.

The 2012 ESPP provides for adjustment of the number of shares of common stock which may be granted under the 2012 ESPP as well as the purchase price per share of common stock and the number of shares of common stock covered by each purchase right as a result of any increase or decrease in the number of shares of common stock resulting from a stock split, reverse stock split, stock dividend, extraordinary cash dividend, combination or reclassification of our common stock, or recapitalization, reorganization, consolidation, split-up, spin-off or any other increase or decrease in the number of shares of our common stock effected without the receipt of consideration by us.

***Purchase of Shares of Common Stock***. Pursuant to procedures that will be established by the committee, eligible employees generally will be able to elect to have a portion of their compensation withheld each pay period to purchase shares of our common stock at the end of pre-established purchase periods. Purchases will be made on the last trading day of the purchase period with such compensation amounts. The first purchase period will begin on the first trading day on or after completion of this offering and all eligible employees will automatically participate in this first purchase period, provided they timely submit an enrollment election to continue participation in the purchase period after we file a Form S-8 registration statement with respect to the issuance of shares under the 2012 ESPP.

On each purchase date (the last trading day of each purchase period), amounts withheld from an employee s compensation during the applicable purchase period will be used to purchase whole shares of our common stock. Unless the committee determines higher percentages, the purchase price for a share of common stock will be the lesser of (a) 85% of the fair market value of a share of common stock on the first trading day of the purchase period and (b) 85% of the fair market value of a share of common stock on the purchase date. Fair market value generally will mean the closing price of our common stock for the applicable day, except that for purposes of the first trading day of the first purchase period under the 2012 ESPP, fair market value will be equal to 100% of the initial public offering price per share of our common stock, before underwriters discounts or commissions.

The Code limits the aggregate fair market value of the shares of common stock (determined as of the beginning of the purchase period) that an employee in the U.S. may purchase under the 2012 ESPP during any calendar year to $25,000. In addition, unless the committee establishes otherwise for a purchase period, a participant may purchase a maximum of 625 shares of our common stock during a single purchase period.

An employee s participation in the 2012 ESPP will end automatically upon the employee s termination of employment with us for any reason. A participant may withdraw from the 2012 ESPP during a purchase period and any amounts withheld during the purchase period will be distributed to the employee. In such event, the employee will not be eligible to recommence withholding of compensation for the purchase of shares of common stock until the following purchase period.

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***Effect of Certain Corporate Events***. In the event of certain corporate transactions, such as a dissolution, liquidation, merger, consolidation, sale of all or substantially all our outstanding voting securities or assets or a similar transaction, the committee may make such adjustment as it deems appropriate in the number, class of or price of shares of common stock available for purchase under the 2012 ESPP and in the number of shares of common stock which an employee is eligible to purchase and any other adjustments it deems appropriate. In the event of any such transaction, the committee may elect to have purchase rights under the 2012 ESPP assumed or substituted by a successor entity, set an earlier purchase date, terminate all outstanding purchase rights either prior to their expiration or upon completion of the purchase of shares of common stock on the next purchase date, or take such other action deemed appropriate by the committee.

***Amendment and Termination***. Our board of directors may amend the 2012 ESPP at any time, provided that such amendment does not cause rights issued under the portion of the 2012 ESPP for U.S. employees to fail to meet the requirements of Section 423 of the Code. Moreover, any amendment for which stockholder approval is required under Section 423 or by any securities exchange on which the shares are traded must be submitted to stockholders for approval. Our board of directors may suspend or terminate the 2012 ESPP at any time. Unless sooner terminated by our board of directors, the 2012 ESPP will terminate on the tenth anniversary of the earlier of the date the board of directors adopts the 2012 ESPP and the date our stockholders approve the 2012 ESPP.

**Limitation on Liability and Indemnification Matters**

The following description references our fourth amended and restated certificate of incorporation and second amended and restated bylaws that will be in effect immediately following the closing of this offering. Our fourth amended and restated certificate of incorporation limits the liability of directors to the fullest extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- any breach of their duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derives an improper personal benefit.

Our fourth amended and restated certificate of incorporation and second amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by law. Our second amended and restated bylaws also permit us to secure insurance on behalf of any officer or director for any liability arising out of his or her actions in connection with their services to us, regardless of whether our bylaws permit such indemnification.

We have also entered into agreements to indemnify our directors and certain of our officers to the maximum extent allowed under Delaware law. These agreements, among other things, provide that we will indemnify our directors for certain expenses (including attorneys fees), judgments, fines and settlement amounts reasonably incurred by such person in any action or proceeding, including any action by or in our right, on account of any services undertaken by such person on our behalf or that person s status as our director.

There is no pending litigation or proceeding involving any of our directors or officers as to which indemnification is required or requested, and we are not aware of any threatened litigation or proceeding that would reasonably be expected to result in a claim for indemnification.

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## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The following is a description of transactions since October 1, 2007, in which we have been a participant, in which the amount involved exceeded or will exceed $120,000, and in which any of our directors, executive officers, beneficial owners of more than 5% of our capital stock, or entities affiliated with them, had or will have a direct or indirect material interest.

**Indemnification of Officers and Directors**

Our fourth amended and restated certificate of incorporation and second amended and restated bylaws that will become effective immediately following the closing of this offering will limit the liability of each of our directors and will provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware law. In addition, we have entered into separate indemnification agreements with each of our directors and certain of our officers. See Executive Compensation Limitation on Liability and Indemnification Matters for a general description of these provisions.

**GaAs Labs Management Fee**

On October 15, 2008, Mimix entered into a management services agreement with GaAs Labs which was amended on December 21, 2010. GaAs Labs is an affiliate of John Ocampo, our Chairman of the Board, and Susan Ocampo, one of our current directors. The agreement provides that in exchange for the provision of financial and strategic advisory and other services to us, we will pay GaAs Labs a management fee of $60,000 per month. In each of the fiscal years ended October 2, 2009, October 1, 2010 and September 30, 2011, we paid GaAs Labs $720,000 under the agreement. In the three months ended December 30, 2011, we paid GaAs Labs $180,000 under the agreement. This agreement will terminate upon the closing of this offering.

**Compensation Arrangements Between Cobham and Certain Named Executive Officers**

In connection with the M/A-COM Acquisition, Cobham agreed to pay a retention bonus to Conrad Gagnon, our Chief Financial Officer, to encourage him to continue employment with us. The initial payment pursuant to this compensation arrangement was made in 2009 in an amount of $74,093 to Mr. Gagnon, which was paid to us by Cobham and distributed to Mr. Gagnon through our payroll. An additional payment of $55,570 was paid to Mr. Gagnon in December 2011. Mr. Gagnon is eligible to receive a final payment of up to $55,570 pursuant to this compensation arrangement payable after November 2012, provided that he remains employed with us through the payment date. The payment may be accelerated in certain circumstances.

**Series A Preferred Stock**

On March 17, 2010, we effected a share exchange transaction with the holders of our outstanding common stock, whereby a portion of the outstanding shares of our common stock held by each such stockholder was exchanged for shares of our Series A-1 convertible preferred stock. A trust controlled by Mr. and Mrs. Ocampo received 94,400,000 shares of Series A-1 convertible preferred stock in this exchange. The Series A-1 convertible preferred stock will convert to common stock upon the closing of this offering.

On May 28, 2010, in connection with the Mimix Merger, we issued 17,500,693 shares of our Series A-2 convertible preferred stock to the preferred stockholders of Mimix in partial consideration for the transaction. An affiliate of Mr. and Mrs. Ocampo, GaAs Labs, was the majority stockholder of Mimix and a holder of its preferred stock, and in that capacity, was issued 10,998,122 shares of our Series A-2 convertible preferred stock in connection with the Mimix Merger. The Series A-2 convertible preferred stock will convert to common stock upon the closing of this offering.

**Sale of Class B Convertible Preferred Stock and Warrants**

On December 21, 2010, we issued and sold 284,746.33 shares of our Class B convertible preferred stock and warrants to purchase 10,677.99 shares of our common stock to Mainsail Partners II, L.P. for an aggregate purchase price of $1.0 million or $14.047592 per share of our Class B convertible preferred stock. We also issued and sold an aggregate of 33,884,813.42 shares of our Class B convertible preferred stock and warrants to purchase 1,270,680.50 shares of our common stock to Summit Partners Private Equity Fund VII-A, L.P., Summit Partners Private Equity Fund VII-B, L.P., Summit Investors I, LLC and Summit Investors I (UK), L.P. for an aggregate purchase price of $119.0 million or $14.047592 per share of our Class B convertible preferred stock. Peter Chung, one of our directors, is a Managing Director of Summit Partners, L.P., which is (i) the managing member of Summit Partners PE VII, LLC, which is the general partner of Summit Partners PE VII, L.P., which is the general partner of Summit Partners Private Equity Fund VII-A, L.P. and Summit Partners Private Equity Fund VII-B, L.P., and (ii) the managing member of Summit Investors Management, LLC, which is the manager of Summit Investors I, LLC, and the general partner of Summit Investors I (UK), L.P. Mr. Chung is also a member of Summit PE VII, LLC and a limited partner of Summit Partners PE VII, L.P. As described in the Principal and Selling Stockholders section, voting and dispositive power over the shares held by the investment funds affiliated with Summit Partners L.P. resides with a two-person investment committee, of which Mr. Chung is not a member. The Class B convertible preferred stock will convert to common stock upon the closing of this offering.

Upon the closing of this offering, we will be required under the terms of our current amended and restated certificate of incorporation to pay to the holders of our Class B convertible preferred stock a preference payment of between $20.0 million and $60.0 million plus all declared but unpaid dividends based on the initial public offering price of our common stock. Assuming an initial public offering price of $18.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, we will be obligated to pay a preference payment relating to this offering to the holders of our Class B convertible preferred stock in the aggregate amount of $60.0 million.

We may pay up to 50% of such preference payment with shares of our common stock. However, we currently intend to pay such preference payment in full in cash out of the net proceeds of this offering. As of December 30, 2011, there were no declared and unpaid dividends that would affect the required payment.

***Warrants***

We issued warrants to purchase an aggregate of 1,281,358.49 shares of our common stock to Mainsail Partners II, L.P. and certain investment funds affiliated with Summit Partners, L.P. The exercise price of the warrants is $14.047592 per share and the warrants are exercisable until the earlier of December 21, 2020 or the consummation of the sale of us or substantially all of our assets. The holder of the warrants may exercise them by (i) paying us cash equal to the aggregate exercise price; (ii) surrendering our equity securities to us with a fair market value equal to the aggregate exercise price; or (iii) instructing us to withhold from issuance upon exercise of the warrant, shares of common stock with a fair market value equal to the aggregate exercise price. The exercise price and number of shares underlying the warrants are subject to adjustment upon certain issuances of common stock for consideration of less than the warrant exercise price, which feature will lapse upon the closing of this offering. The warrants are also subject to adjustment upon stock splits, recapitalization and other similar events. The warrants will remain outstanding following the closing of this offering.

***Second Amended and Restated Investor Rights Agreement***

In connection with the sale of our Class B convertible preferred stock, we entered into an amended and restated investor rights agreement that provides for, among other things, restrictions on share transfers, rights of first refusal in connection with proposed transfers of shares, drag along and co-sale rights in connection with certain sales of shares, preemptive rights for the purchase of new securities and board designation rights. In February 2012, we entered into a second amended and restated investor rights agreement that eliminates the rights and restrictions relating to the share transfers, certain preemptive rights for the purchase of new securities and board designation rights, to be effective upon the closing of this offering.

In addition, pursuant to a Class B preferred rights agreement between us and the holders of our Class B convertible preferred stock, we are subject to certain affirmative and negative covenants that can only be waived by a majority of the holders of our Class B convertible preferred stock, including certain investment funds affiliated with Summit Partners, L.P. The restrictive covenants under this agreement will cease to be effective upon the closing of the offering.

***Registration Rights***

The second amended and restated investor rights agreement provides parties to the agreement rights relating to the registration of the shares of our common stock, including with respect to this offering, held by them and issuable to them upon conversion of our preferred stock and warrants held by them. These securities are referred to as registrable securities.

Specifically, the second amended and restated investor rights agreement provides for (i) up to two demand registration rights, which require us to effect a registration of registrable securities with the SEC upon a written request from the majority of shares held by entities affiliated with the holders of our Class B convertible preferred stock; (ii) unlimited shelf demand registration rights after we are eligible to use a registration statement on Form S-3 upon request from the holders of at least 5% of the outstanding registrable securities; and (iii) piggyback registration rights, which require us to register any registrable securities if we propose to register any of our equity securities for sale to the public (whether for our account or the account of any stockholder).

A registration statement will not count against the two demand registration statements until it has become effective and the holders requesting such registration statement are able to register and sell at least 90% of the registrable securities requested to be included in such registration statement. We are not obligated to effect a demand registration within (i) 180 days after the effectiveness of a Form S-1 registration statement, including the registration statement of which this prospectus is a part; and (ii) 90 days of the effective date of a Form S-3 registration statement initiated by us. Our obligation to effect any shelf demand registration is subject to certain conditions, including that we need not effect more than two shelf registrations within the 12-month period immediately preceding the shelf demand request.

The holders of our Class B convertible preferred stock have not used any of their demand registrations. In connection with any registration effected pursuant to the terms of the second amended and restated investor rights agreement, we will be required to pay for all of the fees and expenses incurred in connection with such registration, including registration fees, filing fees and printing fees. However, the underwriting discounts, commissions and fees payable in respect of registrable securities included in any registration will be paid by the persons including such registrable securities in any such registration. We have also agreed to indemnify the holders of registrable securities against claims, losses, damages and liabilities with respect to each registration effected pursuant to the second amended and restated investor rights agreement subject to limited exceptions.

**Tax Reimbursement**

In January 2012, our board of directors approved the reimbursement of any tax penalties and interest assessed by state and federal tax authorities against persons who were our stockholders during our 2009 tax year based on amended 2009 Forms K-1 we have issued to those individuals. We were a Subchapter S tax filer during our 2009 tax year, meaning that our stockholders in that period were required to report our taxable income or losses for that period on their personal income tax returns on a pass through basis. The amended Forms K-1 reported lower tax losses than were reported on the original Forms K-1 we issued to the stockholders, which in some cases increased the personal tax obligations of those stockholders, resulting in interest and penalties being assessed against the stockholders by relevant tax authorities. Should the reimbursement of the penalties and interest create additional taxable income to the stockholders, our board of directors also agreed to pay an additional amount to the stockholders to cover the additional tax obligations. Our directors Mr. and Mrs. Ocampo owned substantially all of our stock during our 2009 tax year and are entitled to such reimbursement. We anticipate that the aggregate payments we make related to this authorized reimbursement will not exceed $250,000.

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**Ubiquiti Design Services Agreement**

In February 2012, we entered into a design services agreement with Ubiquiti Networks, Inc. (Ubiquiti). Two of our directors, John Ocampo and Peter Chung, are also directors of Ubiquiti, and entities affiliated with Summit Partners L.P., an affiliate of Mr. Chung, collectively own 21.9% of Ubiquiti s common stock. The design services agreement provides that we will provide engineering services to Ubiquiti toward the development of an IC device. The agreement provides that Ubiquiti will pay us up to $500,000 for such engineering services based on milestone achievement, and sets a unit price for potential future production orders of such devices from us by Ubiquiti if a production device results from the development.

**Policies and Procedures for Related Person Transactions**

We do not currently have a formal, written policy or procedure for the review and approval of related person transactions. However, effective at the closing of this offering, our audit committee charter will provide that our audit committee will be required to approve any related person transactions. Our code of conduct and ethics also prohibits our directors and officers from engaging in a conflict of interest transaction without disclosure to and approval from the board of directors or one of its committees.

We intend that all future transactions between us and our directors, executive officers and principal stockholders and their affiliates will be approved in advance by our audit committee. All of the transactions described above were entered into prior to the adoption of our audit committee charter, but each was approved by a majority of our board of directors.

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## PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock at February 8, 2012 for:

- each person who we know beneficially owns more than five percent of our outstanding shares of common stock;
- each of our directors;
- each of our named executive officers;
- all of our directors and executive officers as a group; and
- each of the selling stockholders.

We have determined beneficial ownership in accordance with SEC rules. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of February 8, 2012. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Shares Beneficially Owned Prior to the Offering is based on 39,703,684 shares of common stock outstanding on February 8, 2012, assuming the conversion of all outstanding shares of our preferred stock into shares of our common stock. Beneficial ownership Shares Beneficially Owned After the Offering is calculated based on 39,703,684 shares of common stock outstanding on February 8, 2012, assuming the conversion of all outstanding shares of our preferred stock into shares of our common stock and the full exercise of the underwriters over-allotment option, plus 5,556,000 shares of common stock to be sold by us in this offering.

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Unless otherwise noted, the address of each beneficial owner listed in the table is 100 Chelmsford Street, Lowell, Massachusetts 01851.

| | Shares Beneficially Owned Prior to the Offering | | Shares to be Offered in Over-Allotment | Shares Beneficially Owned After the Offering | |
|---|---|---|---|---|---|
| | Shares | Percentage | | Shares | Percentage |
| *Greater than 5% Stockholders:* | | | | | |
| John Ocampo and affiliates (1) | 26,243,955 | 66.1% | 501,213 | 25,742,742 | 56.9% |
| Summit Partners, L.P. (2) | 9,741,879 | 23.8% | | 9,741,879 | 20.9% |
| *Directors and Named Executive Officers:* | | | | | |
| John Ocampo (1) | 26,243,955 | 66.1% | 501,213 | 25,742,742 | 56.9% |
| Susan Ocampo (1) | 26,243,955 | 66.1% | 501,213 | 25,742,742 | 56.9% |
| Charles Bland (3) | 148,982 | * | | 148,982 | * |
| Conrad Gagnon (4) | 150,000 | * | | 150,000 | * |
| Robert Donahue (5) | 90,000 | * | | 90,000 | * |
| Michael Murphy (6) | 72,500 | * | | 72,500 | * |
| Joseph Thomas, Jr. (7) | 347,221 | * | 25,000 | 322,221 | * |
| Peter Chung | | | | | |
| Gil Van Lunsen | 7,500 | * | | 7,500 | * |
| All directors and executive officers as a group (7 persons) (8) | 26,622,937 | 66.9% | 501,213 | 26,121,724 | 57.6% |
| *Other Selling Stockholders:* | | | | | |
| Teodoro Cangco (9) | 66,666 | * | 40,000 | 26,666 | * |
| Guy Krevet (10) | 125,000 | * | 60,000 | 65,000 | * |
| Gerald Quinnell (11) | 1,275,000 | 3.2% | 127,500 | 1,147,500 | 2.5% |
| Clay Simpson (12) | 194,666 | * | 25,000 | 169,666 | * |
| Kin Tan (13) | 93,749 | * | 54,687 | 39,062 | * |

* Represents beneficial ownership of less than 1%

Assumes the exercise of the underwriters over-allotment option

(1) Represents 23,645,500 shares beneficially owned by various family trusts affiliated with John and Susan Ocampo. Mr. and Mrs. Ocampo are the co-trustees of each of the family trusts and hold voting and dispositive power over the shares held in the family trusts. Also includes 2,598,455 shares beneficially owned by GaAs Labs, LLC, an entity controlled by Mr. and Mrs. Ocampo.

(2) Represents 6,075,480 shares beneficially owned by Summit Partners Private Equity Fund VII-A, L.P., 3,649,030 shares beneficially owned by Summit Partners Private Equity Fund VII-B, L.P., 16,224 shares beneficially owned by Summit Investors I, LLC, and 1,145 shares beneficially owned by Summit Investors I (UK), L.P. Shares beneficially owned also include the following shares issuable upon the exercise of warrants that are currently exercisable: 792,454 shares beneficially owned by Summit Partners Private Equity Fund VII-A, L.P., 475,960 shares beneficially owned by Summit Partners Private Equity Fund VII-B, L.P., 2,116 shares beneficially owned by Summit Investors I, LLC, and 149 shares beneficially owned by Summit Investors I (UK), L.P. Summit Partners, L.P. is (i) the managing member of Summit Partners PE VII, LLC, which is the general partner of Summit Partners PE VII, L.P., which is the general partner of each of Summit Partners Private Equity Fund VII-A, L.P. and Summit Partners Private Equity Fund VII-B, L.P., and (ii) the manager of Summit Investors Management, LLC, which is the managing member of Summit Investors I, LLC, and the general partner of Summit Investors I (UK), L.P. Summit Partners, L.P., through a two-person investment committee currently composed of Bruce R. Evans and Martin J. Mannion, has voting and dispositive authority over the shares held by each of these entities and therefore, Summit Partners, L.P. beneficially owns such shares. The address of each of these entities is 222 Berkeley Street, 18th Floor, Boston, MA 02116. Certain private funds sponsored by Summit Partners, L.P. hold private equity investments in one or more broker-dealers, and as a result Summit Partners, L.P. is an affiliate of a broker-dealer. However, entities affiliated with Summit Partners, L.P. acquired the securities to be sold in this offering in the ordinary course of business for investment for their own account and not as a nominee or agent and, at

the time of that purchase, had no contract, undertaking, agreement, understanding or arrangement, directly or indirectly, with any person to sell, transfer, distribute or grant participations to such person or to any third person with respect to those securities.

(3) Includes 20,000 shares issuable upon the exercise of options that may be exercised within 60 days of February 8, 2012.

(4) Includes 8,333 shares issuable upon the exercise of options that may be exercised within 60 days of February 8, 2012.

(5) Includes 37,500 shares issuable upon the exercise of options that may be exercised within 60 days of February 8, 2012.

(6) Includes 10,000 shares issuable upon the exercise of options that may be exercised within 60 days of February 8, 2012.

(7) Mr. Thomas retired as our Chief Executive Officer effective February 7, 2011.

(8) Includes 75,833 shares issuable to Messrs. Bland, Gagnon, Donahue and Murphy upon the exercise of options that may be exercised within 60 days of February 8, 2012.

(9) Includes 26,666 shares issuable upon the exercise of options that may be exercised within 60 days of February 8, 2012. Mr. Cangco is employed with us as our Director, Operations.

(10) Mr. Krevet is our former Vice President, Special Projects.

(11) Mr. Quinnell is employed with us as our Executive Vice President, Business Development.

(12) Includes 41,666 shares issuable upon the exercise of options that may be exercised within 60 days of February 8, 2012. Mr. Simpson is employed with us as our Vice President and General Counsel.

(13) Includes 39,062 shares issuable upon the exercise of options that may be exercised within 60 days of February 8, 2012. Mr. Tan is employed with us as our Director, Business Support.

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## DESCRIPTION OF CAPITAL STOCK

### General

The following description of our capital stock and provisions of our fourth amended and restated certificate of incorporation and second amended and restated bylaws are summaries and are qualified by reference to our fourth amended and restated certificate of incorporation and second amended and restated bylaws that our board of directors adopted and our stockholders approved effective immediately upon the completion of this offering. You should read carefully our fourth amended and restated certificate of incorporation and second amended and restated bylaws, which are included as exhibits to the registration statement of which this prospectus is a part.

Upon the closing of this offering, our authorized capital stock will consist of 300,000,000 shares of common stock, $0.001 par value per share, and 10,000,000 shares of preferred stock, $0.001 par value per share.

### Common Stock

The holders of common stock are entitled to one vote per share on all matters to be voted on by the common stockholders. The holders of our common stock are not entitled to cumulative voting in the election of our directors. Therefore, holders of a majority of the shares voting for the election of directors can elect all directors. Subject to preferences of any outstanding shares of preferred stock, the holders of common stock are entitled to receive ratably any dividends our board of directors may declare out of funds legally available for the payment of dividends. If we are liquidated, dissolved or wound up, the holders of common stock are entitled to share pro rata in all assets remaining after payment of, or provision for, our liabilities and liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no pre-emptive rights or rights to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and non-assessable, and the shares of common stock to be sold in this offering will be fully paid and non-assessable. As of February 8, 2012 and after giving effect to the conversion of our preferred stock into common stock as if it had occurred as of such date, we would have had 39,703,684 shares of common stock outstanding held by 137 record holders. Upon the closing of this offering, we will have 45,259,684 shares of common stock outstanding, assuming no exercise of outstanding stock options or warrants.

### Preferred Stock

Upon completion of this offering, our outstanding shares of convertible preferred stock will be converted into 37,677,154 shares of our common stock. Thereafter, pursuant to our fourth amended and restated certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock from time to time in one or more series. The board of directors also has the authority to fix the designations, voting powers, preferences, privileges, rights and limitations of any series of preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the common stock. The board of directors, without stockholder approval, can issue preferred stock with voting, conversion or other rights that could adversely affect the voting power and other rights of the holders of common stock. The issuance of preferred stock may decrease the market price of our common stock. We have no plans at this time to issue any preferred stock.

### Warrants

On December 21, 2010, we issued warrants to purchase an aggregate of 1,281,358.49 shares of our common stock at a price of $14.047592 per share to Mainsail Partners II, L.P. and certain investment funds affiliated with Summit Partners, L.P. These warrants will remain outstanding following the closing of this offering.

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**Preemptive Rights**

Under Delaware law, a stockholder is not entitled to pre-emptive rights to subscribe for additional issuances of common stock or any other class of series of common stock or any security convertible into such stock in proportion to the shares that are owned unless there is a provision to the contrary in the certificate of incorporation. Our fourth amended and restated certificate of incorporation does not provide that our stockholders are entitled to pre-emptive rights.

**Registration Rights**

We are party to a second amended and restated investor rights agreement with certain holders of our common and preferred stock, which provides for registration rights. See Certain Relationships and Related Person Transactions Sale of Class B Convertible Preferred Stock and Warrants Registration Rights for a general description of these provisions.

**Anti-Takeover Effects of Certain Provisions of Our Amended and Restated Articles of Incorporation, Amended and Restated Bylaws and Delaware Law**

Provisions of our fourth amended and restated articles of incorporation, our second amended and restated bylaws and Delaware law could have the effect of delaying or preventing a third party from acquiring us, even if the acquisition would benefit our stockholders. These provisions may delay, defer or prevent a tender offer or takeover attempt of our company that a stockholder might consider in the stockholder s best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to reduce our vulnerability to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of our outstanding shares, or an unsolicited proposal for our restructuring or sale of all or part of our business.

**Authorized but Unissued Shares of Common Stock and Preferred Stock**

Our authorized but unissued shares of common stock and preferred stock are available for our board of directors to issue without stockholder approval. As noted above, our board of directors, without stockholder approval, has the authority under our fourth amended and restated certificate of incorporation to issue preferred stock with rights superior to the rights of the holders of common stock. As a result, preferred stock could be issued quickly, could adversely affect the rights of holders of common stock and could be issued with terms calculated to delay or prevent a change of control or make removal of management more difficult. We may use the additional authorized shares of common or preferred stock for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of our authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger or other transaction.

**Classified Board; Election and Removal of Directors**

Our fourth amended and restated certificate of incorporation provides for the division of our board of directors into three classes, as nearly as equal in number as possible, with the directors in each class serving for three-year terms, and one class being elected each year by our stockholders. Our directors can be removed only for cause and, subject to specified exceptions, vacancies on our board of directors may be filled only by the affirmative vote of a majority of the directors then in office. Further, only our board of directors may change the size of our board of directors. Because this system of electing, appointing and removing directors generally makes it more difficult for stockholders to replace a majority of the board of directors, it may discourage a third party from initiating a tender offer or otherwise attempting to gain control of our company, and may maintain the incumbency of our board of directors.

**Stockholder Action; Special Meetings of Stockholders**

Our fourth amended and restated certificate of incorporation provides that after John Ocampo and GaAs Labs, LLC, together with their respective affiliates and successors, collectively own less than 50% of our outstanding common stock, any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of the stockholders may only be taken at an annual or special meeting before which it is properly brought, and not by written consent without a meeting. As a result, John Ocampo and GaAs Labs, LLC, together with their respective affiliates and successors, will be able to act by written consent so long as they collectively own at least 50% of our outstanding common stock. Our fourth amended and restated certificate of incorporation also provides that special meetings of our stockholders may be called only by the majority of our board of directors or by the chairman of the board of directors.

**Advance Notice Requirements for Stockholders Proposals and Director Nominations**

Our second amended and restated bylaws provide that stockholders seeking to bring business before a meeting of stockholders, or to nominate candidates for election as directors at a meeting of stockholders, must provide us with timely written notice of their proposal. Our second amended and restated bylaws also specify requirements as to the form and content of a stockholder s notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

**Amendment to our Certificate of Incorporation and Bylaws**

Our fourth amended and restated certificate of incorporation may generally be amended by a majority of our stockholders, except with respect to provisions regarding our board of directors and stockholder meetings, which may only be amended upon approval of holders of at least 66-2/3% of our outstanding voting stock. Our second amended and restated bylaws may generally be amended by our board of directors or by our stockholders upon approval of holders of at least 66-2/3% of our outstanding voting stock.

**Corporate Opportunities**

Our fourth amended and restated certificate of incorporation provides that we expressly renounce any interest or expectancy in any corporate opportunity and that there shall be no expectation that such corporate opportunity be offered to us or our affiliates, if such opportunity is one that an Institutional Investor (as defined below) has acquired knowledge of or is otherwise pursuing, such that as a result of such renunciation, the corporate opportunity shall belong to such Institutional Investor. The renouncement does not apply to any interest or expectancy we may have in any corporate opportunity that is expressly offered to any of our directors or officers in his or her capacity as a director or officer of us. An Institutional Investor is defined as (i) GaAs Labs, LLC and its affiliated companies, or (ii) Summit Partners, L.P. and its affiliated companies, in each case including each of their respective directors, officers, employees and agents.

**Forum Selection**

Our fourth amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty, (iii) any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our fourth amended and restated certificate of incorporation or our second amended and restated bylaws or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine.

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**Delaware Anti-Takeover Statute**

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. Subject to exceptions, the statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding for purposes of determining the number of shares outstanding, those shares owned by (1) persons who are directors and also officers and (2) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or

- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the interested stockholder.

For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, with an interested stockholder being defined as a person who, together with affiliates and associates, owns, or within three years prior to the date of determination whether the person is an interested stockholder, did own, 15% or more of the corporation s voting stock.

**Transfer Agent and Registrar**

Upon the completion of this offering, the transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company, LLC.

**Listing**

We have applied to have our common stock approved for listing on the Nasdaq Global Select Market under the symbol MTSI.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and although we expect that our common stock will be approved for listing on the Nasdaq Global Select Market, an active public market for our common stock may not develop following this offering. We cannot predict the effect, if any, that market sales by our existing stockholders of shares of common stock, or the availability of shares of common stock for sale, will have on the market price of our common stock prevailing from time to time. Sales by our existing stockholders of substantial amounts of common stock in the public market, or the perception that such sales could occur, could reduce the market price of our common stock and impair our future ability to raise capital through the sale of equity securities.

Upon completion of this offering, based on our shares outstanding as of February 8, 2012, and after giving effect to the conversion of all outstanding shares of our convertible preferred stock into 37,677,154 shares of common stock, we will have 45,259,684 shares of common stock outstanding, assuming no exercise of outstanding warrants and options. Of the outstanding shares, subject to the lock-up agreements described below, all of the shares of common stock sold in this offering will be freely tradable, except that any shares held or acquired by our affiliates, as that term is defined in Rule 144 under the Securities Act of 1933, as amended (Securities Act), will be subject to the volume limitations and other restrictions of Rule 144 described below. The remaining 39,703,684 shares of common stock held by our existing stockholders are restricted securities as defined under Rule 144. Restricted securities may be sold in the public market only if registered under the Securities Act or if they qualify for an exemption from registration, including, among others, the exemptions provided by Rule 144 and Rule 701 under the Securities Act, which are summarized below.

*Rule 144*

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell his or her shares provided that (1) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months before, the sale and (2) we have been subject to and satisfied the Exchange Act periodic reporting requirements for at least 90 days before the sale. If such person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell the shares regardless of whether we have been subject to and satisfied the Exchange Act reporting requirements.

A person who has beneficially owned restricted shares of our common stock for at least six months, but who is one of our affiliates at the time of, or any time during the 90 days before, the sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; and

- the average weekly trading volume of our common stock during the four calendar weeks before the filing of a notice on Form 144 with respect to the sale;

provided that, in each case, we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales by affiliates must also comply with the manner of sale and notice provisions of Rule 144.

*Rule 701*

In general, under Rule 701 under the Securities Act, a person who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been one of our affiliates during the immediately preceding 90 days may sell these shares in reliance upon Rule 144, but without being

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required to comply with the public information requirements or holding period requirements of Rule 144. Rule 701 also permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after we have become subject to the Exchange Act periodic reporting requirements before selling their shares.

As of February 8, 2012, 1,526,530 shares of our outstanding common stock had been issued in reliance on Rule 701 as a result of stock option exercises or restricted stock grants. All of these shares are subject to the contractual lock-up agreements described below or similar market standoff agreements with us.

*Lock-Up Agreements*

We, our directors and officers and holders of substantially all of our equity securities have agreed, subject to certain exceptions, not to offer, sell or transfer any common stock or securities convertible into or exchangeable or exercisable for common stock, other than the shares which the selling stockholders may sell in this offering, for 180 days after the date of this prospectus without first obtaining the written consent of Barclays Capital Inc. and J.P. Morgan Securities LLC, subject to a possible extension beyond the end of such 180-day period as described under Underwriting.

*Registration Rights*

Pursuant to our second amended and restated investor rights agreement, the holders of 39,558,510 shares of our common stock (including shares of our common stock issuable upon the conversion of our outstanding convertible preferred stock immediately prior to the closing of this offering), or their transferees, will be entitled to certain rights with respect to the registration of the offer and sale of those shares under the Securities Act. For a description of these registration rights, see Certain Relationships and Related Person Transactions Sale of Class B Convertible Preferred Stock and Warrants Registration Rights. If the offer and sale of these shares is registered, the shares will be freely tradable without restriction under the Securities Act and a large number of shares may be sold into the public market. If such sale occurs, the market price of our common stock could decline.

*Stock Options and Other Equity Awards*

As of February 8, 2012, options to purchase a total of 2,202,320 shares of common stock pursuant to our 2009 Plan were outstanding, of which options to purchase 774,288 shares were exercisable, and no options were outstanding or exercisable under our 2012 Plan. In February 2012, our board of directors approved the grant of an aggregate of 355,440 restricted stock units to certain of our employees under the 2012 Plan contingent and effective upon the closing of this offering. We intend to file a registration statement on Form S-8 under the Securities Act promptly after the closing of this offering to register shares that may be issued pursuant to our 2012 Plan. The registration statement is expected to become effective immediately upon filing, and shares covered by the registration statement will then become eligible for sale in the public markets, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable lock-up agreements. For a more complete discussion of our equity incentive plans, see Executive Compensation Employee Benefit and Stock Plans.

*Warrants*

We have issued warrants to purchase 1,281,358.49 shares of our common stock at a price of $14.047592 per share to Mainsail Partners II, L.P. and certain investment funds affiliated with Summit Partners, L.P. These warrants will survive the closing of this offering. The shares issuable upon exercise of the warrants will be restricted securities.

**MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS**

The following is a summary of the material U.S. federal income and estate tax consequences to non-U.S. holders (as defined below) of the purchase, ownership and disposition of our common stock. This summary does not purport to be a complete analysis of all the potential tax considerations to non-U.S. holders relating to an investment in our common stock. This summary is based upon the provisions of the Code, U.S. Treasury Regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof, all of which are subject to change, possibly with retroactive effect, which could result in U.S. federal income and estate tax consequences different than those summarized below. We have not sought, nor do we intend to seek a ruling from the Internal Revenue Service (IRS) with respect to the U.S. federal income tax and estate tax consequences described in the following summary, and there can be no assurance that the IRS will agree with any or all of such consequences described herein.

This summary does not address the tax considerations arising under the laws of any state, local non-U.S. or other taxing jurisdiction and is limited to investors who will hold our common stock as a capital asset within the meaning of Section 1221 of the Code. This summary does not address all tax considerations that may be relevant to an investor in light of the investor s particular circumstances nor does it address tax considerations to non-U.S. investors that are subject to special rules, such as:

- banks, insurance companies, or other financial institutions (except to the extent specifically set forth below under Additional Withholding and Information Requirements );
- persons subject to the alternative minimum tax;
- tax-exempt organizations or tax-qualified retirement plans;
- real estate investment trusts or regulated investment companies;
- controlled foreign corporations, passive foreign investment companies and corporations that accumulate earnings to avoid U.S. federal income tax;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than 5% of our capital stock (except to the extent specifically set forth below);
- certain former citizens or long-term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, straddle, conversion transaction, synthetic security, or other integrated or risk reduction transaction; or
- persons deemed to sell our common stock under the constructive sale provisions of the Internal Revenue Code; and

persons that have a functional currency other than the U.S. dollar.

**The following discussion of material U.S. federal income and estate tax consequences to non-U.S. holders is for general information only and it is not intended to be tax advice. You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the purchase, ownership and disposition of our common stock arising under the U.S. federal estate or gift tax rules or under the laws of any state, local, non-U.S. or other taxing jurisdiction or under any applicable tax treaty.**

**Non-U.S. Holder Defined**

For purposes of this discussion, you are a non-U.S. holder if you are a beneficial owner of our common stock that is not treated as a partnership for U.S. federal income tax purposes other than (i) a U.S. citizen or U.S. resident, (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that either is subject to the primary supervision of a court within the United States and has one or more U.S. persons (as defined in the Internal Revenue Code) with authority to control all of its substantial decisions, or has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

In addition, if a partnership (including any entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner (including a person classified as a partner for U.S. federal income tax purposes) generally will depend on the status of the partner and on the activities of the partnership. Accordingly, partnerships that hold our common stock and partners in such partnerships should consult their tax advisors.

A modified definition of Non-U.S. Holder applies for U.S. federal estate tax purposes (as discussed below).

**Distributions on Common Stock**

As discussed under Dividend Policy above, we do not currently anticipate making cash distributions on our common stock. In the event that we do make distributions on our common stock, these distributions generally will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, and may generally be subject to withholding as described below. To the extent these distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your adjusted tax basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock subject to the tax treatment described below in Gain on Sale, Disposition of Common Stock. Any such distribution would also be subject to the discussion below under the section titled Additional Withholding and Information Requirements.

Any dividend paid to you generally will be subject to withholding at a rate of 30% of the gross amount of the dividend, unless you provide us or our agent, as the case may be, with an appropriate IRS Form W-8 prior to the payment of dividends properly certifying qualification for a reduced treaty rate. If you hold our common stock through a financial institution or other agent acting on your behalf, you will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. The certification requirements also may require a you to provide your U.S. taxpayer identification number if you provide an IRS form or claim treaty benefits.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business (and, if an income tax treaty applies, such dividends are attributable to a permanent establishment maintained by you in the U.S.) are exempt from withholding. In order to claim this exemption, you must provide us with an IRS Form W-8ECI (or successor form) properly certifying this exemption. Effectively connected dividends, although not subject to withholding, are taxed at the same graduated U.S. federal income tax rates applicable to U.S. persons, net of certain deductions and credits, subject to an applicable income tax treaty providing otherwise. In addition, if you are a non-U.S. holder treated as a corporation for U.S. federal income tax purposes, dividends you receive that are effectively connected with your conduct of a U.S. trade or business may also be subject to an additional branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

Special certification and other requirements apply to certain non-U.S. holders that are entities rather than individuals.

You are urged to consult your own tax advisor about the specific methods for satisfying the requirements for an exemption from, or a reduced rate of, withholding. A claim for exemption from, or a reduced rate of, withholding will not be valid if the person receiving the applicable form has actual knowledge or reason to know that the statements on the form are false. If you are eligible for a reduced rate of withholding pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. You should consult your tax advisor about your ability to apply for a refund if necessary.

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**Gain on Disposition of Common Stock**

Subject to the discussion below under Additional Withholding and Reporting Requirements, you generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if an income tax treaty applies, the gain is attributable to a permanent establishment maintained by you in the U.S.);
- you are an individual who is present in the U.S. for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs and certain other conditions are met; or
- our common stock constitutes a U.S. real property interest by reason of our status as a United States real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or your holding period for our common stock and certain other requirements are met.

If you are described in the first bullet above, you generally will be subject to U.S. federal income tax with respect to gain derived from the sale on a net income basis in the same manner and at the same graduated U.S. federal income tax rates applicable to U.S. persons, and if you are a non-U.S. holder treated as a corporation for U.S. federal income tax purposes, you may be subject to an additional branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. If you are described in the second bullet above, you generally will be subject to U.S. federal income tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty on the gain derived from the sale and other U.S. source capital gains in excess of U.S. source capital losses during the taxable year of the disposition.

We believe that we are not currently and do not anticipate becoming a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, our common stock will be treated as a U.S. real property interest only if you actually or constructively hold more than 5% of such regularly traded common stock at any time during the applicable period specified in the Internal Revenue Code. However, no assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above.

**Backup Withholding and Information Reporting**

Generally, we must report annually to the IRS the amount of dividends paid to you, your name and address, and the amount of tax withheld, if any, regardless of whether withholding is reduced or eliminated by an applicable tax treaty. A similar report is sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Information reporting and backup withholding will generally apply to the payment of the proceeds of a disposition of shares of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption. Generally, backup, withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected through a non-U.S. office of a U.S. broker or non-U.S. office of a foreign broker. For information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Prospective investors are urged to consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Payments of dividends on or the gross proceeds of disposition of our common stock may be subject to information reporting and backup withholding at a current rate of 28% (which, under current rules, is scheduled to increase to 31% commencing on or after January 1, 2013) unless you establish an exemption, for example by properly certifying your non-U.S. status on a Form W-8BEN or another appropriate version of IRS Form W-8. See also the discussion below under Additional Withholding and Reporting Requirements. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a U.S. person.

Backup withholding is not an additional tax. Any amounts withheld from a payment to you under the backup withholding rules will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information or returns are furnished to the IRS in a timely manner.

**Additional Withholding and Reporting Requirements**

Legislation enacted in March 2010 generally imposes withholding at a rate of 30% on payments to certain foreign entities (including financial institutions, which include hedge funds, private equity funds, mutual funds, securitization vehicles and other investment vehicles regardless of size) of dividends on, and the gross proceeds from a sale or other dispositions of, common stock of U.S. issuers (and certain other types of payments), unless various U.S. information reporting, due diligence and procedural (including in certain cases the entering into an agreement with the IRS) requirements have been timely satisfied. These requirements are different from, and are in addition to, the beneficial owner certification requirements described above. Pursuant to recent guidance from the IRS, this 30% withholding tax would apply to certain payments, including dividends on our common stock, if any, paid on or after January 1, 2014, and to payments of gross proceeds from the sale or other disposition of our common stock paid on or after January 1, 2015. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits for such taxes. The Code requires the IRS to provide for the coordination of this 30% withholding tax with other U.S. federal income withholding provisions, including providing for the proper crediting of amounts deducted and withheld under these rules against amounts required to be deducted and withheld under such other withholding provisions. To date, no such coordinating rules have been implemented.

The IRS s guidance with respect to these rules is only preliminary, and the scope of these rules remains unclear and potentially subject to material changes. You should consult your tax advisor regarding the possible implications of these rules on your investment in our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of this 30% withholding tax.

**Federal Estate Tax**

Our common stock beneficially owned by an individual who is not a citizen or resident of the U.S. (as specially defined for U.S. federal estate tax purposes) at the time of death will be includable in the decedent s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and therefore may be subject to U.S. federal estate tax.

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**UNDERWRITING**

Barclays Capital Inc. and J.P. Morgan Securities LLC are acting as joint book-running managers and as representatives of the underwriters of this offering. Jefferies & Company, Inc. is also acting as a joint book-running manager. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement of which this prospectus is a part, each of the underwriters named below has severally agreed to purchase from us the respective number of shares of common stock shown opposite its name below:

| Underwriters | Number of Shares |
|---|---|
| Barclays Capital Inc. | |
| J.P. Morgan Securities LLC | |
| Jefferies & Company, Inc. | |
| Needham & Company, LLC | |
| Raymond James & Associates, Inc. | |
| Stifel, Nicolaus & Company, Incorporated | |
| Total | 5,556,000 |

The underwriting agreement provides that the underwriters obligation to purchase shares of common stock depends on the satisfaction of the conditions contained in the underwriting agreement including:

- the obligation to purchase all of the shares of common stock offered hereby (other than those shares of common stock covered by their option to purchase additional shares as described below), if any of the shares are purchased;
- the representations and warranties made by us and the selling stockholders to the underwriters are true;
- there is no material change in our business or the financial markets; and
- we deliver customary closing documents to the underwriters.

**Commissions and Expenses**

The following table summarizes the underwriting discounts and commissions we and the selling stockholders, if the underwriters option to purchase additional shares is exercised, will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us and the selling stockholders for the shares.

| | No Exercise | Full Exercise |
|---|---|---|
| Per share | | |
| Total paid by us | | |
| Total paid by the selling stockholders | | |

The representatives of the underwriters have advised us that the underwriters propose to offer the shares of common stock directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per share. After the offering, the representatives may change the offering price and other selling terms. Sales of shares made outside of the U.S. may be made by affiliates of the underwriters.

The expenses of the offering that are payable by us and the selling stockholders, if the underwriters option to purchase additional shares is exercised, are estimated to be $4.2 million (excluding underwriting discounts and commissions).

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**Option to Purchase Additional Shares**

If the underwriters sell more shares than the total number set forth above, the selling stockholders have granted the underwriters an option exercisable for 30 days after the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of 833,400 shares at the public offering price less underwriting discounts and commissions. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter s underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

**Lock-Up Agreements**

We, all of our directors and executive officers and holders of substantially all of our outstanding stock, have agreed that, without the prior written consent of each of Barclays Capital Inc. and J.P. Morgan Securities LLC, we and they will not directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of common stock (including, without limitation, shares of common stock that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the SEC and shares of common stock that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for common stock, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of shares of common stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock or other securities, in cash or otherwise, (3) subject to certain limited exceptions, make any demand for or exercise any right or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any shares of common stock or securities convertible into or exercisable or exchangeable for common stock or any other securities of the company or (4) publicly disclose the intention to do any of the foregoing for a period commencing on the date hereof and ending 180 days after the date of this prospectus in each case subject to certain exceptions set forth in the lock-up agreements.

The 180-day restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs; or

prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or occurrence of material event unless such extension is waived in writing by Barclays Capital and J.P. Morgan Securities LLC.

Barclays Capital Inc. and J.P. Morgan Securities LLC, in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release common stock and other securities from lock-up agreements, Barclays Capital Inc. and J.P. Morgan Securities LLC will consider, among other factors, the holder s reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time.

As described below under Directed Share Program, any participant who had agreed to the lock-up provisions described above or any participant who is our employee, will be subject to a 180-day lock up with respect to any shares sold to them pursuant to that program, with the same restrictions and an identical extension provision as the lock-up agreement described above. Any shares sold in the directed share program to our directors or officers shall be subject to the lock-up agreement described above.

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**Offering Price Determination**

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between the representatives and us. In determining the initial public offering price of our common stock, the representatives will consider:

- the history and prospects for the industry in which we compete;
- our financial information;
- the ability of our management and our business potential and earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

**Indemnification**

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act and liabilities incurred in connection with the directed share program referred to below, and to contribute to payments that the underwriters may be required to make for these liabilities.

**Directed Share Program**

At our request, the underwriters have reserved for sale at the initial public offering price up to 277,800 shares offered hereby for our officers, directors, employees, customers, suppliers, vendors and friends and relatives of our employees. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby. Any participant who had agreed to the lock-up provisions described above, or any participant who is our employee, will be prohibited from selling, pledging or assigning any shares sold to them pursuant to this program for a period of 180 days after the date of this prospectus. This 180-day lock up period shall be extended with respect to our issuance of an earnings release or if a material news or a material event relating to us occurs, in the same manner as described above under Lock-Up Agreements.

**Stabilization, Short Positions and Penalty Bids**

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in

their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq Global Select Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

**Electronic Distribution**

A prospectus in electronic format may be made available on the internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations. Other than the prospectus in electronic format, the information on any underwriter s or selling group member s web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus is a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

**The Nasdaq Global Select Market**

We have applied to list our shares of common stock on the Nasdaq Global Select Market under the symbol MTSI.

**Discretionary Sales**

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares offered by them.

**Stamp Taxes**

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

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**Relationships**

Certain of the underwriters and/or their affiliates have engaged, and may in the future engage, in commercial and investment banking transactions with us in the ordinary course of their business. They have received, and expect to receive, customary compensation and expense reimbursement for these commercial and investment banking transactions.

In September 2011, we entered into a revolving credit facility with JPMorgan Chase Bank, N.A., as lender and administrative agent, and a syndicate of other lenders including affiliates of Barclays Capital Inc., Raymond James & Associates, Inc. and Jefferies & Company, Inc. The revolving credit facility was negotiated on an arms-length basis and contains customary terms pursuant to which the administrative agent and lenders receive customary fees. There are currently no amounts outstanding under the revolving credit facility.

**Selling Restrictions**

***United Kingdom***

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Qualified Investors) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons ). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

***European Economic Area***

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of securities described in this prospectus may not be made to the public in that relevant member state other than:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives; or

- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an offer of securities to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

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We and the selling stockholders have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this prospectus. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of us, the selling stockholders or the underwriters.

***Switzerland***

This document, as well as any other material relating to the shares which are the subject of the offering contemplated by this prospectus, do not constitute an issue prospectus pursuant to Article 652a and/or 1156 of the Swiss Code of Obligations. The shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The shares are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by the issuer from time to time. This document, as well as any other material relating to the shares, is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the issuer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

***Hong Kong***

The common stock may not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the common stock may be issued or may be in the possession of any person for the purpose of the issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the common stock which are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) or any rules made under that Ordinance.

***India***

This prospectus has not been and will not be registered as a prospectus with the Registrar of Companies in India or with the Securities and Exchange Board of India. This prospectus or any other material relating to these securities is for information purposes only and may not be circulated or distributed, directly or indirectly, to the public or any members of the public in India and in any event to not more than 50 persons in India. Further, persons into whose possession this prospectus comes are required to inform themselves about and to observe any such restrictions. Each prospective investor is advised to consult its advisors about the particular consequences to it of an investment in these securities. Each prospective investor is also advised that any investment in these securities by it is subject to the regulations prescribed by the Reserve Bank of India and the Foreign Exchange Management Act and any regulations framed thereunder.

***Japan***

No registration has been made under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (FIEL) in relation to the common stock. The shares of common stock are being offered in a private placement to: (i) qualified institutional investors (*tekikaku-kikan-toshika*) under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the FIEL (the Ministry of Finance Ordinance No. 14, as amended) (QIIs), under Article 2, Paragraph 3, Item 2 i of the FIEL**;** and/or (ii) up to 49 investors under Article 2, Paragraph 3, Item 2 iii of the FIEL. Any QII acquiring the common stock in this offering may not transfer or resell those shares except to other QIIs.

***Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the common stock may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Future Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the common stock is subscribed and purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole whole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the common stock under Section 275 of the SFA except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions, specified in Section 275 of the SFA;

(ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

(iii) where no consideration is or will be given for the transfer; or

(iv) where the transfer is by operation of law.

By accepting this prospectus, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

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## LEGAL MATTERS

Perkins Coie LLP, Denver, Colorado, which has acted as our counsel in connection with this offering, will pass upon the validity of the shares of common stock being offered by this prospectus. The underwriters have been represented by Ropes & Gray LLP, Boston, Massachusetts.

## EXPERTS

Our consolidated financial statements included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing elsewhere in this Registration Statement (which report expresses an unqualified opinion on the consolidated financial statements and includes an explanatory paragraph referring to the common control business combination of Mimix and us). Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The combined consolidated financial statements of M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited for the period from September 26, 2008 through March 30, 2009 included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing elsewhere in this Registration Statement (which report expresses an unqualified opinion on the combined consolidated financial statements and includes explanatory paragraphs referring to affiliations with Cobham and the impact of such affiliation on the results of operations and the sale of M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited to us on March 30, 2009). Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed with the registration statement. For further information about us and the common stock offered by this prospectus, reference is made to the registration statement and the exhibits filed with this prospectus.

Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. When we complete this offering, we will be required to file annual, quarterly and special reports, proxy statements and other information with the SEC. For further information about us and our common stock, you can inspect a copy of the registration statement and the exhibits to the registration statement without charge at the offices of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain copies of all or any part of the registration statement from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549 upon paying the prescribed fees. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements and other information regarding registrants like us that file electronically with the SEC. You can also inspect our registration statement on this website.

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## INDEX TO FINANCIAL STATEMENTS

The accompanying consolidated financial statements give effect to a one-for-four reverse stock split of the common stock of M/A-COM Technology Solutions Holdings, Inc., which will take place prior to the effective date of the registration statement. The following report is in the form which will be furnished by Deloitte & Touche LLP, an independent registered public accounting firm, upon completion of the one-for-four reverse stock split of the common stock of M/A-COM Technology Solutions Holdings, Inc. described in Note 25 to the consolidated financial statements and assuming that from November 23, 2011 to the date of such completion no other material events have occurred that would affect the consolidated financial statements or the required disclosures therein.

*/s/ Deloitte & Touche LLP*

Boston, Massachusetts

February 28, 2012

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

M/A-COM Technology Solutions Holdings, Inc.

Lowell, Massachusetts

We have audited the accompanying consolidated balance sheets of M/A-COM Technology Solutions Holdings, Inc. and subsidiaries (the Company ) as of October 1, 2010 and September 30, 2011, and the related consolidated statements of operations, comprehensive income (loss), stockholders equity (deficit), and cash flows for each of the three fiscal years in the period ended September 30, 2011. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 1, 2010 and September 30, 2011, and the results of their operations and their cash flows for each of the three fiscal years in the period ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company and Mimix Holdings, Inc. ( Mimix ) merged in a common control business combination on May 28, 2010. The accompanying consolidated financial statements have been presented in a manner similar to a pooling-of-interests and includes the results of operations of each entity since March 25, 2009, which was the date of common control and amounts have been retroactively combined using historical amounts. Mimix is deemed to be the predecessor entity and amounts prior to March 25, 2009 relate to Mimix only.

Boston, Massachusetts

November 23, 2011

( , 2012 as to Note 25)

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands)**

| ASSETS | October 1, 2010 | September 30, 2011 | December 30, 2011 (Unaudited) | Pro Forma December 30, 2011 (Unaudited) |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | $ 23,946 | $ 45,668 | $ 33,108 | $ 33,108 |
| Accounts receivable, net | 45,522 | 46,212 | 41,618 | 41,618 |
| Inventories | 45,289 | 52,480 | 52,697 | 52,697 |
| Prepaid expenses and other current assets | 2,969 | 3,574 | 3,512 | 3,512 |
| Deferred income taxes | 2,395 | 8,601 | 8,626 | 8,626 |
| Total current assets | 120,121 | 156,535 | 139,561 | 139,561 |
| Property and equipment, net | 21,106 | 25,364 | 28,558 | 28,558 |
| Goodwill | | 3,990 | 3,990 | 3,990 |
| Intangible assets, net | 20,562 | 22,081 | 21,441 | 21,441 |
| Assets held for sale | 2,840 | | | |
| Other assets | 207 | 3,298 | 4,659 | 4,659 |
| Total assets | $ 164,836 | $ 211,268 | $ 198,209 | $ 198,209 |
| **LIABILITIES AND EQUITY (DEFICIT)** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 17,720 | $ 20,549 | $ 18,999 | $ 18,999 |
| Accrued liabilities | 20,986 | 16,033 | 19,279 | 19,279 |
| Income taxes payable | 2,408 | 2,408 | 885 | 885 |
| Deferred revenue | 12,459 | 13,119 | 9,302 | 9,302 |
| Current portion of contingent consideration | 8,825 | 15,000 | 6,039 | 6,039 |
| Class B preference payment payable | | | | 60,000 |
| Current portion of capital lease obligations | 768 | | | |
| Total current liabilities | 63,166 | 67,109 | 54,504 | 114,504 |
| Capital lease obligations, less current portion | 658 | | | |
| Notes payable, less current portion | 30,000 | | | |
| Contingent consideration, less current portion | 20,475 | 10,502 | 4,632 | 4,632 |
| Common stock warrant liability | | 10,736 | 9,278 | 9,278 |
| Class B conversion liability | | 81,378 | 67,758 | |
| Other long-term liabilities | 2,171 | 1,919 | 1,687 | 1,687 |
| Deferred income taxes | 3,711 | 2,443 | 635 | 635 |
| Total liabilities | 120,181 | 174,087 | 138,494 | 130,736 |

(Continued)

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands)**

| | October 1, 2010 | September 30, 2011 | December 30, 2011 | Pro Forma December 30, 2011 |
|---|---|---|---|---|
| | | | (Unaudited) | |
| Class B redeemable convertible preferred stock | | 75,618 | 77,033 | |
| Series A -1 and A -2 convertible preferred stock | | 106,400 | 106,400 | |
| Commitments and contingencies (Note 11) | | | | |
| Stockholders equity (deficit): | | | | |
| Convertible preferred stock $0.001 par value: | | | | |
| Series A -1, 100,000 shares authorized, issued and outstanding | 100 | | | |
| Series A -2, 17,627 shares authorized; 16,822 shares issued and outstanding | 17 | | | |
| Common stock, 208,921 shares authorized; 999, 1,972, 2,007 (unaudited) and 39,755 (unaudited) shares issued and 999, 1,972, 2,006 (unaudited) and 39,754 (unaudited) shares outstanding as of October 1, 2010, September 30, 2011, December 30, 2011 and December 30, 2011 pro forma, respectively, of which 7, 225, 236 (unaudited) and 236 (unaudited) shares, respectively, are subject to forfeiture | 1 | 2 | 2 | 40 |
| Treasury stock | | | (29) | (29) |
| Accumulated other comprehensive loss | (173) | (181) | (214) | (214) |
| Additional paid-in capital | 70,821 | | | 191,153 |
| Accumulated deficit | (26,111) | (144,658) | (123,477) | (123,477) |
| Total stockholders equity (deficit) | 44,655 | (144,837) | (123,718) | 67,473 |
| Total liabilities and equity (deficit) | $ 164,836 | $ 211,268 | $ 198,209 | $ 198,209 |

See notes to consolidated financial statements. (Concluded)

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands)**

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| Revenue | $ 102,718 | $ 260,297 | $ 310,295 | $ 74,909 | $ 73,035 |
| Cost of revenue | 77,171 | 166,554 | 178,435 | 44,295 | 41,620 |
| Gross profit | 25,547 | 93,743 | 131,860 | 30,614 | 31,415 |
| Operating expenses: | | | | | |
| Research and development | 13,553 | 25,795 | 36,121 | 7,714 | 9,891 |
| Selling, general and administrative | 25,601 | 45,860 | 48,103 | 12,237 | 11,278 |
| Accretion of contingent consideration | 2,800 | 2,000 | 210 | 97 | 169 |
| Restructuring charges | 5,100 | 2,234 | 1,499 | 382 | 1,586 |
| Total operating expenses | 47,054 | 75,889 | 85,933 | 20,430 | 22,924 |
| Income (loss) from operations | (21,507) | 17,854 | 45,927 | 10,184 | 8,491 |
| Other (expense) income: | | | | | |
| Gain on bargain purchase | 27,073 | | | | |
| Accretion of common stock warrant liability | | | (5,080) | | 1,458 |
| Accretion of Class B conversion liability | | | (39,737) | | 13,620 |
| Interest expense | (1,699) | (2,323) | (1,561) | (528) | (181) |
| Total other (expense) income, net | 25,374 | (2,323) | (46,378) | (528) | 14,897 |
| Income (loss) before income taxes | 3,867 | 15,531 | (451) | 9,656 | 23,388 |
| Income tax (provision) benefit | 124 | (8,996) | (1,319) | (1,371) | (1,346) |
| Net income (loss) from continuing operations | 3,991 | 6,535 | (1,770) | 8,285 | 22,042 |
| Net income from discontinued operations | 198 | 494 | 754 | 321 | |
| Net income (loss) | 4,189 | 7,029 | (1,016) | 8,606 | 22,042 |
| Less net income attributable to noncontrolling interest in a subsidiary | 23 | 195 | | | |
| Net income (loss) attributable to controlling interest | 4,166 | 6,834 | (1,016) | 8,606 | 22,042 |
| Accretion to redemption value of redeemable preferred stock and preferred stock dividends | (3,559) | (6,298) | (80,452) | (8,464) | (21,291) |
| Net income (loss) attributable to common stockholders | $ 607 | $ 536 | $ (81,468) | $ 142 | $ 751 |

(Continued)

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except per share data)**

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011** | **December 31, 2010** | **December 30, 2011** |
| | | | | **(Unaudited)** | |
| **Net income (loss) per share:** | | | | | |
| Basic income (loss) per common share: | | | | | |
| Income (loss) from continuing operations | $ 0.04 | $ 0.01 | $ (54.63) | $ (0.16) | $ 0.43 |
| Income from discontinued operations | 0.01 | 0.04 | 0.50 | 0.29 | |
| Net income (loss) | $ 0.05 | $ 0.05 | $ (54.13) | $ 0.13 | $ 0.43 |
| Diluted income (loss) per common share: | | | | | |
| Income (loss) from continuing operations | $ 0.04 | $ | $ (54.63) | $ (0.05) | $ 0.20 |
| Income from discontinued operations | 0.01 | 0.04 | 0.50 | 0.09 | |
| Net income (loss) | $ 0.05 | $ 0.04 | $ (54.13) | $ 0.04 | $ 0.20 |
| Shares used to compute net income (loss) per common share: | | | | | |
| Basic | 13,202 | 11,880 | 1,505 | 1,098 | 1,747 |
| Diluted | 13,342 | 12,586 | 1,505 | 3,683 | 3,753 |
| Pro forma net income per common share (unaudited): | | | | | |
| Basic | | | $ 0.90 | | $ 0.18 |
| Diluted | | | $ 0.85 | | $ 0.18 |
| Shares used to compute pro forma net income per common share (unaudited): | | | | | |
| Basic | | | 42,890 | | 45,051 |
| Diluted | | | 45,313 | | 47,057 |

See notes to consolidated financial statements. (Concluded)

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(In thousands)**

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| Net income (loss) | $ 4,189 | $ 7,029 | $ (1,016) | $ 8,606 | $ 22,042 |
| Foreign currency translation gain (loss) | 36 | (132) | (8) | (36) | (33) |
| Total comprehensive income (loss) | $ 4,225 | $ 6,897 | $ (1,024) | $ 8,570 | $ 22,009 |

See notes to consolidated financial statements.

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)**

**(In thousands, except per share data)**

| | Convertible Preferred Stock, $0.001 Par Value | | | | | | Common Stock | | Treasury Stock Common Stock | | Accumulated Other Comprehensive Loss | Additional Paid-In Capital | Accumulated Deficit | Noncontrolling Interest | Total Stockholders Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Series A | | Series A-1 | | Series A-2 | | $0.001 Par Value | | | | | | | | |
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | | | | |
| **Balance October 1, 2008** | **17,606** | **$ 18** | | **$** | | **$** | **191** | **$** | | | **$ (77)** | **$ 44,292** | **$ (37,111)** | **$** | **$ 7,122** |
| Issuance of common stock and contributions of capital in connection with the acquisition of M/A-COM Tech Business | | | | | | | 25,000 | 25 | | | | 24,975 | | | 25,000 |
| Stock-based and other incentive compensation | | | | | | | | | | | | 868 | | | 868 |
| Foreign currency translation | | | | | | | | | | | 36 | | | | 36 |
| Net income | | | | | | | | | | | | | 4,166 | 23 | 4,189 |
| **Balance October 2, 2009** | **17,606** | **18** | | | | | **25,191** | **25** | | | **(41)** | **70,135** | **(32,945)** | **23** | **37,215** |
| Recapitalization | | | 100,000 | 100 | | | (24,500) | (25) | | | | (75) | | | |
| Reorganization in connection with common control merger | (17,606) | (18) | | | 17,501 | 18 | (195) | | | | | (1,207) | | | (1,207) |
| Issuance of common stock upon exercise of common stock options and other awards | | | | | | | 496 | 1 | | | | 378 | | | 379 |
| Acquisition of noncontrolling interest in a subsidiary | | | | | | | | | | | | (2) | | (218) | (220) |
| Reclaim of escrowed shares and cash in connection with common control merger | | | | | (679) | (1) | | | | | | 47 | | | 46 |
| Stock-based and other incentive compensation | | | | | | | | | | | | 1,545 | | | 1,545 |
| Foreign currency translation | | | | | | | | | | | (132) | | | | (132) |
| Net income | | | | | | | | | | | | | 6,834 | 195 | 7,029 |
| **Balance October 1, 2010** | | | **100,000** | **100** | **16,822** | **17** | **992** | **1** | | | **(173)** | **70,821** | **(26,111)** | | **44,655** |

(Continued)

**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)**

**(In thousands, except per share data)**

| | Convertible Preferred Stock, $0.001 Par Value | | | | | | Common Stock | | Treasury Stock | | Accumulated | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Series A | | Series A-1 | | Series A-2 | | $0.001 Par Value | | Common Stock | | Other Comprehensive | Additional Paid-In | Accumulated | Noncontrolling | Total Stockholders |
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Loss | Capital | Deficit | Interest | Equity (Deficit) |
| **Balance October 1, 2010** | | | **100,000** | **100** | **16,822** | **17** | **992** | **1** | | | **(173)** | **70,821** | **(26,111)** | | **44,655** |
| Reclassification of Class A | | | (100,000) | (100) | (16,822) | (17) | | | | | | (70,821) | (35,462) | | (106,400) |
| Dividends declared | | | | | | | | | | | | | (80,000) | | (80,000) |
| Issuance of common stock upon exercise of stock options | | | | | | | 755 | 1 | | | | 610 | | | 611 |
| Stock-based and other incentive compensation | | | | | | | | | | | | 1,557 | | | 1,557 |
| Accretion of redeemable convertible preferred stock | | | | | | | | | | | | (2,167) | (2,069) | | (4,236) |
| Foreign currency translation | | | | | | | | | | | (8) | | | | (8) |
| Net loss | | | | | | | | | | | | | (1,016) | | (1,016) |
| **Balance September 30, 2011** | | | | | | | **1,747** | **2** | | | **(181)** | | **(144,658)** | | **(144,837)** |
| Issuance of common stock upon exercise of stock options | | | | | | | 24 | | | | | | 21 | | 21 |
| Purchase of treasury stock | | | | | | | | | 2 | (29) | | | | | (29) |
| Stock-based and other incentive compensation | | | | | | | | | | | | | 533 | | 533 |
| Accretion of redeemable convertible preferred stock | | | | | | | | | | | | | (1,415) | | (1,415) |
| Foreign currency translation | | | | | | | | | | | (33) | | | | (33) |
| Net income | | | | | | | | | | | | | 22,042 | | 22,042 |
| **Balance December 30, 2011** | | **$** | | **$** | | **$** | **1,771** | **$ 2** | **2** | **$ (29)** | **$ (214)** | **$** | **$ (123,477)** | **$** | **$ (123,718)** |

See notes to consolidated financial statements. (Concluded)

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net income (loss) | $ 4,189 | $ 7,029 | $ (1,016) | $ 8,606 | $ 22,042 |
| Adjustments to reconcile net income (loss) to net cash from operating activities net of effects from acquisitions: | | | | | |
| Accretion of common stock warrant liability | | | 5,080 | | (1,458) |
| Accretion of Class B conversion liability | | | 39,737 | | (13,620) |
| Gain on bargain purchase | (27,073) | | | | |
| Accretion (settlement) of asset retirement obligations | 136 | 231 | (201) | 37 | 19 |
| Depreciation and amortization | 6,381 | 11,416 | 10,410 | 2,593 | 2,683 |
| Gain on disposition of business, net | | | (329) | | |
| Asset impairment | | 582 | | | |
| Accretion of contingent consideration | 2,800 | 2,000 | 210 | 97 | 169 |
| Noncash interest expense | 191 | | | | |
| Amortization of acquired unfavorable lease | (183) | (282) | (243) | (61) | (61) |
| Deferred income taxes | (386) | 1,245 | (9,073) | | (1,833) |
| Loss on disposal of property and equipment | 717 | 1,331 | 903 | 636 | 3 |
| Stock-based and other noncash incentive compensation | 868 | 1,545 | 1,557 | 249 | 533 |
| Change in operating assets and liabilities (net of assets acquired and liabilities assumed in acquisitions): | | | | | |
| Accounts receivable | (2,725) | (2,277) | (690) | 2,703 | 4,594 |
| Inventories | 4,582 | (2,978) | (7,121) | (7,909) | (217) |
| Prepaid expenses and other assets | (806) | (1,099) | (1,112) | (246) | 35 |
| Accounts payable | 2,096 | 3,205 | 1,547 | 2,779 | (2,479) |
| Accrued and other liabilities | 7,927 | (2,742) | (7,506) | 3,007 | 3,186 |
| Income taxes payable | 133 | 2,143 | | (3,137) | (1,523) |
| Deferred revenue | 11,877 | (614) | 660 | 435 | (3,817) |
| Net cash from operating activities | 10,724 | 20,735 | 32,813 | 9,789 | 8,256 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Acquisitions of businesses net of cash acquired | (21,587) | | (1,807) | | |
| Proceeds from sale of assets | | | 3,042 | | |
| Purchases of property and equipment | (2,615) | (5,884) | (9,781) | (2,802) | (4,503) |
| Net cash from investing activities | (24,202) | (5,884) | (8,546) | (2,802) | (4,503) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Proceeds from capital contributions | 25,000 | | | | |
| Borrowings on revolving credit facility | 8,000 | | | | |
| Payments on revolving credit facility | (2,882) | (5,118) | | | |
| Payments on notes payable | (5,000) | (191) | (30,000) | (30,000) | |
| Payments on capital leases | | (132) | (1,426) | (205) | |
| Financing and offering costs | | | (2,448) | | (1,334) |
| Proceeds from issuance of convertible preferred stock with warrant and conversion features | | | 118,680 | 118,680 | |
| Acquisition of noncontrolling interest in a subsidiary | | (220) | | | |
| Proceeds from stock option exercises | | 367 | 611 | 164 | 21 |
| Payment of contingent consideration | | | (8,825) | (8,825) | (15,000) |
| Payment of dividends | | | (79,137) | | |

| | | | | | |
|---|---|---|---|---|---|
| Payments to Mimix Holdings, Inc. preferred and common stockholders | | (969) | | | |
| Net cash from financing activities | 25,118 | (6,263) | (2,545) | 79,814 | (16,313) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 11,640 | 8,588 | 21,722 | 86,801 | (12,560) |
| CASH AND CASH EQUIVALENTS Beginning of period | 3,718 | 15,358 | 23,946 | 23,946 | 45,668 |
| CASH AND CASH EQUIVALENTS End of period | $ 15,358 | $ 23,946 | $ 45,668 | $ 110,747 | $ 33,108 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | | | | |
| Cash paid for interest | $ 1,451 | $ 2,574 | $ 1,021 | $ 780 | $ |
| Cash paid for income taxes | $ | $ 4,710 | $ 10,269 | $ 4,490 | $ 4,613 |

See notes to consolidated financial statements.

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

**Nature of Business** M/A-COM Technology Solutions Holdings, Inc. ( M/A-COM Holdings ) was incorporated in Delaware on March 25, 2009. M/A-COM Holdings is a provider of high-performance analog semiconductor solutions for use in wireless and wireline applications across the radio frequency ( RF ), microwave and millimeterwave spectrum. Headquartered in Lowell, Massachusetts, M/A-COM Holdings has offices in North America, Europe, Asia and Australia.

**Basis of Presentation** M/A-COM Holdings acquired Mimix Holdings, Inc. ( Mimix ) in connection with a common-control business combination on May 28, 2010 (the Mimix Merger ). Mimix, a supplier of high-performance gallium arsenide semiconductors for RF, microwave, and millimeterwave applications, was acquired by the majority owner of M/A-COM Holdings in June 2008 and is the predecessor and accounting acquirer for financial statement presentation purposes. M/A-COM Holdings and Mimix were controlled by a common majority owner since March 25, 2009, the date M/A-COM Holdings was incorporated to acquire the outstanding stock of M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited (collectively, the M/A-COM Tech Business ). The accompanying consolidated financial statements include the consolidated operations of Mimix for the fiscal years ended October 2, 2009 and October 1, 2010 and the consolidated operations of M/A-COM Holdings for the period from its incorporation on March 25, 2009 to October 2, 2009 and for the fiscal year ended October 1, 2010, on a combined basis until the Mimix Merger. Subsequent to the Mimix Merger, including for the fiscal year ended September 30, 2011, the financial statements are presented on a consolidated basis. The accompanying consolidated financial statements have been presented in a manner similar to a pooling-of-interests, and include the results of operations of each business since the date of common control, March 25, 2009. All periods from March 2009 have been retroactively combined using historical amounts. In addition, Mimix s issued and outstanding shares of preferred and common stock prior to May 28, 2010 have been retroactively adjusted for the purposes of financial presentation to reflect the effects of the Mimix Merger using the exchange ratio established in the Mimix Merger. The accompanying combined consolidated and consolidated financial statements are referred to as consolidated for all periods presented. The combined consolidated operations are referred to herein as those of the Company.

The Company s fiscal year ends on the Friday closest to the last day of September. For fiscal years in which there are 53 weeks, the fourth quarter reporting period includes 14 weeks. Fiscal year 2009 was 53 weeks in length. Fiscal years 2010 and 2011 were 52 weeks in length. Unless otherwise indicated, references in the consolidated financial statements to fiscal years 2009, 2010 and 2011 are to the Company s fiscal years ended October 2, 2009, October 1, 2010 and September 30, 2011, respectively.

**Unaudited Interim Consolidated Financial Statements** The accompanying interim consolidated financial statements for the three months ended December 31, 2010 and as of and for the three months ended December 30, 2011 and the related information contained in the notes to the consolidated financial statements are unaudited. These unaudited interim consolidated financial statements and notes have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company s consolidated financial position as of December 30, 2011 and results of operations and cash flows for the three months ended December 31, 2010 and December 30, 2011. Management has evaluated subsequent events involving the Company for potential recognition or disclosure in the accompanying unaudited consolidated interim financial statements through February 28, 2012.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation/combination.

**Use of Estimates** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities during the reporting periods, the reported amounts of revenue and expenses during the reporting periods, and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, the Company bases estimates and assumptions on historical experience, currently available information and various other factors that management believes to be reasonable under the circumstances. Actual results may differ materially from these estimates and assumptions.

**Discontinued Operations** In the second and third quarters of fiscal year 2011, the Company sold assets of non-core laser diode and ferrite business lines. The Company has reported the assets sold as held for sale in the Company s accompanying consolidated balance sheets for periods prior to the sale of the businesses and has segregated the operating results of the divested businesses from continuing operations for all periods presented.

**Foreign Currency Translation and Remeasurement** The Company s consolidated financial statements are presented in U.S. dollars. While the majority of the Company s foreign operations use the U.S. dollar as the functional currency, the financial statements of the Company s foreign operations for which the functional currency is not the U.S. dollar are translated into U.S. dollars at the exchange rates in effect at the balance sheet dates (for assets and liabilities) and at average exchange rates (for revenue and expenses). The unrealized translation gains and losses on the net investment in these foreign operations are accumulated as a component of other comprehensive income (loss).

The financial statements of the Company s foreign operations where the functional currency is the U.S. dollar, but where the underlying transactions are transacted in a different currency, are remeasured at the exchange rate in effect at the balance sheet date with respect to monetary assets and liabilities. Nonmonetary assets and liabilities, such as inventories and property and equipment, and related statements of operations accounts, such as cost of revenue and depreciation, are remeasured at historical exchange rates. Revenues and expenses, other than cost of revenue, amortization and depreciation, are translated at the average exchange rate for the period in which the transaction occurred. The net gains (losses) on foreign currency remeasurement are reflected in selling, general and administrative expense in the accompanying consolidated statements of operations. The Company s recognized net gains and losses on foreign exchange are included in selling, general and administrative expense for all periods presented were immaterial.

**Cash and Cash Equivalents** Cash and cash equivalents are primarily composed of short-term, highly liquid instruments, which consist primarily of overnight sweep accounts that settle each day and investments with an original maturity of three months or less.

**Accounts Receivable** Accounts receivable are stated net of an allowance for estimated uncollectible accounts, which is determined by establishing reserves for specific accounts and considering historical and estimated probable losses.

**Inventories** Inventories are stated at the lower of cost or market. The Company uses a combination of standard cost and moving weighted-average cost methodologies to determine the cost basis for its inventories, approximating a first-in, first-out basis. The standard cost of finished goods and work-in-process inventory is composed of material, labor and manufacturing overhead, which approximates actual cost. In addition to stating inventory at the lower of cost or market, the Company also evaluates inventory each reporting period for excess quantities and obsolescence, establishing reserves when necessary based upon historical experience, assessment of economic conditions and expected demand. Once recorded, these reserves are considered permanent adjustments to the carrying value of inventory.

**Property and Equipment** Property and equipment are stated at cost, less accumulated depreciation and amortization. Assets held under capital leases are stated at the lesser of the present value of future minimum payments, using the Company s incremental borrowing rate at the inception of the lease, or the fair value of the property at the inception of the lease. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major improvements that significantly extend the useful life of the assets are capitalized as additions to property and equipment.

Property and equipment are depreciated or amortized using the straight-line method over the following estimated useful lives:

| Asset Classification | Estimated Useful Life In Years |
|---|---|
| Machinery and equipment | 2 7 |
| Machinery and equipment under capital leases | 5 7 |
| Computer equipment and software | 2 5 |
| Furniture and fixtures | 7 10 |
| Leasehold improvements | Shorter of useful life or term of lease |

**Goodwill and Intangible Assets** The Company has intangible assets with indefinite and definite lives. Goodwill and the M/A-COM trade name are indefinite-lived assets and were acquired through business combinations. Neither the goodwill nor the M/A-COM trade name are subject to amortization; these are reviewed for impairment annually in August and more frequently if events or changes in circumstances indicate that the assets may be impaired. If impairment exists, a loss would be recorded to write down the value of the indefinite-lived assets to their implied fair values. There have been no impairments of intangible assets in any period presented through September 30, 2011. The Company s other intangible assets, including acquired technology and customer relationships, are definite-lived assets and are subject to amortization. The Company amortizes definite-lived assets over their estimated useful lives, which range from 5 to 10 years, based on the pattern over which the Company expects to receive the economic benefit from these assets.

**Impairment of Long-Lived Assets** Long-lived assets include property and equipment and definite-lived intangible assets subject to amortization, which includes technology and customer relationships. The Company evaluates long-lived assets for recoverability when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Circumstances which could trigger a review include, but are not limited to, significant decreases in the market price of the asset or asset group, significant adverse changes in the business climate or legal factors, the accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset, current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset and a current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its previously estimated useful life.

In evaluating an asset for recoverability, the Company estimates the undiscounted cash flows expected to result from the Company s use and eventual disposition of the asset. If the sum of the expected undiscounted cash flows is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair value of the asset, is recognized. During the fourth quarter of fiscal year 2010, the Company recognized an impairment loss of $582,000 related to property and equipment. This impairment loss is included in discontinued operations in the accompanying consolidated statement of operations for fiscal year 2010. There was no impairment of long-lived assets in any other period presented.

**Revenue Recognition** Revenue from the sale of products is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collectibility is reasonably assured. Provided other revenue recognition criteria are met, product revenue is recognized upon transfer of title and risk of loss, which is generally upon shipment. The Company has distribution agreements that provide distributors with rights to return certain products and price protection on certain products. The Company is unable to estimate the amount of its products that may be returned by such distributors, and the ultimate sales price of products sold to such distributors, until the distributors have sold the products to third-party customers, at which point both the return rights and the price protection feature lapse. Accordingly, the Company defers the recognition of revenue on shipments of returnable and price-protected products until the products are sold by the distributors to third-party customers. The Company defers both the revenue recognition and related cost of revenue on these products by recording the revenue as deferred revenue and the associated cost remains recorded in inventory in the accompanying consolidated balance sheets. When these products are sold to a distributor s customers, the Company recognizes the revenue and associated cost of revenue. As of October 2, 2009, October 1, 2010, September 30, 2011 and December 30, 2011, $6.1 million, $6.3 million, $4.9 million and $3.5 million (unaudited), respectively, of product costs pertaining to deferred revenue was included in inventories as finished goods in the accompanying consolidated balance sheets. Shipping and handling fees billed to customers are recorded as revenue while the related costs are classified as a component of costs of revenue. The Company provides warranties for its products and accrues the estimated costs of warranty claims in the period the related revenue is recorded.

**Advertising Costs** Advertising costs, which are not material, are expensed as incurred.

**Deferred Offering Costs** Deferred offering costs consist primarily of direct incremental professional services fees related to the Company s proposed initial public offering of its common stock. Deferred offering costs of $1.3 million and $2.7 million (unaudited) are included in other assets on the accompanying consolidated balance sheet as of September 30, 2011 and December 30, 2011, respectively. Upon completion of the initial public offering contemplated herein, these amounts will be offset against the proceeds of the offering. If the offering is terminated, the deferred offering costs will be expensed.

**Research and Development Costs** Costs incurred in the research and development of products are expensed as incurred.

**Income Taxes** Deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities, using rates anticipated to be in effect when such temporary differences reverse. A valuation allowance against net deferred tax assets is required if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. Reserves are based on a determination of whether and how much of a tax benefit taken by the Company in its tax filings or positions is more likely than not to be realized following an examination by taxing authorities. The Company recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a more-likely-than-not threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense.

During the period from March 25, 2009 through December 31, 2009, M/A-COM Holdings elected, for U.S. federal income tax purposes, to be taxed under the provisions of Subchapter S of the Internal Revenue Code ( Subchapter S and the Code , respectively). Under such provisions, federal and certain state income taxes were the responsibility of the Company s stockholders, and no provisions for income taxes were recorded in the accompanying consolidated financial statements during this period, except for certain jurisdictions requiring income taxes to be paid by the corporation. Effective January 1, 2010, M/A-COM Holdings elected to terminate its Subchapter S status.

For interim periods, the Company records a tax provision or benefit based upon the estimated effective tax rate expected for the full fiscal year, adjusted for material discrete taxation matters arising during the interim periods.

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**Earnings Per Share** Basic net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the period, excluding the dilutive effect of common stock equivalents. Diluted net income (loss) per share reflects the dilutive effect of common stock equivalents, such as convertible debt, convertible preferred stock, stock options, warrants and restricted stock, using the treasury stock method.

**Asset Retirement Obligations** The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is amortized over the life of the asset.

Changes in the fair value of a liability for an asset retirement obligation due to the passage of time are measured by applying an interest method of allocation. Under this method, changes in fair value due to the passage of time are recognized as an increase in the liability and as accretion expense in the same expense category for which the asset relates. Changes in fair value resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amounts of the liability and associated asset.

**Fair Value Measurements** Financial assets and liabilities are measured at fair value. Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company groups financial assets and liabilities in a three-tier fair value hierarchy, according to the inputs used in measuring fair value as follows: Level 1 observable inputs such as quoted prices in active markets for identical assets and liabilities; Level 2 inputs other than quoted prices in active markets that are observable either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical assets and liabilities in markets that are not active, and model-based valuation techniques for which significant assumptions are observable in active markets; and Level 3 unobservable inputs for which there is little or no market data, requiring the Company to develop its own assumptions for model-based valuation techniques. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures certain financial assets and liabilities at fair value.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to the short-term nature of these assets and liabilities. Management believes that the Company s debt obligations bear interest at rates which approximate prevailing market rates for instruments with similar characteristics, and accordingly, the carrying values for these debt obligations approximate fair value.

**Contingent Consideration** The Company estimates and records at the acquisition date the fair value of contingent consideration making up part of the purchase price consideration for acquisitions. Additionally, at each reporting period, the Company estimates the changes in the fair value of contingent consideration, and any change in fair value is recognized in the consolidated statements of operations. The Company estimates the fair value of the contingent consideration by discounting the associated expected cash flows, using a probability-weighted, discounted cash flow model. The estimate of the fair value of contingent consideration requires subjective assumptions to be made regarding future operating results, discount rates, and probabilities

assigned to various potential operating result scenarios. Future revisions to these assumptions and actual results could materially change the estimated fair value of contingent consideration and, therefore, may materially affect the Company s future financial results.

**Share-Based Compensation** The Company accounts for all share-based compensation arrangements using the fair value method. The Company recognizes compensation expense over the requisite service period of the award, which is generally the vesting period, using the straight-line method and providing that the minimum amount of compensation recorded is equal to the vested portion of the award. The Company records the expense in the consolidated statements of operations in the same manner in which the award recipients costs are classified. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options, inclusive of assumptions for risk-free interest rates, dividends, expected terms, and estimated volatility. The Company records expense related to awards issued to non-employees over the related service period and periodically revalues the awards as they vest. The Company derives the risk-free interest rate assumption from the U.S. Treasury s rates for U.S. Treasury zero-coupon bonds with maturities similar to the expected term of the award being valued. The Company based the assumed dividend yield on its expectation of not paying dividends in the foreseeable future. The Company calculated the weighted-average expected term of the options using the simplified method, which is a method of applying a formula that uses the vesting term and the contractual term to compute the expected term of a stock option. The decision to use the simplified method is based on a lack of relevant historical data, due to the Company s limited operating experience. In addition, due to the Company s limited historical data, the Company incorporates the historical volatility of comparable companies with publicly available share prices to determine estimated volatility. The accounting for stock options requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

**Escrow Arrangements and Outstanding Shares** In connection with the business acquisitions, escrows were established to hold portions of the stock and cash issuable to the former stockholders of the acquired businesses pending the outcome of certain contingencies and general representation matters. The escrows expire between November 2011 and August 2012. The escrow arrangement with the former stockholders of Mimix will terminate upon an initial public offering and any shares or amounts held in escrow, net of any pending indemnification claims, will be released. As of October 1, 2010, September 30, 2011 and December 30, 2011, accrued liabilities in the accompanying consolidated balance sheets include liabilities of $73,000, $1.0 million and $936,000 (unaudited), respectively, which amounts are due to former stockholders of the acquired businesses pursuant to these escrow arrangements.

Outstanding shares of Series A-2 convertible preferred stock as of October 1, 2010 and September 30, 2011 include 1.1 million shares that are subject to forfeiture, pending resolution of an escrow arrangement. In January 2012, the Company and former noncontrolling Mimix stockholders agreed to release 282,681 shares of Series A-2 convertible preferred stock and $19,000 from the escrow to the Company to resolve an indemnification claim. In February 2012, the Company released 252,891 shares of Series A-2 convertible preferred stock and $17,000 from the escrow to the former Mimix stockholders pursuant to the terms of the escrow. Outstanding shares of our common stock as of October 1, 2010, September 30, 2011 and December 30, 2011 presented in the accompanying consolidated statements of stockholders equity (deficit) exclude 7,500, 222,273 and 236,548 (unaudited), respectively, shares of common stock issued as compensation to employees that vest over two to four years, subject to continued employment with the Company.

**Guarantees and Indemnification Obligations** The Company enters into agreements in the ordinary course of business with, among others, customers, distributors, and original equipment manufacturers (OEM). Most of these agreements require the Company to indemnify the other party against third-party claims alleging that a Company product infringes a patent and/or copyright. Certain agreements in which the Company grants limited licenses to specific Company trademarks require the Company to indemnify the other party against third-party claims alleging that the use of the licensed trademark infringes a third-party trademark. Certain of these agreements require the Company to indemnify the other party against certain claims relating to property damage, personal injury, or the acts or omissions of the Company, its employees, agents, or representatives. In addition, from time to time, the Company has made certain guarantees in the form of warranties regarding the performance of Company products to customers.

The Company has agreements with certain vendors, creditors, lessors, and service providers pursuant to which the Company has agreed to indemnify the other party for specified matters, such as acts and omissions of the Company, its employees, agents, or representatives.

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The Company has procurement or license agreements with respect to technology that is used in its products and agreements in which the Company obtains rights to a product from an OEM. Under some of these agreements, the Company has agreed to indemnify the supplier for certain claims that may be brought against such party with respect to the Company s acts or omissions relating to the supplied products or technologies.

The Company s certificate of incorporation and agreements with certain of its and its subsidiaries directors and officers provide them indemnification rights, to the extent legally permissible, against liabilities incurred by them in connection with legal actions in which they may become involved by reason of their service as a director or officer. As a matter of practice, the Company has maintained director and officer liability insurance coverage, including coverage for directors and officers of acquired companies.

The Company has not experienced any losses related to these indemnification obligations in any period presented, and no claims with respect thereto were outstanding as of September 30, 2011. The Company does not expect significant claims related to these indemnification obligations and, consequently, has concluded that the fair value of these obligations is negligible. No liabilities related to indemnification liabilities have been established.

**Recent Accounting Pronouncements** In April 2010, the Financial Accounting Standards Board, (FASB), issued Account Standards Update (ASU) 2010-17, Milestone Method of Revenue Recognition, which amends Accounting Standards Codification (ASC) Topic 605. ASU 2010-17 provides guidance for determining when the milestone method of revenue recognition is appropriate and how this method should be applied, and specifies related disclosure requirements. ASU 2010-17 became effective for the Company on October 1, 2011. The adoption of ASU 2010-17 did not have a material effect on the Company s financial position or results of operations.

In December 2010, the FASB issued ASU 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the FASB s Emerging Issues Task Force). ASU 2010-29 clarifies that when presenting comparative financial statements, an entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only, and expands the related disclosure requirements. ASU 2010-29 became effective for the Company on October 1, 2011, and will be applied to business combinations for which the acquisition date is subsequent to that date. The adoption of ASU 2010-29 did not have a material effect on the Company s financial statements.

In December 2010, the FASB issued ASU 2010-28, Intangibles Goodwill and Other, which amends ASC Topic 350. ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment analysis if it is more likely than not that a goodwill impairment exists based on a qualitative assessment of adverse factors. ASU 2010-28 became effective for the Company on October 1, 2011 and did not have a material effect on the Company s financial statements.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which amends ASC Topic 820. The purpose of ASU 2011-04 is to clarify the intent about the application of existing fair value measurement and disclosure requirements and to change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption of ASU 2011-04 will be effective for the Company in the second quarter of fiscal year 2012 and is not expected to have a material effect on the Company s financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which amends ASC Topic 220, Comprehensive Income. The objective of ASU 2011-05 is to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The update will require entities to present items of net income, items of other comprehensive income and total comprehensive income in one continuous statement or two separate consecutive statements, and entities will no longer be allowed to present items of other comprehensive income in the statement of stockholders equity. The adoption of ASU 2011-05 will be effective for the Company in the first quarter of fiscal year 2013 and is not expected to have a material effect on the Company s financial position or results of operations.

In August 2011, the FASB issued ASU 2011-08, Intangibles Goodwill and Other, which amends ASC Topic 350, Intangibles Goodwill and Other. The purpose of ASU 2011-08 is to simplify how an entity tests goodwill for impairment. Entities will assess qualitative factors to determine whether it is more likely than not that a reporting unit s fair value is less than its carrying value. In instances where the fair value is determined to be less than the carrying value, entities will perform the two-step quantitative goodwill impairment test. ASU 2011-08 became effective for the Company on October 1, 2011 and did not have a material effect on the Company s financial statements.

**Evaluation of Subsequent Events** Management has evaluated subsequent events involving the Company for potential recognition or disclosure in the accompanying audited consolidated financial statements through November 23, 2011. Subsequent events are events or transactions that occurred after the balance sheet date but before the accompanying consolidated financial statements are issued.

**Unaudited Pro Forma Financial Information** The accompanying unaudited pro forma consolidated balance sheet as of December 30, 2011 reflects, upon the closing of the Company s proposed initial public offering (the Offering ), (i) the automatic conversion of all outstanding shares of convertible preferred stock into 37.7 million shares of common stock, and (ii) a payable of $60.0 million to the holders of Class B convertible preferred stock ( Class B ) in connection with the conversion of Class B to common stock.

The unaudited pro forma net income per share for fiscal year 2011 and three months ended December 30, 2011 gives effect to adjustments arising from the Offering. Net income (loss) attributable to common stockholders has been adjusted to give effect to the reversal of the accretion of Class B conversion liability and the accretion to redemption value of redeemable preferred stock and preferred stock dividends as if all outstanding shares of convertible preferred stock, which automatically converts to common stock upon closing of the Offering, has been converted to common stock as of the earliest period presented. The unaudited pro forma weighted average number of shares of common stock outstanding gives effect to (i) the conversion of all outstanding shares of convertible preferred stock into 37.7 million shares of common stock as of the beginning of both periods, and (ii) the assumed issuance of 5.6 million shares of common stock, in both fiscal year 2011 and the three months ended December 30, 2011, sufficient to fund, in a manner similar to a dividend, the settlement of the $60.0 million payment to the holders of Class B in connection with the conversion of the Class B to common stock and the $80.0 million special dividend paid in 2011 (see Note 18), as limited, in aggregate, to the number of shares of common stock being issued in the Offering, all assuming an initial public offering price of $18.00 per share, which is the midpoint of the offering price range.

**3. MERGERS AND ACQUISITIONS**

**Merger Under Common Control** On May 28, 2010, by means of a merger transaction, M/A-COM Holdings acquired Mimix, an entity under common control. To effect the Mimix Merger, M/A-COM Holdings (i) purchased and retired all outstanding shares of Mimix common stock for cash, (ii) settled in-the-money vested Mimix stock options for cash, and (iii) at the election of each individual Mimix preferred stockholder, either issued Series A-2 convertible preferred stock of M/A-COM Holdings or paid cash in exchange for Mimix preferred stock.

On the date of the Mimix Merger, M/A-COM Holdings paid $1.2 million and issued 17.5 million shares of Series A-2 convertible preferred stock in exchange for all of Mimix s outstanding shares of preferred stock and common stock, and settlement of in-the-money vested options to purchase Mimix common stock. At the closing of the Mimix Merger, 10% of such Series A-2 convertible preferred stock and cash consideration was held back by M/A-COM Holdings pursuant to the terms of an escrow arrangement to secure certain indemnification obligations of Mimix. In September 2010, the Company and the former noncontrolling Mimix stockholders agreed to release 678,913 shares of the Series A-2 convertible preferred stock and $46,000 from the escrow to the Company to resolve an indemnification claim. This release has been recorded as of October 1, 2010 in the accompanying consolidated financial statements.

**Acquisition of the M/A-COM Tech Business** On March 30, 2009, M/A-COM Holdings acquired the M/A-COM Tech Business in exchange for $22.1 million in cash, net of purchase price adjustments, the issuance of $35 million in short- and long-term debt payable to the seller, and contingent consideration of up to $30 million payable to the seller through December 31, 2012, with an initial fair value of $24.5 million. The transaction was accounted for as a purchase. The total fair value purchase consideration paid in the acquisition by the Company was $81.6 million. The operations of the M/A-COM Tech Business have been included in the Company s consolidated financial statements since the date of the acquisition. The Company elected to record the acquisition as a purchase of assets for U.S. income tax purposes. The purpose of the acquisition was to obtain a portfolio of high performance analog semiconductor solutions.

The Company recognized all assets acquired and liabilities assumed, inclusive of the contingent consideration, based upon the fair value of such assets and liabilities measured as of March 30, 2009, the date of acquisition. The aggregate purchase price for the M/A-COM Tech Business was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition as follows (in thousands):

| | |
|---|---|
| Assets acquired: | |
| Cash | $ 531 |
| Accounts receivable | 36,591 |
| Inventories | 45,462 |
| Property and equipment | 24,763 |
| Identifiable intangible assets | 24,400 |
| Other assets | 907 |
| Total assets acquired | 132,654 |
| Liabilities assumed: | |
| Accounts payable | 9,913 |
| Accrued liabilities | 5,765 |
| Deferred tax liability | 457 |
| Other liabilities | 7,828 |
| Total liabilities assumed | 23,963 |
| Net assets acquired | $ 108,691 |
| Consideration: | |
| Cash paid at closing | $ 22,118 |
| Seller-financed notes payable | 35,000 |
| Contingent consideration | 24,500 |
| Total consideration | 81,618 |
| Net assets acquired | 108,691 |
| Gain on bargain purchase | $ 27,073 |

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The components of the acquired intangible assets were as follows (in thousands):

| | |
|---|---|
| Technology | $ 10,700 |
| Customer relationships | 10,300 |
| Trade name | 3,400 |
| | $ 24,400 |

A majority of the intangible assets acquired in the transaction will not be deductible for tax purposes. The overall weighted-average life of the identified intangible assets acquired in the acquisition was 8.5 years and the assets are being amortized over their estimated useful lives based upon the pattern over which the Company expects to receive the economic benefit from these assets.

The acquisition of the M/A-COM Tech Business has been accounted for as a bargain purchase resulting in a $27.1 million gain recorded in earnings as reflected in the accompanying consolidated statement of operations for fiscal year 2009.

In connection with the acquisition of the M/A-COM Tech Business, the Company became obligated to pay the seller up to $30.0 million in additional purchase consideration should the Company s revenue from the M/A-COM Tech Business exceed certain thresholds. The amount to be paid to the seller is to be measured based upon the Company s qualifying revenue, as defined in the purchase agreement, during a three-year period commencing October 1, 2009 and ending September 30, 2012. The amount of contingent consideration for any one year in the three-year period may range from as little as zero up to a maximum of $15.0 million. The total cumulative contingent consideration over the entire three-year period may not exceed $30.0 million. The actual amount to be paid will be based upon a formula applied to qualifying revenue. As of March 30, 2009, the fair value of the contingent consideration was determined to be $24.5 million, which assumed the maximum payout of $30.0 million would occur. Payment of the contingent consideration may be accelerated, in full or in part, upon a sale of the business or upon a major disposition of assets, both as defined in the purchase agreement, prior to October 1, 2012. The revenue thresholds for payment of contingent consideration are also subject to adjustment for certain other dispositions of assets prior to October 1, 2012. The Company is required to record the liability at fair value as of each reporting date, with changes in fair value being recorded in earnings.

The Company paid $8.8 million of the contingent consideration in November 2010 as the required payment for the first year of the three-year period and $15.0 million in November 2011 as the required payment for the second year of the three-year period.

The prior owner of the M/A-COM Tech Business entered into incentive compensation arrangements with certain employees of the Company to induce such employees to remain employed by the Company. Certain of these incentive compensation arrangements were entered into prior to the sale of the M/A-COM Tech Business in March 2009 and provided for the employees to perform employment-related services for the Company for a period that expired in September 2009. Other arrangements between the seller and Company employees were entered into in October 2009 and provide an incentive for the employees to continue to perform employment-related services to the Company for an additional period of three years, coinciding with the aforementioned contingent purchase price payment period. Because the Company has and will continue to receive benefits from the employment services of the related employees, the incentive compensation is recorded in the Company s financial statements as non-cash incentive compensation expense in the consolidated statements of operations, with the offsetting amount recorded as a capital contribution through an increase in additional paid-in capital. For fiscal years 2009, 2010 and 2011, the Company has expensed $629,000, $360,000, and $277,000, respectively, pursuant to the terms of the incentive compensation arrangements. As of October 1, 2010 and September 30, 2011, $360,000 and $637,000, respectively, of the amount expensed is subject to adjustment should either the employees not remain employed or the incentive goals not be achieved on the measurement dates. As of September 30, 2011, there was $127,000 of unrecorded compensation that, if realized, would be expensed by the Company in fiscal year 2012.

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**Acquisition of Optomai, Inc.** On April 25, 2011, the Company acquired Optomai, Inc. ( Optomai ), a developer of integrated circuits and modules for fiber optic networks located in Sunnyvale, California, in exchange for $1.8 million in cash and contingent consideration of up to $16 million payable to the sellers through May 2013, and the assumption of $260,000 of liabilities. The transaction was accounted for as a purchase. The total fair value of purchase consideration paid in the acquisition by the Company was $6.6 million. The operations of Optomai have been included in the Company s consolidated financial statements since the date of acquisition. The operations of Optomai were not material and had the business combination occurred as of the earliest period presented, the Company s revenue and earnings would not have been materially different. The Company acquired Optomai to accelerate its entrance into the fiber optics market.

The acquisition of the Optomai business was originally accounted for as a nontaxable business combination. As a result of the approval of a change in the tax status of the entity prior to acquisition and the election to treat the business combination as a taxable asset purchase during the three months ended December 30, 2011, the acquired assets received a tax basis equal to fair market value, up to the amount of the purchase consideration. As a result, the difference between book and tax basis was eliminated. The adjustment to the related deferred tax liability resulted in a tax benefit of approximately $1.7 million, which was recorded during the three months ended December 30, 2011.

The Company recognized all assets acquired and liabilities assumed, inclusive of the contingent consideration, based upon the fair value of such assets and liabilities measured as of the date of acquisition. The aggregate purchase price for Optomai was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition as follows (in thousands):

| | |
|---|---|
| Assets acquired: | |
| Property and equipment | $ 238 |
| Other assets | 79 |
| Identifiable intangible assets | 4,176 |
| Total assets acquired | 4,493 |
| Liabilities assumed: | |
| Deferred tax liability | 1,599 |
| Other liabilities | 260 |
| Total liabilities assumed | 1,859 |
| Net assets acquired | $ 2,634 |
| Consideration: | |
| Cash paid at closing | $ 1,807 |
| Contingent consideration | 4,817 |
| Total consideration | 6,624 |
| Net assets acquired | 2,634 |
| Goodwill | $ 3,990 |

The components of the acquired intangible assets were as follows (in thousands):

| | |
|---|---|
| Technology | $ 2,565 |
| Customer relationships | 1,611 |
| | $ 4,176 |

The overall weighted-average life of the identified intangible assets acquired in the acquisition was seven years and the assets are being amortized over their estimated useful lives based upon the pattern over which the Company expects to receive the economic benefit from these assets.

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In connection with the acquisition of Optomai, the Company became obligated to pay the seller up to $16.0 million in additional purchase consideration should the acquired business revenue and product development exceed certain thresholds. The amount to be paid to the seller is to be measured based upon the revenue, contribution margin and product development of the acquired business during a two-year period commencing upon acquisition and ending March 29, 2013, with amounts payable in May 2012 and May 2013. The amount of contingent consideration for any one year in the two-year period may range from as little as zero to a maximum of $1.0 million in the first year and $16.0 million in the second year, less any payments in the first fiscal year. As of April 25, 2011, the fair value of the contingent consideration was determined to be $4.8 million. The Company is required to record the liability at fair value as of each reporting date, with changes in fair value being recorded in earnings.

The changes in fair value of contingent consideration resulting from acquisitions of the M/A-COM Tech Business and Optomai are set below (in thousands):

| | |
|---|---|
| Balance October 1, 2008 | $ |
| Acquisition of M/A-COM Tech Business | 24,500 |
| Change in fair value | 2,800 |
| Balance October 2, 2009 | 27,300 |
| Change in fair value | 2,000 |
| Balance October 1, 2010 | 29,300 |
| Acquisition of Optomai | 4,817 |
| Payment | (8,825) |
| Change in fair value | 210 |
| Balance September 30, 2011 | 25,502 |
| Payment (unaudited) | (15,000) |
| Change in fair value (unaudited) | 169 |
| Balance December 30, 2011 (unaudited) | 10,671 |
| Current portion (unaudited) | 6,039 |
| Long-term portion (unaudited) | $ 4,632 |

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**4. FINANCIAL INSTRUMENTS**

Financial liabilities measured at fair value on a recurring basis consist of the following (in thousands):

| | October 1, 2010 | | | |
|---|---|---|---|---|
| | Fair Value | Active Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| Contingent consideration | $ 29,300 | $ | $ | $ 29,300 |

| | September 30, 2011 | | | |
|---|---|---|---|---|
| | Fair Value | Active Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| Contingent consideration | $ 25,502 | $ | $ | $ 25,502 |
| Common stock warrant liability | $ 10,736 | $ | $ | $ 10,736 |
| Class B conversion liability | $ 81,378 | $ | $ | $ 81,378 |

| | December 30, 2011 (Unaudited) | | | |
|---|---|---|---|---|
| | Fair Value | Active Markets for Identical Assets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| Contingent consideration | $ 10,671 | $ | $ | $ 10,671 |
| Common stock warrant liability | $ 9,278 | $ | $ | $ 9,278 |
| Class B conversion liability | $ 67,758 | $ | $ | $ 67,758 |

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The changes in financial liabilities with inputs classified within Level 3 of the fair value hierarchy consist of the following (in thousands):

| | Fiscal Year 2009 | | | | | |
|---|---|---|---|---|---|---|
| | October 1, 2008 | Net Realized/Unrealized Losses (Gains) Included in Earnings | Purchases and Issuances | Sales and Settlements | Transfers in and/or (out) of Level 3 | October 2, 2009 |
| Contingent consideration | $ | $ 2,800 | $ 24,500 | $ | $ | $ 27,300 |

| | Fiscal Year 2010 | | | | | |
|---|---|---|---|---|---|---|
| | October 2, 2009 | Net Realized/Unrealized Losses (Gains) Included in Earnings | Purchases and Issuances | Sales and Settlements | Transfers in and/or (out) of Level 3 | October 1, 2010 |
| Contingent consideration | $ 27,300 | $ 2,000 | $ | $ | $ | $ 29,300 |

| | Fiscal Year 2011 | | | | | |
|---|---|---|---|---|---|---|
| | October 1, 2010 | Net Realized/Unrealized Losses (Gains) Included in Earnings | Purchases and Issuances | Sales and Settlements | Transfers in and/or (out) of Level 3 | September 30, 2011 |
| Contingent consideration | $ 29,300 | $ 210 | $ 4,817 | $ (8,825) | $ | $ 25,502 |
| Common stock warrant | $ | $ 5,080 | $ 5,656 | $ | $ | $ 10,736 |
| Class B conversion liability | $ | $ 39,737 | $ 41,641 | $ | $ | $ 81,378 |

| | Three Months Ended December 31, 2010 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | October 1, 2010 | Net Realized/Unrealized Losses (Gains) Included in Earnings | Purchases and Issuances | Sales and Settlements | Transfers in and/or (out) of Level 3 | December 31, 2010 |
| Contingent consideration | $ 29,300 | $ 97 | $ | $ (8,825) | $ | $ 20,572 |
| Common stock warrant | $ | $ | $ 5,657 | $ | $ | $ 5,657 |
| Class B conversion liability | $ | $ | $ 41,641 | $ | $ | $ 41,641 |

| | Three Months Ended December 30, 2011 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2011 | Net Realized/Unrealized Losses (Gains) Included in Earnings | Purchases and Issuances | Sales and Settlements | Transfers in and/or (out) of Level 3 | December 30, 2011 |
| Contingent consideration | $ 25,502 | $ 169 | $ | $ (15,000) | $ | $ 10,671 |
| Common stock warrant | $ 10,736 | $ (1,458) | $ | $ | $ | $ 9,278 |
| Class B conversion liability | $ 81,378 | $ (13,620) | $ | $ | $ | $ 67,758 |

The fair values of the contingent consideration liabilities were estimated based upon a risk-adjusted present value of the probability-weighted expected payments by the Company. Specifically, the Company considered base, upside and downside scenarios for the operating metrics upon which the contingent payments are to be based. Probabilities were assigned to each scenario and the probability-weighted payments were discounted to present value using risk-adjusted discount rates.

The fair value of the common stock warrants was estimated based upon a present value of the probability-weighted expected investment returns to the holders. The Company weighted various scenarios of possible investment returns to the holders over the terms of the contracts, such as upon a sale of the Company and upon an

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initial public offering of its common stock, using a range of potential outcomes. Using the scenarios developed, management considered the likely timing and method of exercise of the warrants and investment returns to the holders. Where a settlement was considered likely in the near term, the probable settlement amounts were weighted. Where the time to exercise was expected to be longer, a Black-Scholes option pricing model was used to estimate the fair value of the warrants, giving consideration to remaining contractual life, expected volatility and risk free rates. The probability-weighted expected settlement of the warrant was discounted to the present using a risk adjusted discount rate.

The fair values of the Class B conversion liabilities were estimated based upon a consideration of the estimated fair value of the underlying common stock into which the Class B is convertible, and the expected preferential payments pursuant to the terms of the securities. The Company estimated the fair value of the common stock by using the same probability-weighted scenarios in estimating the fair value of the warrants. For each potential scenario, the value to the Class B was estimated relative to the existing preferences. The amount in excess of the liquidation preferences, if any, was then probability-weighted and discounted to the present using a risk adjusted discount rate.

These estimates include significant judgments about potential future liquidity events and actual results could materially differ and have a material impact upon the values of the recorded liabilities. Any changes in the estimated fair values of the liabilities in the future will be reflected in the Company s earnings and such changes could be material.

**5. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The activity in the allowance for doubtful accounts related to accounts receivable is as follows (in thousands):

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| Balance beginning of period | $ | $ 597 | $ 891 | $ 891 | $ 657 |
| Provision (recoveries), net | 597 | 294 | (116) | 133 | 172 |
| Charge-offs | | | (118) | (1) | |
| Balance end of period | $ 597 | $ 891 | $ 657 | $ 1,023 | $ 829 |

**6. INVENTORIES**

Inventories consist of the following (in thousands):

| | October 1, 2010 | September 30, 2011 | December 30, 2011 (Unaudited) |
|---|---|---|---|
| Raw materials | $ 20,442 | $ 23,911 | $ 25,812 |
| Work-in-process | 10,461 | 9,043 | 8,422 |
| Finished goods | 14,386 | 19,526 | 18,463 |
| Total | $ 45,289 | $ 52,480 | $ 52,697 |

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**7. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following (in thousands):

| | October 1, 2010 | September 30, 2011 | December 30, 2011 (Unaudited) |
|---|---|---|---|
| Machinery and equipment | $ 28,104 | $ 30,964 | $ 32,513 |
| Leasehold improvements | 2,621 | 3,566 | 3,721 |
| Furniture and fixtures | 113 | 302 | 332 |
| Construction in process | 1,482 | 3,894 | 7,001 |
| Computer equipment and software | 2,079 | 5,240 | 5,633 |
| Total property and equipment | 34,399 | 43,966 | 49,200 |
| Less accumulated depreciation and amortization | (13,293) | (18,602) | (20,642) |
| Property and equipment net | $ 21,106 | $ 25,364 | $ 28,558 |

Depreciation and amortization expense from continuing operations related to property and equipment for fiscal years 2009, 2010, 2011 and the three months ended December 31, 2010 and December 30, 2011 was $4.9 million, $8.7 million, $7.8 million and $2.0 million (unaudited) and $2.0 million (unaudited), respectively.

**8. DEBT**

**Acquisition-Related Debt** In connection with the acquisition of the M/A-COM Tech Business, the Company issued to the seller (i) a short-term note payable for $5.0 million (the Short-Term Note ) and (ii) a term note payable for $30.0 million (the Term Note ). In addition, the seller provided the Company a revolving credit facility (the Seller Revolver ), under which the Company borrowed $8.0 million.

The Short-Term Note was secured by substantially all assets of the Company, bore interest at 9.5% per annum (with a provision to increase over time) and was paid in full by September 2009.

The seller reduced the principal outstanding on the Seller Revolver in fiscal year 2009 by $2.9 million in lieu of making a cash payment of the same amount to the Company as was otherwise required by a purchase price adjustment provision included in the purchase agreement by which the Company acquired the M/A-COM Tech Business. As of October 2, 2009, $5.1 million was outstanding under the Seller Revolver, all of which was repaid in fiscal year 2010. The Seller Revolver was secured by substantially all assets of the Company and bore interest at 7.5% per annum through September 30, 2009, and 13% per annum thereafter. The Seller Revolver was terminated by mutual agreement with the seller after repayment in full in January 2010.

The Term Note was secured by substantially all assets of the Company and bore interest at 7.5% per annum through December 31, 2010, 8.5% per annum for the period from January 1, 2011 through December 31, 2011, and 9.5% per annum thereafter. Principal was due in two equal installments of $15.0 million on December 31, 2011 and 2012. In fiscal year 2009, the Company added $191,000 to the principal of the Term Note in lieu of paying the amount as interest, which was subsequently paid in February 2010. The Company repaid the Term Note in full in December 2010.

**Revolving Credit Facilities** On January 11, 2010, the Company secured a revolving credit facility from a bank with borrowing availability of up to $10.0 million. The amount available for borrowings was $10.0 million as of October 1, 2010. No amounts were borrowed under this credit facility and the Company terminated the facility in December 2010 in connection with securing new bank financing discussed below.

In December 2010, the Company secured a revolving credit facility from two banks with borrowing capacity up to $50.0 million, which the Company used to repay the $30.0 million Term Note. This revolving credit facility was due to expire in December 2014, unless sooner terminated as provided in the agreement.

Borrowings under this revolving credit facility were limited to an amount based upon a formula applied to eligible assets, and bore a variable rate of interest, at the Company s election, equal to the higher of the bank s prime rate, the federal funds effective rate plus 0.50%, and the London InterBank Offered Rate, or LIBOR, for a one-month interest period plus either 1.75% or 2.25%, subject to certain conditions. Borrowings are secured by substantially all assets of the Company and the agreement provided for both financial and nonfinancial covenants, including restrictions on payments of dividends. The Company repaid all amounts outstanding under this revolving credit facility with the proceeds from the issuance of Class B in December 2010. No additional amounts were outstanding under this revolving credit facility through September 30, 2011, at which date this revolving credit facility was terminated.

On September 30, 2011, the Company entered into a loan agreement with a bank and a syndicate of other lenders, which provides for a revolving credit facility of up to $100.0 million that matures in September 2016. Borrowings under the revolving credit facility bear either a variable interest rate equal to (i) the greater of the lender s prime rate, the federal funds effective rate plus 0.5%, or an adjusted LIBOR plus 1.0%, in each case plus either an additional 1.25%, 1.50% or 1.75%, subject to certain conditions, or (ii) an adjusted LIBOR rate plus either 2.25%, 2.50% or 2.75%, subject to certain conditions. The revolving credit facility is secured by a first priority lien on substantially all of the Company s assets and requires compliance with certain financial and non-financial covenants, including restrictions on payments of dividends, incurrence of additional debt, levels of capital expenditures, amounts and types of investments, guarantees of debts and obligations, creation of liens, transactions with affiliates, sales or leases of assets, transfers of assets, entering new lines of business and entering into certain merger, consolidation or other reorganization transactions. As of September 30, 2011 and December 30, 2011, there were no outstanding borrowings under the revolving credit facility. On February 24, 2012, the revolving credit facility was increased to $125.0 million (unaudited).

**9. EMPLOYEE BENEFIT PLANS**

M/A-COM Holdings established a defined contribution savings plan under Section 401(k) of the Code ( Section 401(k) ) on October 1, 2009 (the M/A-COM Tech 401(k) Plan ). The M/A-COM Tech 401(k) Plan follows a calendar year, covers substantially all U.S. employees who meet minimum age and service requirements, and allows participants to defer a portion of their annual compensation on a pretax basis, subject to legal limitations. Company contributions to the plan may be made at the discretion of the Company s board of directors. In February 2011, the Company made a discretionary matching contribution to this plan for calendar year 2010 whereby the amounts contributed to the plan relating to fiscal year 2010 and the first quarter of fiscal year 2011 aggregated $738,000 and $360,000, respectively. There were no Company contributions made to the M/A-COM Tech 401(k) Plan for calendar years 2009 or 2011, through September 30, 2011. In January 2012, the Company contributed $1.1 million (unaudited) to the M/A-COM Tech 401(k) Plan for calendar year 2011.

Prior to the Mimix Merger, Mimix also maintained a defined contribution savings plan under Section 401(k) (the Mimix 401(k) Plan ). The Mimix 401(k) Plan followed a calendar year, covered substantially all Mimix U.S. employees who met minimum age and service requirements, and allowed participants to defer a portion of their annual compensation on a pretax basis, subject to legal limitations. Mimix matched contributions up to 50% of a maximum of 4% of compensation per employee, vesting over a six-year period. All Mimix contributions immediately vested upon consummation of the Mimix Merger and the plan was terminated. Mimix expensed contributions of $82,000, $50,000 and $0 in fiscal years 2009, 2010 and 2011, respectively.

The Company s employees located in foreign jurisdictions meeting minimum age and service requirements participate in defined contribution plans whereby participants may defer a portion of their annual compensation on a pretax basis, subject to legal limitations. Company contributions to the plan are discretionary and vary per region. The Company expensed contributions of $435,000, $616,000, and $681,000 for fiscal years 2009, 2010, and 2011, respectively.

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### 10. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

| | October 1, 2010 | September 30, 2011 | December 30, 2011 (Unaudited) |
|---|---|---|---|
| Compensation and benefits | $ 10,423 | $ 6,613 | $ 8,264 |
| Product warranty | 2,140 | 1,885 | 1,843 |
| Professional fees | 1,559 | 1,528 | 1,691 |
| Software licenses | 159 | 1,156 | 1,116 |
| Asset retirement obligations current portion | 927 | 404 | 404 |
| Distribution costs | 850 | 512 | 560 |
| Restructuring costs | 765 | 522 | 1,559 |
| Transition service costs | 1,040 | | |
| Other | 3,123 | 3,413 | 3,842 |
| Total | $ 20,986 | $ 16,033 | $ 19,279 |

### 11. COMMITMENTS AND CONTINGENCIES

**Operating Leases** The Company has non-cancelable operating lease agreements for office, research and development and manufacturing space in the United States and foreign locations. The Company also has operating leases for certain equipment, automobiles and services in the United States and foreign jurisdictions. These lease agreements expire at various dates through 2017 and certain agreements contain provisions for extension at substantially the same terms as currently in effect. Any lease escalation clauses, rent abatements and/or concessions, such as rent holidays and landlord or tenant incentives or allowances, are included in the determination of straight-line rent expense over the lease term.

Future minimum lease payments for the next five fiscal years as of September 30, 2011 follow (in thousands):

| | |
|---|---|
| 2012 | $ 2,966 |
| 2013 | 2,577 |
| 2014 | 572 |
| 2015 | 76 |
| 2016 | 76 |
| Thereafter | 76 |
| Total minimum lease payments | $ 6,343 |

Rent expense incurred under non-cancelable operating leases was $2.2 million, $3.7 million, and $4.0 million, $1.1 million (unaudited) and $1.0 million (unaudited) in fiscal years 2009, 2010 and 2011 and for the three months ended December 31, 2010 and December 30, 2011, respectively.

In October 2011, the Company entered into three new facility leases. Two of the leases expire in September 2013 and provide for minimum annual lease payments of $147,000. The third lease is expected to expire in January 2018 and provides for minimum annual lease payments of up to $564,000 and includes additional charges for common areas. The leases provide for renewal terms of up to five years and include incentives, including landlord funding of leasehold improvements, all or a portion of which is repayable by the Company should the Company default on the terms of the leases during the initial terms of the leases.

**Capital Leases** The Company entered into two non-cancelable capital lease agreements for equipment in fiscal year 2010 with terms of up to two years. The future minimum payments under the leases aggregated $1.5 million as of October 1, 2010, of which $39,000 represented interest. The leases were terminated in May and

June 2011 with the Company purchasing the related assets. The Company recorded an immaterial loss on the transaction. The cost and accumulated amortization of the assets under the capital leases were $1.6 million and $98,000, respectively, as of October 1, 2010.

**Unfavorable Lease Liability** In connection with the acquisition of the M/A-COM Tech Business, the Company recorded an unfavorable lease liability of $1.1 million due to certain assumed leases having lease commitments in excess of fair value. The current portion of the liability is included in accrued liabilities and the remainder is included in other long-term liabilities in the accompanying consolidated balance sheets. The Company is amortizing the liability as a reduction in lease expense over the terms of the respective leases. As of September 30, 2011 and December 30, 2011, the remaining unfavorable lease liability was $392,000 and $331,000 (unaudited), respectively, which the Company expects to amortize through fiscal year 2013.

**Asset Retirement Obligations** The Company is obligated under certain facility leases to restore those facilities to the condition in which the Company or its predecessors first occupied the facilities. The Company is required to remove leasehold improvements and equipment installed in these facilities prior to termination of the leases. The estimated costs for the removal of these assets are recorded as asset retirement obligations. A summary of the changes in the estimated fair values of the asset retirement obligations is as follows (in thousands):

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| Balance beginning of period | $ 1,254 | $ 3,328 | $ 1,819 | $ 1,819 | $ 913 |
| Assumed on acquisition | 1,938 | | | | |
| Payments | | (1,740) | (705) | | |
| Accretion expense and settlements | 136 | 231 | (201) | 37 | 19 |
| Balance end of period | $ 3,328 | $ 1,819 | $ 913 | $ 1,856 | $ 932 |

**Unused Letter of Credit** As of October 1, 2010, September 30, 2011 and December 30, 2011, the Company had outstanding unused letters of credit from a bank aggregating $150,000, $200,000 and $200,000 (unaudited), respectively.

**Purchase Commitments** As of October 1, 2010, September 30, 2011 and December 30, 2011, the Company had outstanding noncancelable purchase commitments aggregating $1.0 million, $3.0 million and $3.0 million (unaudited), respectively, pursuant to inventory supply arrangements.

**Litigation** The Company is periodically subject to legal proceedings, claims and contingencies arising in the ordinary course of business.

In April 2011, GigOptix, Inc. ( GigOptix ) filed a complaint in the Santa Clara County Superior Court against the Company, its subsidiary Optomai, and five employees (the Ex-Employees ) who had previously worked for GigOptix. GigOptix alleged that the Ex-Employees began conceptualizing a new business venture in 2009 (which would later become Optomai) before resigning from their employment with GigOptix, and that they used confidential information of GigOptix in their new business. The complaint seeks unspecified damages, attorneys fees and costs, and injunctive relief for alleged breach of employment-related agreements, trade secret misappropriation and other related alleged torts by the employee defendants, Optomai and following its April 2011 acquisition of Optomai, the Company. In July 2011, GigOptix sought a temporary restraining order and thereafter an injunction on the same grounds, both of which were denied by the court. In August 2011, GigOptix amended its complaint for the second time, to delete its claims for negligent and intentional interference with economic advantage and unfair competition, leaving the following claims pending; (i) breach of duty of loyalty against the Ex-Employees only, (ii) breach of contract against the Ex-Employees only, (iii) misappropriation of

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trade secrets against all defendants, and (iv) unfair business practices against all defendants. Each side has served discovery requests, and the parties have narrowed the discovery being sought. The Company intends to defend this lawsuit vigorously. The Company does not expect that the ultimate cost to resolve these matters will have a material effect on the consolidated financial statements. The Company does not believe a risk of material loss resulting from litigation is probable, nor is the Company able to estimate any reasonably possible range of loss.

**12. RESTRUCTURINGS**

Commencing in fiscal year 2009 and continuing in fiscal years 2010 and 2011, the Company implemented restructuring actions in connection with a broader plan to reduce staffing and the Company s manufacturing footprint. The Company completed these restructuring activities in September 2011. The restructuring expense relates to direct and incremental costs related to severance and outplacement fees for the terminated employees during fiscal years 2009, 2010 and 2011. The unpaid costs of $522,000 as of September 30, 2011 are expected to be paid through the second quarter of fiscal year 2012. The Company recorded a restructuring charge of $1.6 million (unaudited), representing the full cost of the action and consisting of direct and incremental costs related to severance and outplacement fees for terminated employees, in the three months ended December 30, 2011. The action was designed to further lower operating costs. The unpaid costs of $1.6 million (unaudited) as of December 30, 2011 are expected to be paid through the third quarter of fiscal year 2012. The following is a summary of the costs related to the restructuring actions (in thousands):

| | |
|---|---|
| Balance October 1, 2008 | $ |
| Current period charges | 5,100 |
| Payments | (3,305) |
| Balance October 2, 2009 | 1,795 |
| Current period charges | 2,234 |
| Payments | (3,264) |
| Balance as of October 1, 2010 | 765 |
| Current period charges | 1,499 |
| Payments | (1,742) |
| Balance September 30, 2011 | 522 |
| Current period charges (unaudited) | 1,586 |
| Payments (unaudited) | (549) |
| Balance December 30, 2011 (unaudited) | $ 1,559 |

**13. PRODUCT WARRANTIES**

The Company establishes a product warranty liability at the time of revenue recognition. Product warranties generally have terms of 12 months and cover nonconformance with specifications and defects in material or workmanship. The liability is based on estimated costs to fulfill customer product warranty obligations and utilizes historical product failure rates. Should actual warranty obligations differ from estimates, revisions to the warranty liability may be required.

Product warranty liability activity is as follows (in thousands):

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| Balance beginning of period | $ 159 | $ 1,598 | $ 2,140 | $ 2,140 | $ 1,885 |
| Impact of acquisitions (divestitures) | 426 | | (17) | | |
| Provisions | 1,972 | 1,836 | 474 | (53) | 80 |

| | | | | | |
|---|---|---|---|---|---|
| Direct charges | (959) | (1,294) | (712) | (117) | (122) |
| Balance end of period | $ 1,598 | $ 2,140 | $ 1,885 | $ 1,970 | $ 1,843 |

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**14. INTANGIBLE ASSETS**

The M/A-COM trade name and goodwill are intangible assets with indefinite lives, which are not subject to amortization and are tested for impairment annually. The Company performed its annual impairment test for the trade name and goodwill in the fourth quarter of each fiscal year presented, concluding no impairment existed. There were no triggering events that required the Company to perform any additional assessments as of September 30, 2011 or December 30, 2011. The carrying amount of the trade name is $3.4 million as of each of October 2, 2009, October 1, 2010 and September 30, 2011. Through October 1, 2010, the Company did not have goodwill. In connection with the acquisition of Optomai (Note 3), the Company recorded goodwill of $4.0 million, which was unchanged as of September 30, 2011 and December 30, 2011.

Amortized intangible assets consist of the following (in thousands):

| | Total | Acquired Technology | Customer Relationships | Weighted-Average Remaining Life (Years) |
|---|---|---|---|---|
| Intangible assets at October 2, 2009 | $ 21,978 | $ 11,189 | $ 10,789 | |
| Less accumulated amortization | (4,816) | (2,782) | (2,034) | |
| Intangible assets net at October 1, 2010 | $ 17,162 | $ 8,407 | $ 8,755 | 7.0 |
| Intangible assets at October 1, 2010 | $ 21,978 | $ 11,189 | $ 10,789 | |
| Additions | 4,176 | 2,565 | 1,611 | |
| Less accumulated amortization | (7,473) | (4,371) | (3,102) | |
| Intangible assets net at September 30, 2011 | $ 18,681 | $ 9,383 | $ 9,298 | 6.2 |
| Intangible assets at September 30, 2011 | $ 26,154 | $ 13,754 | $ 12,400 | |
| Less accumulated amortization (unaudited) | (8,113) | (4,753) | (3,360) | |
| Intangible assets net at December 30, 2011 (unaudited) | $ 18,041 | $ 9,001 | $ 9,040 | 6.0 |

Amortization expense related to the Company s amortized intangible assets is as follows (in thousands):

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| Cost of revenue | $ 862 | $ 1,594 | $ 1,588 | $ 382 | $ 382 |
| Selling, general and administrative | 613 | 1,095 | 1,069 | 258 | 258 |
| Total | $ 1,475 | $ 2,689 | $ 2,657 | $ 640 | $ 640 |

Estimated amortization of the intangible assets in future fiscal years as of September 30, 2011 (in thousands):

| | |
|---|---|
| 2012 | $ 2,652 |
| 2013 | 3,086 |
| 2014 | 3,351 |
| 2015 | 3,470 |

| | |
|---|---|
| 2016 | 2,843 |
| Thereafter | 3,279 |
| Total | $ 18,681 |

As of December 30, 2011, the estimated amortization of intangible assets for the balance of fiscal year 2012 is $2.0 million (unaudited).

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**15. INCOME TAXES**

Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The noncurrent deferred tax assets (liabilities) and the components of the deferred tax provision presented in the tables below as of and for the year ended October 1, 2010 were corrected in completing the preparation of the Company s consolidated financial statements for fiscal year 2011. In connection with the preparation of its income tax provision for fiscal year 2011, the Company identified that both the previously reported deferred tax asset pertaining to the net operating losses and the related valuation allowance as of October 1, 2010 were overstated by $3.4 million. This correction had no impact on the consolidated balance sheet at October 1, 2010 or on the consolidated statements of operations and cash flows for the fiscal year ended October 1, 2010. The components of the Company s deferred tax assets and liabilities are as follows (in thousands):

| | October 1, 2010 | September 30, 2011 |
|---|---|---|
| Current deferred tax assets: | | |
| Accrued liabilities | $ 4,082 | $ 2,059 |
| Inventory | 2,495 | 2,927 |
| Deferred revenue | 2,364 | 3,170 |
| Contingent consideration | 1,857 | 199 |
| Accounts receivable | 342 | 246 |
| Valuation allowance | (8,745) | |
| Current net deferred tax assets | $ 2,395 | $ 8,601 |
| Noncurrent deferred tax assets (liabilities): | | |
| Federal and state net operating losses and credits | $ 7,795 | $ 4,932 |
| Intangible assets | (6,661) | (6,606) |
| Property and equipment | 3,303 | 290 |
| Foreign earnings | | (842) |
| Valuation allowance | (8,148) | (217) |
| Noncurrent net deferred tax assets (liabilities) | $ (3,711) | $ (2,443) |

The Company s net deferred tax asset relates predominantly to its operations in the United States. A valuation allowance is recorded when, based on assessment by both positive and negative evidence management determines that it is not more likely than not that the assets are recoverable. Such assessment is required on a jurisdictional basis. As of October 1, 2010, the Company had determined that it was not more likely than not that all of its net deferred tax assets will be realized and, accordingly, had recorded a valuation allowance to reduce the deferred tax assets to the amount expected to be realized. In arriving at this conclusion, the Company evaluated all available evidence, including cumulative losses for Mimix and for the years prior to fiscal year 2010 for M/A-COM Holdings and the limitations on the use of Mimix tax loss carryforwards. The valuation allowance increased by $796,000 and $3.2 million, respectively, in fiscal years 2009 and 2010. The increases in the valuation allowance in fiscal years 2009 and 2010 were primarily due to increases in the deferred tax assets and the Company s recording of a full valuation allowance to reduce the deferred tax benefits otherwise to have been recorded due to losses incurred.

During fiscal year 2011, the Company reduced the valuation allowance by $16.7 million, after concluding it was more likely than not that the deferred tax assets would be realized. The Company concluded the realization of the assets was more likely than not after recording consolidated book income before nondeductible expenses related to fair value measurements for two years coupled with expectations of future taxable income thereafter that will be sufficient to allow the realization of the deferred tax assets. The $217,000 of valuation allowance remaining at September 30, 2011 relates to a foreign jurisdiction for which the Company does not believe recovery of the deferred tax asset is more likely than not.

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As of September 30, 2011, the Company had $13.1 million of federal net operating loss carryforwards expiring at various dates between fiscal years 2019 and 2029. The use of substantially all of the Company s federal and state operating loss carryforwards is subject to limitations and such limitations may result in the operating loss carryforward periods expiring prior to full use of such losses.

The Company also has foreign research tax credits of approximately $224,000 as of September 30, 2011, which have no expiration period.

The domestic and foreign income from continuing operations before taxes were as follows (in thousands):

| | Fiscal Years | | |
|---|---|---|---|
| | 2009 | 2010 | 2011 |
| United States | $ 2,533 | $ 12,378 | $ (16,163) |
| Foreign | 1,334 | 3,153 | 15,712 |
| Income (loss) from continuing operations before income taxes | $ 3,867 | $ 15,531 | $ (451) |

The components of the provision (benefit) for income taxes are as follows (in thousands):

| | Fiscal Years | | |
|---|---|---|---|
| | 2009 | 2010 | 2011 |
| Current: | | | |
| Federal | $ | $ 6,099 | $ 8,587 |
| State | 142 | 1,506 | 1,044 |
| Foreign | 120 | 146 | 1,047 |
| Current provision | 262 | 7,751 | 10,678 |
| Deferred: | | | |
| Federal | (1,057) | (635) | 6,006 |
| State | (693) | (488) | 368 |
| Foreign | 568 | (791) | 943 |
| Change in valuation allowance | 796 | 3,159 | (16,676) |
| Deferred provision (benefit) | (386) | 1,245 | (9,359) |
| Total provision (benefit) | $ (124) | $ 8,996 | $ 1,319 |

The Company s effective tax rates differ from the federal and statutory rate as follows:

| | Fiscal Years | | |
|---|---|---|---|
| | 2009 | 2010 | 2011 |
| Federal statutory rate | 35.0% | 35.0% | (35.0)% |
| S-Corporation statutory rate | (44.0) | (5.4) | |
| Foreign rate differential | (22.2) | (9.2) | 157.9 |
| State taxes, net of federal benefit | 2.6 | 4.0 | 203.6 |
| Gain on bargain purchase | (14.7) | | |
| Change in tax status | | (3.4) | |
| Class B conversion and warrant liabilities | | | 3,478.0 |
| Change in valuation allowance | 35.6 | 40.0 | (3,742.6) |
| Research and development credits | | | (277.6) |

| | | | |
|---|---|---|---|
| Provision to return adjustments | | | 325.4 |
| Non deductible compensation expense | | | 138.2 |
| Other permanent differences | 4.5 | (3.1) | 44.6 |
| Effective income tax rate | (3.2)% | 57.9% | 292.5% |

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The effective income tax rate for fiscal year 2011 was significantly impacted by the charges related to the Company s Class B conversion liability and common stock warrant liability, which are not deductible for income tax purposes, as well as a reduction in the valuation allowance applied against the net deferred tax assets established in prior years.

The effective tax rate for the year ended October 2, 2009 was significantly impacted by M/A-COM Holdings status as an S-Corporation. M/A-COM Holdings changed its tax status to C-Corporation effective January 1, 2010. The effective tax rate for 2009 was also impacted by the gain on bargain purchase, which was not taxable.

As of October 1, 2010, no provision had been made for the undistributed earnings of foreign subsidiaries as it was the Company s intention that such earnings be indefinitely reinvested. The Company has concluded that during fiscal year 2011, the earnings of the Taiwan subsidiary will no longer be considered permanently invested and has provided for the earnings in its tax provision, which increased the tax provision by $842,000. Undistributed earnings of all other foreign subsidiaries of approximately $8.4 million remain permanently reinvested. It is not practicable to determine the U.S. federal and state deferred tax liabilities associated with such foreign earnings.

Activity related to unrecognized tax benefits is as follows (in thousands):

| | |
|---|---|
| Balance October 1, 2008 | $ |
| Additions based on tax positions | 102 |
| Balance October 2, 2009 | 102 |
| Additions based on tax positions | 335 |
| Balance October 1, 2010 | 437 |
| Additions based on tax positions | |
| Balance September 30, 2011 | $ 437 |

The balance of the unrecognized tax benefit is included in other long-term liabilities in the accompanying consolidated balance sheets. It is the Company s policy to recognize interest and penalties related to income tax obligations as a component of income tax expense. Interest and penalties included in the income tax provisions were immaterial for all periods presented. The entire balance of unrecognized tax benefits, if recognized, will reduce income tax expense by $437,000.

A summary of the fiscal tax years that remain subject to examination, as of September 30, 2011, for the Company s significant tax jurisdictions are:

| **Jurisdiction** | **Tax Years Subject to Examination** |
|---|---|
| United States federal | 1999 forward |
| United States various states | 2007 forward |
| Ireland | 2008 forward |

Generally, the Company is no longer subject to federal income tax examinations for years before 2008, except to the extent of the Mimix loss and tax credit carryforwards from those years.

The difference between the U.S. federal statutory tax rate of 35% and our effective tax rate for the three months ended December 30, 2011 of 5.8% (unaudited) is driven primarily by $15.1 million (unaudited) of income related to changes in fair values of our Class B conversion and common stock warrant liabilities, which are not taxable, and a $1.7 million (unaudited) deferred tax benefit resulting from a change in the deferred tax liability related to acquired intangibles of the Optomai business.

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**16. SHARE-BASED COMPENSATION PLANS**

Share-based compensation expense included in the Company s consolidated statements of operations follows (in thousands):

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| Cost of revenue | $ 52 | $ 214 | $ 308 | $ 46 | $ 30 |
| Research and development | 51 | 143 | 219 | 34 | 98 |
| Selling, general and administrative | 136 | 828 | 753 | 85 | 345 |
| Total | $ 239 | $ 1,185 | $ 1,280 | $ 165 | $ 473 |

The Company s board of directors adopted the M/A-COM Tech 2009 Omnibus Stock Plan (the M/A-COM Tech Plan ) in fiscal year 2009, which provides for the grant of qualified incentive and nonqualified options to purchase Company common stock and other equity awards to the Company s employees, officers, directors, and outside consultants to purchase up to an aggregate of 7.5 million shares of the Company s common stock. The stock options and other equity awards generally vest over a three to five-year period and expire 10 years from the date of grant. As of October 1, 2010 and September 30, 2011, the Company had 3.3 million and 3.7 million shares, respectively, available for future grants under the M/A-COM Tech Plan. In connection with the issuance of the Class B in December 2010, the Company agreed to limit the issuance of stock options and other equity awards for a one-year period ending December 21, 2011 to no more than 250,000 shares, plus any shares forfeited under then outstanding stock options.

In fiscal year 2011, the Company granted the following stock options and restricted stock (in thousands, except per share amounts):

| Date | Type of Award | Number of Common Stock Shares | Exercise/Purchase Price Per Share | Estimated Fair Value of Common Stock Per Share on Grant Date | Intrinsic Value of Award Per Share on Grant Date |
|---|---|---|---|---|---|
| February 8, 2011 | Restricted Stock | 110 | $ 0.00 | $ 8.08 | $ 8.08 |
| March 25, 2011 | Restricted Stock | 10 | 0.00 | 8.08 | 8.08 |
| April 20, 2011 | Restricted Stock | 41 | 0.00 | 11.08 | 11.08 |
| June 2, 2011 | Restricted Stock | 54 | 0.00 | 11.08 | 11.08 |
| June 2, 2011 | Stock Options | 16 | 11.08 | 11.08 | |
| July 28, 2011 | Restricted Stock | 9 | 0.00 | 17.36 | 17.36 |
| August 23, 2011 | Restricted Stock | 1 | 0.00 | 17.36 | 17.36 |
| November 16, 2011 | Restricted Stock | 14 | 0.00 | 15.52 | 15.52 |

For the purpose of determining the exercise prices of the Company s stock options and the fair value of restricted stock, fair value of the Company s common stock is contemporaneously estimated by its board of directors as of each grant date, with input from management. The Company s board of directors exercised judgment in determining the estimated fair value of its common stock on the date of grant based on various factors, including:

consultation with, and the receipt of valuation reports from, independent, unrelated, third-party valuation professionals prior to the dates of our equity grants;

the prices paid in merger and acquisition transactions involving the Company, such as the M/A-COM Acquisition and the Mimix Merger;

the prices for the Company s convertible preferred stock sold to outside investors in arm s-length transactions;

the rights, preferences and privileges of that convertible preferred stock relative to those of the Company s common stock;

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- the Company s operating and financial performance;
- the introduction of new products;
- the Company s stage of development and revenue growth;
- the lack of an active public market for the Company s common and preferred stock;
- industry information such as market growth and volume;
- the performance of similarly-situated companies in the Company s industry;
- the execution of strategic and development agreements;
- the risks inherent in the development and expansion of the Company s products and services; and
- the likelihood of achieving a liquidity event, such as an initial public offering or a sale of the Company given prevailing market conditions and the nature and history of its business.

Option activity for the M/A-COM Tech Plan follows (in thousands, except per share data):

| | Number of Shares | Weighted-Average Exercise Price per Share | Weighted-Average Remaining Contractual Term in Years | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding October 1, 2010 | 3,723 | $ 1.04 | 9.1 | $ 3,656 |
| Granted | 16 | 11.08 | | |
| Exercised | (749) | 0.80 | | |
| Forfeited | (698) | 0.68 | | |
| Options outstanding September 30, 2011 | 2,292 | $ 1.28 | 8.2 | $ 32,662 |
| Options vested and expected to vest September 30, 2011 | 2,178 | $ 1.28 | 8.2 | $ 31,029 |
| Options exercisable September 30, 2011 | 563 | $ 1.32 | 8.3 | $ 7,977 |

The aggregate intrinsic value of options exercised was $269,000 and $6.5 million in fiscal years 2010 and 2011, respectively. The weighted-average grant date fair value per share of options granted in fiscal years 2009, 2010 and 2011 was $0.36, $0.64 and $5.56, respectively.

Included in the table above and granted in fiscal year 2009 are options granted for the purchase of 850,000 shares of common stock issued to certain employees with vesting contingent upon the achievement of specific performance targets. These performance-based stock options have an aggregate grant-date fair value of $306,000. During fiscal year 2011, options representing 500,000 shares of these performance-based awards were forfeited in connection with employment termination. As of September 30, 2011, stock options as to 350,000 shares of common stock remain unvested and subject to performance vesting. As of October 1, 2010 and September 30, 2011, the Company expected the awards to vest, and accordingly, the grant date fair value is recorded as expense over the expected performance period of three years. During fiscal year 2011, share-based compensation expense was reduced as a result of the forfeitures.

The fair value of options vested during fiscal years 2010 and 2011 was $340,000 and $541,000, respectively. No options vested or were exercised during fiscal year 2009.

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The weighted-average assumptions used for calculating the fair value of stock options granted during fiscal years 2009, 2010 and 2011 were as follows:

| | Fiscal Years | | |
|---|---|---|---|
| | 2009 | 2010 | 2011 |
| Risk-free interest rate | 2.8% | 2.4% | 1.9% |
| Expected term (years) | 6.7 | 6.0 | 5.8 |
| Expected volatility | 57.1% | 54.1% | 52.7% |
| Expected dividends | % | % | % |

During fiscal years 2010 and 2011, the Company issued shares of common stock under the M/A-COM Tech Plan to employees for no consideration with ownership subject to vesting over two to four years. In fiscal year 2011, share-based compensation relating to the awards was $441,000 and as of September 30, 2011, the unamortized compensation was $1.6 million. Share-based compensation recorded in fiscal year 2010 was immaterial. If the employment is terminated prior to vesting, the shares of common stock will be forfeited back to Company. The following is a summary of the activity for these awards (in thousands except per share data):

| | Number of Shares | Weighted-Average Remaining Contractual Term in Years | Aggregate Intrinsic Value |
|---|---|---|---|
| Issued and unvested October 1, 2010 | 8 | 2.9 | $ 15 |
| Granted | 224 | | |
| Vested | (7) | | |
| Issued and unvested shares September 30, 2011 | 225 | 2.3 | $ 3,485 |
| Shares expected to vest September 30, 2011 | 218 | 2.3 | $ 3,383 |

As of September 30, 2011, there was $2.7 million of total unrecognized compensation cost related to all share-based compensation awards, which is expected to be recognized over a weighted-average remaining period of 2.1 years.

Certain of the stock options granted and outstanding as of September 30, 2011 are subject to accelerated vesting upon a sale of the Company or similar changes in control.

**17. PREFERRED STOCK**

As of October 1, 2008, the Company had authorized 162.3 million shares of Series A convertible preferred stock ( Series A ). The Series A was convertible into common stock, provided voting rights to the holders, earned dividends at an annual rate of 8%, when and if declared, and held rights to receive preferential payments in the event of any sale, liquidation, dissolution, or winding-up of the Company. Upon completion of the Mimix Merger on May 28, 2010, the Series A, as a class of preferred stock, was cancelled.

On March 16, 2010, the Company s board of directors and stockholders authorized 117,626,500 shares of $0.001 par value preferred stock; 100,000,000 shares of which are designated as Series A-1 convertible preferred stock ( Series A-1 ) and 17,626,500 shares of which are designated as Series A-2 convertible preferred stock ( Series A-2 ). Together, Series A-1 and Series A-2 are referred to as Class A.

In December 2010, the Company authorized 34,169,560 shares and issued 34,169,559.75 shares of Class B to new investors for $120.0 million in gross proceeds and net proceeds of $118.7 million. In connection with the Class B issuance, the Company also issued warrants to the new investors to purchase 1,281,358 shares of common stock for $14.05 per share. The warrants expire December 21, 2020, or earlier as per the terms of the

agreement, including within 10 days following consummation of a sale of all or substantially all assets or capital stock or other equity securities of the Company, including by merger consolidation, recapitalization, or similar transactions, if not otherwise exercised.

The voting and dividend rights and preferences of Class A preferred stock were amended in connection with the issuance of Class B. The rights and preferences of Class A and Class B as of September 30, 2011 follow:

*Voting Rights* The holders of the preferred stock are entitled to vote on all matters and are entitled to the number of votes equal to the number of shares of common stock into which each share of preferred stock is then convertible. The holders of preferred stock have the right, voting as a single class, to elect all of the members of the board of directors, providing that the Class A stockholders have the right to elect three directors and Class B stockholders have the right to elect one director. The Class A and Class B stockholders also have other exclusive rights relating to approval of certain Company transactions.

*Dividends* The holders of the preferred stock are entitled to receive dividends at a rate of 8% per annum of the established original price of $0.265 per share for Series A-1, $2.50 per share for Series A-2 and $3.51 per share for Class B, when and if declared by the board of directors. Dividends are required to be declared and paid on Class B prior to Class A and on Class A prior to common stock and the holders of the preferred stock participate in further dividends on an as if converted to common stock basis after the preferential dividends are paid.

*Liquidation Rights* In the event of any liquidation, dissolution, winding-up, or acquisition of the Company or substantially all of the Company s assets, the holders of the preferred stock are entitled to be paid preferential amounts out of the assets of the Company available for distribution to its stockholders before any distribution payments are made to the holders of common stock. The preferential amount payable to Class B is to be paid prior to any payments on Class A or common stock and is equal to the greater of (i) the original issuance price of $3.51 per share, as may be adjusted for any stock dividends, combinations or splits with respect to such shares ( Class B Liquidation Value ), plus any declared and unpaid dividends and (ii) 75% of the Class B Liquidation Value, plus any declared and unpaid dividends, plus an amount equal to the Class B s ratable portion, if any, of the aggregate amount of remaining proceeds distributable to the holders of common stock and preferred stock (on an as-converted to common stock basis) after payment of all preferred stock liquidation preferences in connection with such liquidation event. If the assets of the Company are not sufficient to satisfy the required Class B Liquidation Value, the total assets available for distribution are to be paid ratably to the Class B stockholders. The preferential amount payable to Class A preferred stock is to be paid prior to any payments on common stock and is equal to $0.795 per share in the case of the Series A-1 and $2.50 per share in the case of the Series A-2, plus any declared and unpaid dividends. If the remaining assets of the Company after satisfaction of the Class B Liquidation Value are not sufficient to satisfy the required Class A liquidation preferences, the total assets available for distribution are to be paid ratably to the Class A stockholders. After satisfaction of the liquidation preferences of the Class A, holders of Class A will participate in the distribution of any remaining assets of the Company ratably with the holders of common stock on an as-if-converted to common stock basis.

*Conversion* Each share of Class A is convertible into common stock at any time and will automatically convert into common stock upon the affirmative vote to convert by a majority of the holders of Class A. Each share of Class B is convertible into common stock at any time and will automatically convert into common stock upon the affirmative vote to convert by a majority of the holders of Class B. Each share of Class A and Class B shall automatically convert to common stock on the completion of a public stock offering with aggregate gross proceeds of at least $100.0 million at a price per share of at least two times the Class B conversion price ( Qualified Public Offering or QPO ). The shares of common stock into which the Class A and Class B is convertible is determined by a formula that initially and currently results in a one-for-four conversion and is subject to antidilution adjustments should the Company issue additional shares of common stock or other instruments, with certain exceptions, that are convertible into common stock at issuance or conversion prices of less than $1.06 per share in the case of Series A-1, $10.00 per share in the case of Series A-2 and $14.05 per share in the case of Class B.

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*Redemption* The Class B is redeemable on or after December 21, 2017 at the election of a majority of the holders, if then outstanding, at the greater of (i) the Class B Liquidation Value, plus any accrued dividends, which accrue at a rate of 8% to 14% should the Company delay redemption ( Default Dividends ), plus any declared and unpaid dividends and (ii) 75% of the Class B Liquidation Value, plus any accrued Default Dividends and declared and unpaid dividends, plus the fair market value, as defined, of the common stock issuable upon conversion of the Class B. In addition, in the event of bankruptcy, as defined, the Class A and Class B become redeemable with first priority given to Class B in the event available assets of the Company are insufficient to satisfy all preferred redemption rights. The rights to redemption in connection with a bankruptcy are subordinate to Company lending arrangements. Upon bankruptcy, the Class B s redemption value is computed in a consistent manner as described above and the Class A redemption amounts are consistent to their liquidation preferences described above. In the event that the assets of the Company are not sufficient to satisfy the required redemption amounts on the proposed redemption date, the Class B redemption amount is paid prior to Class A redemption amount and the Class A redemption amount is paid prior to any other class.

*QPO Preference* The Class B stockholders are eligible to receive a payment between 16.7% and 50% of the Class B Liquidation Value upon a QPO, the exact amount of which is subject to a formula applied to the return on investment the Class B stockholders receive as measured based upon the selling price per share of the common stock in a QPO.

The Class B is recorded outside of permanent stockholders equity as mezzanine equity due to the existence of the optional redemption rights. As a result of the amendments to the preference rights of Class A described above, the Company reclassified the Class A from stockholders equity to mezzanine equity in December 2010. The reclassification was made at the issuance date fair value, which aggregated $106.4 million.

The Company initially recorded the carrying value of the Class B as the total gross proceeds from the issuance less issuance costs, the fair value of the warrants (see Note 18) and the fair value of the Class B Conversion Liability discussed further below. The Company accretes the carrying value of the redeemable securities, including the Class B, to their redemption values using the effective interest method over the period from issuance to earliest redemption date. The accretion is recorded as an increase in the carrying value of the redeemable securities and a reduction to additional paid in capital, or in the absence of such, as an increase in the accumulated deficit.

A summary of the allocation of proceeds to and changes in the carrying value of the Class B follows (in thousands):

| | Shares | Amount |
|---|---|---|
| Balance October 1, 2010 | | $ |
| Issuance of Class B redeemable convertible preferred stock | 34,170 | 120,000 |
| Less: | | |
| Issuance costs | | (1,321) |
| Fair value of common stock warrant | | (5,656) |
| Fair value of Class B conversion liability | | (41,641) |
| Initial recorded value | | 71,382 |
| Accretion | | 4,236 |
| Balance September 30, 2011 | | 75,618 |
| Accretion (unaudited) | | 1,415 |
| Balance December 30, 2011 (unaudited) | | $ 77,033 |

**Class B Conversion Liability** The Class B redemption right allows the holders to elect to receive a greater redemption amount related to the fair value of the Company s common stock. This feature and the QPO Preference are embedded derivatives not deemed clearly and closely related to the host contract, Class B, due to, among other things, the potential cash settlement of both features. The embedded derivatives have been aggregated for financial reporting purposes. Accordingly, the embedded derivatives require separate accounting from the Class B. Upon issuance of the Class B, the estimated fair values of these embedded derivatives were bifurcated from the remainder of the Class B proceeds and recorded as long-term liabilities in the accompanying consolidated financial statements. The carrying values of the embedded derivatives are adjusted to fair value at the end of each reporting period and the changes in fair value are recognized in the statements of operations. The following is a summary of the changes in the carrying value of the Class B conversion liability (in thousands):

| | |
|---|---|
| Balance October 1, 2010 | $ |
| Estimated fair value upon issuance | 41,641 |
| Change in estimated fair value | 39,737 |
| Balance September 30, 2011 | 81,378 |
| Change in estimated fair value (unaudited) | (13,620) |
| Balance December 30, 2011 (unaudited) | $ 67,758 |

**18. STOCKHOLDERS EQUITY (DEFICIT)**

The carrying value of Series A-1 and Series A-2 is reported outside of stockholders equity (deficit) as of September 30, 2011.

On March 16, 2010, the Company s board of directors and stockholders approved changing the par value of the common stock from $0.01 per share to $0.001 per share. In addition, on March 16, 2010, the board of directors and stockholders approved the issuance of 100,000,000 shares of Series A-1 convertible preferred stock ( Series A-1 ) in exchange for 24,500,000 shares of outstanding common stock. The Company has reserved 45,055,922 shares of common stock as of September 30, 2011, for the issuance and exercise of stock options and conversions of convertible preferred stock.

**Special Dividend** On January 4, 2011, in connection with the Class B issuance, the Company declared and paid a special dividend of $80 million to Class A and common stockholders of record on that date. Dividends of $0.63 per share, $0.81 per share and $2.44 per share were paid to the record holders as of January 4, 2011 of the Company s Series A-1 convertible preferred stock, Series A-2 convertible preferred stock and common stock, respectively, aggregating $80.0 million.

**Common Stock Warrants** As of October 1, 2008, the Company had issued and outstanding warrants to purchase an aggregate of 112,750 shares of common stock. These unexercised warrants were cancelled in May 2010.

In connection with the Class B issuance, the Company issued warrants to purchase 1,281,358 shares of common stock for $14.05 per share. The warrants expire December 21, 2020, or earlier as per the terms of the agreement, including immediately following consummation of a sale of all or substantially all assets or capital stock or other equity securities of the Company, including by merger, consolidation, recapitalization, or similar transactions. The number of shares issuable upon exercise of the warrants may be increased pursuant to certain antidilution rights included in the agreements. The inclusion of antidilution rights results in the number of shares issuable upon exercise not being fixed and, therefore, the warrants are recorded outside stockholders equity (deficit) and as a liability in accordance with authoritative accounting literature. The Company is recording the estimated fair values of the warrants as a long-term liability in the accompanying consolidated financial statements with changes in the estimated fair value being recorded in the accompanying statements of operations. The following is a summary of the activity of the warrant liability (in thousands):

| | |
|---|---|
| Balance October 1, 2010 | $ |
| Estimated fair value of warrants upon issuance | 5,656 |
| Change in estimated fair value | 5,080 |
| Balance September 30, 2011 | 10,736 |
| Change in estimated fair value (unaudited) | (1,458) |
| Balance December 30, 2011 (unaudited) | $ 9,278 |

**Noncontrolling Interest** The Company recorded a noncontrolling interest for the equity interests in a subsidiary that was not 100% owned by the Company or one of its wholly owned subsidiaries. As of October 2, 2009, the noncontrolling interest reflected equity interests held by third parties in the Company s Taiwan subsidiary. On June 28, 2010, another wholly owned subsidiary of the Company purchased substantially all of the remaining noncontrolling interest in the Taiwan subsidiary for $220,000, increasing the Company s indirect ownership from 79.2% to 99.996%. The net income attributable to noncontrolling interest was $23,000 and $195,000 in fiscal years 2009 and 2010 and the Company incurred an immaterial loss on the acquisition of the noncontrolling interest in fiscal year 2010.

**19. RELATED-PARTY TRANSACTIONS**

The Company s majority stockholder controls another entity which has been engaged to provide management services pursuant to an agreement entered into in fiscal year 2008 and amended in December 2010. Commencing in fiscal year 2009, the Company paid the entity $60,000 per month pursuant to this agreement. Selling, general and administrative expenses for each of fiscal years 2009, 2010 and 2011 includes $720,000 for such services. Selling, general and administrative expenses for each of the three months ended December 31, 2010 and December 30, 2011 includes $180,000 (unaudited) for such services. As of October 1, 2010, $60,000 was included in accounts payable pursuant to this arrangement. No amounts were payable as of September 30, 2011 or December 30, 2011 (unaudited).

In February 2012, the Company entered into a design services agreement with Ubiquiti Networks, Inc. ( Ubiquiti ). Two of the Company s directors, are also directors of Ubiquiti, and entities affiliated with Summit Partners L.P., an affiliate of one of the directors, collectively own 21.9% of Ubiquiti s common stock. The design services agreement provides that the Company will provide engineering services to Ubiquiti toward the development of an IC device. The agreement provides that Ubiquiti will pay the Company up to $500,000 for such engineering services based on milestone achievement, and sets a unit price for potential future production orders of such devices from the Company by Ubiquiti if a production device results from the development.

**20. DIVESTITURES**

In the second and third quarters of fiscal year 2011, the Company sold non-core assets representing two businesses to two separate acquirers, receiving cash proceeds aggregating $3.0 million. The Company has no continuing interests in either business. One arrangement provides for amounts held back pursuant to escrow arrangements whereby $188,000 is payable to the Company in fiscal year 2012. The Company expects to collect the full escrow amounts and has included the receivables in other assets in the accompanying consolidated balance sheet as of September 30, 2011 and in the computation of gain and loss on the sales. One sale resulted in a loss of $1.3 million and the other sale resulted in a gain of $1.6 million. The net gain arising from the divestitures is included in income from discontinued operations in the accompanying consolidated statement of operations for fiscal year 2011. The following is a summary of operating results through the dates of divestiture related to the divested businesses (in thousands):

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| Revenue | $ 9,813 | $ 14,860 | $ 5,808 | $ 3,384 | $ |
| Income from discontinued operations before income taxes | $ 198 | $ 63 | $ 67 | $ 321 | $ |
| Gain on disposition of businesses, net | | | 329 | | |
| Income tax benefit | | 431 | 358 | | |
| Net income from discontinued operations | $ 198 | $ 494 | $ 754 | $ 321 | $ |

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**21. EARNINGS PER SHARE**

The following table set forth the computation for basic and diluted net income (loss) per share of common stock (in thousands, except per share data):

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (Unaudited) | |
| Numerator: | | | | | |
| Net income (loss) attributable to controlling interest | $ 4,166 | $ 6,834 | $ (1,016) | $ 8,606 | $ 22,042 |
| Accretion to redemption value of redeemable convertible preferred stock | | | (4,236) | (143) | (1,415) |
| Participating preferred dividends | (3,559) | (6,298) | | (8,321) | (19,777) |
| Participating restricted stock dividends | | | | | (99) |
| Dividends declared and paid to preferred stockholders | | | (76,216) | | |
| Net income (loss) attributable to common stockholders | $ 607 | $ 536 | $ (81,468) | $ 142 | $ 751 |
| Dividends declared and paid to common stockholders | $ | $ | $ 3,784 | $ | $ |
| Denominator: | | | | | |
| Weighted average common shares outstanding basic | 13,202 | 11,880 | 1,505 | 1,098 | 1,747 |
| Dilutive effect of options, warrants and restricted stock | 140 | 706 | | 2,585 | 2,006 |
| Weighted average common shares outstanding diluted | 13,342 | 12,586 | 1,505 | 3,683 | 3,753 |
| Common stock earnings per share basic: | | | | | |
| Distributed | $ | $ | $ 2.51 | $ | $ |
| Undistributed | 0.05 | 0.05 | (54.13) | 0.13 | 0.43 |
| Net common stock earnings per share | $ 0.05 | $ 0.05 | $ (51.62) | $ 0.13 | $ 0.43 |
| Common stock earnings per share diluted: | | | | | |
| Distributed | $ | $ | $ 2.51 | $ | $ |
| Undistributed | 0.05 | 0.04 | (54.13) | 0.04 | 0.20 |
| Net common stock earnings per share | $ 0.05 | $ 0.04 | $ (51.62) | $ 0.04 | $ 0.20 |

The following common equivalent shares were excluded from the calculation from net income per share as their inclusion would have been antidilutive (in thousands):

| | Fiscal Years | | | Three Months Ended | |
|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | December 31, 2010 | December 30, 2011 |
| | | | | (unaudited) | |
| Stock options and restricted stock | 2,386 | 3,727 | 3,042 | | |
| Warrants | 113 | 75 | 1,281 | 1,281 | |
| Total common stock equivalent shares excluded | 2,499 | 3,802 | 4,323 | 1,281 | |

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**22. UNAUDITED PRO FORMA NET INCOME (LOSS) PER SHARE**

Pro forma net income per common share is computed as follows (in thousands, except per share data):

| | Fiscal Year 2011 | Three Months Ended December 30, 2011 |
|---|---|---|
| Numerator | | |
| Net income (loss) attributable to controlling interest | $ (1,016) | $ 22,042 |
| Accretion of Class B conversion liability | 39,737 | (13,620) |
| Participating restricted stock dividends | | (99) |
| Net income attributable to common stockholders | $ 38,721 | $ 8,323 |
| Denominator | | |
| Weighted average common shares outstanding basic | 1,505 | 1,747 |
| Adjustment for conversion of preferred stock | 35,829 | 37,748 |
| Adjustment for assumed shares issued to fund the $80.0 million special dividend in excess of current period earnings and the $60.0 million Class B preference payment | 5,556 | 5,556 |
| Pro forma shares outstanding Basic | 42,890 | 45,051 |
| Dilutive effect of options, warrants and restricted stock | 2,423 | 2,006 |
| Pro forma shares outstanding Diluted | 45,313 | 47,057 |
| Common stock earnings per share | | |
| Basic | $ 0.90 | $ 0.18 |
| Diluted | $ 0.85 | $ 0.18 |

**23. SUPPLEMENTAL CASH FLOW INFORMATION**

The following is supplemental cash flow information regarding noncash investing and financing activities:

In fiscal year 2009, the Company added $191,000 to the principal of the Term Note in lieu of paying the amount as interest. The amount was subsequently paid in the same fiscal year.

In fiscal year 2010, the Company acquired equipment under two capital leases with initial obligations aggregating $1.5 million.

In the fiscal year 2011, pursuant to the terms of an escrow agreement with certain former Mimix stockholders, the Company withheld the payment of $863,000 in dividends, such amount included in accrued liabilities in the accompanying consolidated balance sheet as of September 30, 2011 and December 30, 2011.

As of September 30, 2011 and December 30, 2011, the Company had $2.9 million and $3.1 million (unaudited) in unpaid amounts related to purchases of property and equipment included in accounts payable, accrued liabilities and other long-term liabilities. These amounts have been excluded from the payments for purchases of property and equipment for fiscal year 2011 and the three months ended December 30, 2011, respectively. The Company did not have material similar transactions as of any other period presented.

**24. GEOGRAPHIC AND SIGNIFICANT CUSTOMER INFORMATION**

The Company has one reportable operating segment which designs, develops, manufactures and markets semiconductors and modules. The determination of the number of reportable operating segments is based on the management s chief operating decision maker s use of financial information for the purposes of assessing performance and making operating decisions. In evaluating financial performance and making operating decisions, management primarily uses consolidated net revenue, gross profit, and operating income (loss).

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Information about the Company s operations in different geographic regions, based upon customer locations, is presented below (in thousands):

| Revenue by Geographic Region | Fiscal Years 2009 | Fiscal Years 2010 | Fiscal Years 2011 | Three Months Ended December 31, 2010 (Unaudited) | Three Months Ended December 30, 2011 (Unaudited) |
|---|---|---|---|---|---|
| United States | $ 47,989 | $ 156,942 | $ 166,176 | $ 38,568 | $ 37,685 |
| International (1) | 54,729 | 103,355 | 144,119 | 36,341 | 35,350 |
| Total | $ 102,718 | $ 260,297 | $ 310,295 | $ 74,909 | $ 73,035 |

| Long-Lived Assets by Geographic Region | October 1, 2010 | September 30, 2011 | December 30, 2011 (Unaudited) |
|---|---|---|---|
| United States | $ 19,315 | $ 21,317 | $ 23,487 |
| International (2) | 1,791 | 4,047 | 5,071 |
| Total | $ 21,106 | $ 25,364 | $ 28,558 |

(1) No international countries represented greater than 10% of total revenue during the periods presented.

(2) No international country or region represented greater than 10% of the total net long-lived assets as of the dates presented.

The following is a summary of customer concentrations as a percentage of total sales and accounts receivable as of and for the periods presented:

| Revenue | Fiscal Years 2009 | Fiscal Years 2010 | Fiscal Years 2011 | Three Months Ended December 31, 2010 (Unaudited) | Three Months Ended December 30, 2011 (Unaudited) |
|---|---|---|---|---|---|
| Customer A | 13% | 23% | 21% | 20% | 18% |
| Customer B | % | 11% | 12% | 10% | 14% |

| Accounts Receivable | October 1, 2010 | September 30, 2011 | December 30, 2011 (Unaudited) |
|---|---|---|---|
| Customer A | 15% | 18% | 10% |
| Customer B | 11% | 12% | 10% |

No other customer represented more than 10% of revenue or accounts receivable in the periods presented in the accompanying consolidated financial statements. In fiscal years 2010 and 2011, ten customers represented 58% and 61% of total revenue, respectively. For the three months ended December 31, 2010 and December 30, 2011, ten customers represented 57% (unaudited) and 54% (unaudited) of total revenue, respectively.

**25. SUBSEQUENT EVENTS**

On February 28, 2012, the Company s board of directors and stockholders approved a one-for-four reverse split of its common stock to take effect immediately prior to the completion of its initial public offering. The reverse split became effective 2012. All share and per share information relating to the Company s common stock in these consolidated financial statements give retroactive effect to the reverse stock split for all periods presented.

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**INDEPENDENT AUDITORS REPORT**

To the Board of Directors and Stockholders of

M/A-COM Technology Solutions Holdings, Inc.

Lowell, Massachusetts

We have audited the accompanying combined consolidated statement of operations and parent company equity and cash flows of M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited (collectively, the Company ), both of which are under common ownership and management, for the period from September 26, 2008 through March 30, 2009. These combined consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these combined consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such combined consolidated financial statements present fairly, in all material respects, the results of the Company s operations and its cash flows for the period from September 26, 2008 through March 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

Certain expenses represent allocations made from Cobham Defense Electronic Systems Corporation. The accompanying combined consolidated financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

As discussed in Note 1 to the combined consolidated financial statements, the Company was acquired by Cobham Defense Electronic Systems Corporation on September 26, 2008 and subsequently sold to M/A-COM Technology Solutions Holdings, Inc. on March 30, 2009.

*/s/ Deloitte & Touche LLP*

Boston, Massachusetts

August 1, 2011

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**M/A-COM TECHNOLOGY SOLUTIONS INC. AND**

**M/ACOM TECHNOLOGY SOLUTIONS (CORK) LIMITED**

**COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS AND OWNER EQUITY**

**FOR THE PERIOD FROM SEPTEMBER 26, 2008 THROUGH MARCH 30, 2009**

**(In thousands)**

| | |
|---|---|
| Revenue | $ 91,254 |
| Cost of revenue | 65,418 |
| Gross profit | 25,836 |
| Operating expenses: | |
| Research and development | 12,456 |
| Selling, general and administrative | 20,465 |
| Goodwill and other impairments | 44,278 |
| Allocated management fees related party | 2,116 |
| Restructuring charges | 2,423 |
| Total operating expenses | 81,738 |
| Loss from operations | (55,902) |
| Interest expense related party | (229) |
| Net loss from continuing operations | (56,131) |
| Income from discontinued operations | 1,617 |
| Net loss | $ (54,514) |

| | |
|---|---|
| Initial capitalization | $ 180,100 |
| Net loss | (54,514) |
| Non-cash compensation | 1,094 |
| Change in owner equity | (15,545) |
| Ending owner equity | $ 111,135 |

See notes to combined consolidated financial statements.

**M/A-COM TECHNOLOGY SOLUTIONS INC. AND**

**M/ACOM TECHNOLOGY SOLUTIONS (CORK) LIMITED**

**COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE PERIOD FROM SEPTEMBER 26, 2008 THROUGH MARCH 30, 2009**

**(In thousands)**

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net loss | $ (54,514) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | |
| Goodwill and other impairments | 44,278 |
| Accretion of asset retirement obligations | 49 |
| Non-cash compensation | 1,094 |
| Depreciation and amortization | 6,188 |
| Loss on disposal of property and equipment | 93 |
| Change in current operating assets and liabilities: | |
| Accounts receivable | 16,623 |
| Inventories | 820 |
| Prepaid expenses and other assets | (292) |
| Accounts payable | (7,601) |
| Accrued and other liabilities | 6,013 |
| Net cash provided by operating activities | 12,751 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of property and equipment | (292) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Borrowings on revolving credit facility | 3,609 |
| Change in owner equity | (15,545) |
| Net cash used in financing activities | (11,936) |
| NET INCREASE IN CASH | $ 523 |
| CASH Beginning of period | 8 |
| CASH End of period | $ 531 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | |
| Cash paid for interest related party | $ 234 |

See notes to combined consolidated financial statements.

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**M/A-COM TECHNOLOGY SOLUTIONS INC.**

**AND M/ACOM TECHNOLOGY SOLUTIONS (CORK) LIMITED**

**NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM SEPTEMBER 26, 2008 THROUGH MARCH 30, 2009**

**1. NATURE OF BUSINESS AND BASIS OF PRESENTATION**

**Nature of Business** On September 26, 2008, Cobham Defense Electronics Systems Corporation, hereinafter referred to as the former owner, completed an acquisition of assets from a third-party (the Acquisition ) including the radio frequency and microwave component and subsystem design and manufacturing business operations that would become the operations of M/A-COM Technology Solutions Inc., or M/A-COM U.S., and M/ACOM Technology Solutions (Cork) Limited, or M/A-COM Ireland. M/A-COM U.S. and M/A-COM Ireland are hereinafter collectively referred to as M/A-COM. Former owner incorporated the two subsidiaries comprising M/A-COM in 2008 in connection with the Acquisition to facilitate its planned divestment of a portion of the assets acquired in the Acquisition. See Note 12 discussing the subsequent sale of these entities to M/A-COM Technology Solutions Holdings, Inc. in March 2009. M/A-COM has a fiscal year ending in September.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Combination and Basis of Presentation** The accompanying combined consolidated financial statements include the accounts of M/A-COM U.S. and its subsidiaries and M/A-COM Ireland on a combined standalone basis for the period from September 26, 2008 to March 30, 2009, and have been prepared by the management of M/A-COM s parent company, M/A-COM Technology Solutions Holdings, Inc. All intra- and inter-company balances and transactions between and among M/A-COM U.S. and its subsidiaries and M/A-COM Ireland have been eliminated in combination.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, M/A-COM bases estimates and assumptions on historical experience, currently available information, and various other factors that management believes to be reasonable under the circumstances. Actual results may differ materially from these estimates and assumptions.

**Foreign Currency Translation and Remeasurement** The combined consolidated financial statements of M/A-COM are presented in U.S. dollars. M/A-COM s foreign operations use the U.S. dollar as the functional currency. The financial statements of M/A-COM s foreign operations where certain underlying transactions are in a different currency are remeasured at the exchange rate in effect at the balance sheet date with respect to monetary assets and liabilities. Nonmonetary assets and liabilities, such as inventories and property and equipment, and related statements of operations accounts, such as cost of revenue and depreciation, are remeasured at historical exchange rates. Revenues and expenses, other than cost of revenue, amortization and depreciation, are translated at the average exchange rate for the period in which the transaction occurred. The net gains (losses) on foreign currency remeasurement are reflected in selling, general and administrative expense in the accompanying combined consolidated statement of operations. During the period from September 26, 2008 to March 30, 2009, M/A-COM s recognized net gains and losses on foreign exchange included in selling, general and administrative expense were immaterial.

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**Property and Equipment** Property and equipment is depreciated or amortized using the straight-line method over the following estimated useful lives:

| Asset Classification | Estimated Useful Life |
|---|---|
| Machinery and equipment | 4 7 |
| Machinery and equipment under capital leases | 5 7 |
| Computer equipment and software | 2 3 |
| Furniture and fixtures | 6 10 |
| Leasehold improvements | Shorter of useful life or term of lease |

Depreciation and amortization expense related to property and equipment for the period from September 26, 2008 to March 30, 2009, was $6.2 million.

**Intangible Assets and Impairment of Long-Lived Assets** M/A-COM has intangible assets with indefinite and definite lives. Goodwill and M/A-COM s trade names are indefinite-lived assets and were acquired through a business combination (see Notes 1 and 3). Goodwill and M/A-COM s trade name assets are not subject to amortization; these are reviewed for impairment annually and more frequently if events or changes in circumstances indicate that the asset may be impaired. If impairment exists, a loss would be recorded to write down the value of the indefinite-lived assets to the implied fair value. The acquired technology and customer relationships are definite-lived assets and are subject to amortization. M/A-COM amortizes definite-lived assets over their estimated useful lives, which range from 7 to 10 years, based on the pattern over which M/A-COM expects to receive the economic benefit from these assets as of the date of acquisition. Where the losses are expected to be incurred in periods immediately following an acquisition, the straight-line method or amortization is used.

M/A-COM evaluates long-lived assets for recoverability when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Circumstances which could trigger a review include, but are not limited to, significant decreases in the market price of the asset or asset group; significant adverse changes in the business climate or legal factors; the accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its previously estimated useful life.

Based on the indication of a possible impairment due to the impending sale of M/A-COM in March 2009, management estimated the fair value of its recorded assets and liabilities, which resulted in impairments of intangible assets of $8.9 million and property and equipment of $3.7 million. After recognizing those impairments, the difference between the estimated fair value of the business and the recorded net assets indicated that the goodwill was impaired, and an impairment charge of $31.7 million was recorded to reduce goodwill to its indicated value of $0. As a result of the evaluation in March 2009, an aggregate impairment charge of $44.3 million was recorded during the period from September 26, 2008 through March 30, 2009.

**Revenue Recognition** Revenue from the sale of products is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been provided, the price to the buyer is fixed or determinable, and collectibility is reasonably assured. Provided other revenue recognition criteria are met, product revenue is recognized upon transfer of title and risk of loss, which is generally upon shipment. M/A-COM recognizes revenue from service arrangements over the period the services are provided or upon customer acceptance of such services. Shipping and handling fees billed to customers are recorded as revenue while the related costs are classified as a component of costs of revenue. For the period from September 26, 2008 through March 30, 2009 one customer represented 24% of total revenue. No other customer represented more than 10% of revenue.

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**Product Warranties** M/A-COM provides warranties for its products and accrues the estimated costs of warranty claims in the period the related revenue is recorded. Product warranties generally have terms of 12 months and cover nonconformance with specifications and defects in material or workmanship. The liability is based on estimated costs to fulfill customer product warranty obligations and utilizes historical product failure rates. Should actual warranty obligations differ from estimates, revisions to the warranty expense may be required.

**Research and Development Costs** Costs incurred in the research and development of products are expensed as incurred.

**Income Taxes** M/A-COM recognizes deferred tax assets and liabilities for the expected future tax consequences or events that have been included in M/A-COM s financial statements and/or tax returns. Deferred tax assets and liabilities are based upon the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, and for loss and credit carryforwards using enacted tax rates expected to be in effect in the years in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

M/A-COM provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. Reserves are based on a determination of whether and how much of a tax benefit taken by M/A-COM in its tax filings or positions is more likely than not to be realized following an examination by taxing authorities. M/A-COM recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a more-likely-than-not threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense. For the period from September 26, 2008 to March 30, 2009, there are no material identified uncertain tax positions.

**Guarantees and Indemnification Obligations** M/A-COM enters into agreements in the ordinary course of business with, among others, customers, resellers, and original equipment manufacturers (OEM). Many of these agreements require M/A-COM to indemnify the other party against third-party claims alleging that a M/A-COM product infringes a patent and/or copyright. Certain of these agreements require M/A-COM to indemnify the other party against certain claims relating to property damage, personal injury, or the acts or omissions of M/A-COM, its employees, agents, or representatives. In addition, from time to time, M/A-COM has made certain guarantees in the form of warranties regarding the performance of M/A-COM products to customers.

M/A-COM also has agreements with certain vendors, creditors, lessors, licensees and service providers pursuant to which M/A-COM has agreed to indemnify the other party for specified matters like those described above.

M/A-COM has procurement or license agreements with respect to material and technology that is used in its products. Under some of these agreements, M/A-COM has agreed to indemnify the supplier for certain claims that may be brought against such party with respect to M/A-COM s acts or omissions relating to the supplied products or technologies.

M/A-COM has not experienced any losses related to these indemnification obligations, and no claims with respect thereto were outstanding as of March 30, 2009. M/A-COM does not expect significant claims related to these indemnification obligations and, consequently, has concluded that the fair value of these obligations is negligible.

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**Evaluation of Subsequent Events** Management has evaluated subsequent events involving M/A-COM for potential recognition or disclosure in the accompanying combined consolidated financial statements through August 1, 2011. Subsequent events are events or transactions that occurred after the balance sheet date but before the accompanying combined consolidated financial statements were available to be issued.

**3. MERGERS AND ACQUISITIONS**

On September 26, 2008, former owner acquired the assets comprising the operations of M/A-COM from a third party. The fair value of those assets was estimated by M/A-COM s management to be $180.1 million at that date. The operations of M/A-COM have been included in the accompanying combined consolidated financial statements from the date of acquisition on September 26, 2008. The acquisition qualifies as a purchase of assets for U.S. income tax purposes.

M/A-COM recognized all assets acquired and liabilities assumed, based upon the fair value of such assets and liabilities measured as of September 26, 2008, the acquisition date. The aggregate estimated fair value of the assets acquired was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition as follows (in thousands):

| | |
|---|---|
| Assets acquired: | |
| Cash | $ 8 |
| Accounts receivable | 53,213 |
| Inventories | 40,194 |
| Property and equipment | 39,249 |
| Goodwill | 31,672 |
| Identifiable intangible assets | 35,100 |
| Other assets | 6,528 |
| Total assets acquired | 205,964 |
| Liabilities assumed: | |
| Accounts payable | 17,526 |
| Accrued expenses | 6,454 |
| Other liabilities | 1,884 |
| Total liabilities assumed | 25,864 |
| Net assets acquired | $ 180,100 |

The components of the acquired intangible assets were as follows (in thousands):

| **Asset Class** | |
|---|---|
| Technology | $ 12,300 |
| Customer relationships | 19,200 |
| Trade name | 3,600 |
| | $ 35,100 |

The intangible assets acquired in the transaction are deductible for tax purposes.

In connection with the acquisition of M/A-COM, former owner entered into incentive compensation arrangements with certain employees of M/A-COM. These incentive compensation arrangements provided for the employees to perform employment-related services for M/A-COM for the period from September 26, 2008 through up to six months from the date M/A-COM was to be resold, that period expiring in September 2009. The

incentive compensation is recorded in M/A-COM s financial statements as non-cash incentive compensation expense in the accompanying combined consolidated statements of operations, with the offsetting amount recorded as a former owner capital contribution. For the period from September 26, 2008 to March 30, 2009, M/A-COM has expensed $1.1 million pursuant to the terms of the incentive compensation arrangements. As of March 30, 2009, there was approximately $0.6 million of unrecorded compensation to be recognized through September 2009.

**4. FAIR VALUE MEASUREMENTS**

As discussed in Note 2, as of March 30, 2009, M/A-COM determined the goodwill, other intangible assets and property and equipment were impaired and recorded a realized loss for approximately $44.3 million to reduce the carrying value of the long-lived assets to their implied fair values. The impairment loss was determined, in part, using the discounted cash flows expected to result from M/A-COM s use and eventual disposition of the assets. This fair value measurement falls within Level 3 of the fair value hierarchy. The loss is included in the accompanying combined consolidated statement of operations for the period from September 26, 2008 to March 30, 2009. M/A-COM did not have any other material assets and liabilities measured at fair value on a non-recurring basis as of March 30, 2009.

**5. EMPLOYEE BENEFIT PLANS**

The employees of M/A-COM meeting minimum age and service requirements participated in former owner s defined contribution plans whereby participants were able to defer a portion of their annual compensation on a pretax basis, subject to legal limitations. Contributions to the plan by former owner were discretionary and variable per region. M/A-COM expensed contributions of approximately $1.7 million, for the period from September 26, 2008 through March 30, 2009 pursuant to these plans.

**6. COMMITMENTS AND CONTINGENCIES**

**Operating Leases** M/A-COM has non-cancelable operating lease agreements for office, research, development, and manufacturing space in the United States and foreign locations. M/A-COM also has operating leases for certain equipment, automobiles, and services. These lease agreements expire at various dates through 2017 and certain agreements contain provisions for extension at substantially the same terms as currently in effect. Any lease escalation clauses, rent abatements, and/or concessions, such as rent holidays and landlord or tenant incentives or allowances, are included in the determination of straight-line rent expense over the lease term.

Future minimum payments for the next five fiscal years as of March 30, 2009, follow (in thousands):

| | |
|---|---|
| 2009 (balance of fiscal year) | $ 1,162 |
| 2010 | 1,745 |
| 2011 | 637 |
| 2012 | 556 |
| 2013 | 527 |
| 2014 | 527 |
| Total minimum lease payments | $ 5,154 |

Rent expense incurred under non-cancelable operating leases was approximately $2.5 million, for the period from September 26, 2008 to March 30, 2009.

**Unfavorable Lease Liability** In connection with the Acquisition, M/A-COM recorded an unfavorable lease liability of approximately $230,000 due to certain assumed leases having lease commitments in excess of their then fair value. M/A-COM is amortizing the liability as a reduction in lease expense over the terms of the respective leases. As of March 30, 2009, the remaining unfavorable lease liability was approximately $210,000.

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**Asset Retirement Obligations** M/A-COM is obligated under certain facility leases to restore those facilities to the condition in which M/A-COM or its predecessors first occupied the facilities. M/A-COM is required to remove leasehold improvements and equipment installed in these facilities prior to termination of the leases. The estimated costs for the removal of these assets as of March 30, 2009 totaled approximately $1.3 million.

**Purchase Commitments** As of March 30, 2009, M/A-COM had noncancelable purchase commitments of approximately $1.2 million pursuant to inventory supply arrangements.

**7. RESTRUCTURING**

During the period from September 26, 2008 to March 30, 2009, M/A-COM implemented and completed restructuring actions to reduce staffing. Severance and outplacement fees for the terminated staff was approximately $2.4 million and was payable for up to one year. The following is a summary of the activities under the restructuring actions (in thousands):

| | |
|---|---|
| Accrued balance as of September 26, 2008 | $ |
| Current period charges | 2,423 |
| Payments | (486) |
| Accrued balance as of March 30, 2009 | $ 1,937 |

**8. INTANGIBLE ASSETS**

Intangible assets consist of the following (in thousands):

| | Technology | Customer Relationships | Trade name (Indefinite Life) | Total |
|---|---|---|---|---|
| Balance, September 26, 2008 | $ 12,300 | $ 19,200 | $ 3,600 | $ 35,100 |
| Amortization | (879) | (960) | | (1,839) |
| Impairment recorded | (721) | (7,940) | (200) | (8,861) |
| Balance, March 30, 2009 | $ 10,700 | $ 10,300 | $ 3,400 | $ 24,400 |

M/A-COM amortizes the acquired technology assets on a straight-line basis over their estimated useful lives of 7 years and amortizes the customer relationship assets on a straight-line basis over their estimated useful lives of 10 years.

Amortization expense related to M/A-COM s amortized intangible assets included in the accompanying statement of operations for the period from September 26, 2008 to March 30, 2009 follows (in thousands):

| | |
|---|---|
| Cost of revenue | $ 879 |
| Selling, general and administrative | 960 |
| Total | $ 1,839 |

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Estimated amortization of M/A-COM s intangible assets in future fiscal years as of March 30, 2009 (in thousands):

| | |
|---|---|
| 2009 (balance of fiscal year) | $ 2,048 |
| 2010 | 4,096 |
| 2011 | 4,096 |
| 2012 | 4,096 |
| 2013 | 4,096 |
| Thereafter | 2,568 |
| Total | $ 21,000 |

**9. INCOME TAXES**

M/A-COM incurred taxable losses in all jurisdictions for the period from September 26, 2008 to March 30, 2009 and has established a full valuation allowance against the net deferred tax assets, the most significant component of which relates to net operating loss carryforwards, due to the uncertainty of earning sufficient taxable income and, accordingly, has not given recognition to these deferred tax assets in the accompanying financial statements. As a result, M/A-COM has not reflected an income tax provision or benefit in the accompanying combined consolidated statement of operations for the period from September 26, 2008 to March 30, 2009.

No provision has been made for the undistributed earnings of foreign subsidiaries as it is M/A-COM s intention that such earnings be indefinitely reinvested. It is not practicable to determine the U.S. federal and state deferred tax liabilities associated with its undistributed foreign earnings.

**10. RELATED-PARTY TRANSACTIONS**

Former owner charged general overhead expenses to M/A-COM related to certain management services it provided. The amount of these charges depended upon on a number of factors that were outside the control of M/A-COM, including total costs incurred by former owner, as well as changes in relative size of former owner s other businesses. During the period from September 26, 2008 through March 30, 2009, former owner billed M/A-COM for services for three months and an allocation was made for the remaining period, all aggregating $2.1 million for the above services, which are included in the accompanying combined consolidated statements of operations for the period from September 26, 2008 to March 30, 2009.

M/A-COM believes the assumptions and methodologies underlying the billing and allocation of general and corporate group division overhead expenses from former owner are reasonable. However, such allocations may not be indicative of the actual level of expenses that would have been or will be incurred by M/A-COM if it were to operate as an independent, stand-alone company. As such, the financial information herein may not necessarily reflect the combined results of operations and cash flows for M/A-COM in the future or if M/A-COM had been an independent, stand-alone company during the period presented.

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**11. DISCONTINUED OPERATIONS**

Subsequent to March 30, 2009, assets relating to the laser diode and ferrite business lines of M/A-COM were sold to a third party. The operations of those disposed business lines are reflected as discontinued operations in the accompanying combined consolidated financial statements. These business lines had aggregate revenues of $13.7 million and pre-tax income of $1.6 million for the period from September 26, 2008 through March 30, 2009.

**12. SUBSEQUENT EVENTS**

On March 30, 2009, M/A-COM Technology Solutions Holdings, Inc. acquired 100% of the outstanding stock of M/A-COM U.S. and M/A-COM Ireland.

* * * * * *

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# 5,556,000 Shares

# M/A-COM Technology Solutions Holdings, Inc.

# Common Stock

Prospectus

**, 2012**

## Barclays Capital

## J.P. Morgan

## Jefferies

**Needham & Company**

**Raymond James**

**Stifel Nicolaus Weisel**

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**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 13. Other Expenses of Issuance and Distribution**

The following table shows expenses to be incurred in connection with the offering described in this registration statement, all of which will be paid by the registrant. All amounts are estimates, other than the SEC registration fee and the FINRA filing fee.

| | |
|---|---|
| SEC registration fee | $ 26,703 |
| FINRA filing fee | 23,500 |
| Nasdaq listing fee | 150,000 |
| Accounting fees and expenses | 2,531,000 |
| Legal fees and expenses | 1,000,000 |
| Printing and engraving expenses | 315,000 |
| Transfer agent and registrar fees and expenses | 10,000 |
| Miscellaneous | 167,000 |
| Total | $ 4,223,203 |

* To be filed by amendment.

**ITEM 14. Indemnification of Directors and Officers**

Section 145 of the Delaware General Corporation Law (DGCL) authorizes a corporation to indemnify its directors, officers, employees and agents against expenses (including attorney s fees), judgments, fines and amounts paid in settlement reasonably incurred, provided they act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe their conduct was unlawful, although in the case of proceedings brought by or on behalf of the corporation, such indemnification is limited to expenses and is not permitted if the individual is adjudged liable to the corporation (unless the Delaware Court of Chancery or the court in which such proceeding was brought determines otherwise in accordance with the DGCL).

Section 102 of the DGCL authorizes a corporation to limit or eliminate its directors liability to the corporation or its stockholders for monetary damages for breaches of fiduciary duties, other than for (1) breaches of the duty of loyalty, (2) acts or omissions not in good faith or that involve intentional misconduct or knowing violations of law, (3) unlawful payments of dividends, stock purchases or redemptions or (4) transactions from which a director derives an improper personal benefit.

Upon the closing of the offering, our fourth amended and restated certificate of incorporation will contain provisions protecting our directors and officers to the fullest extent permitted by Sections 102 and 145 of the DGCL. Our second amended and restated bylaws will provide similar protection under Section 145 of the DGCL for our directors and officers.

Section 145 of the DGCL also authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation against certain liabilities asserted against and incurred by such person in any such capacity, or arising out of such person s status as such. We have obtained liability insurance covering our directors and officers for claims asserted against them or incurred by them in such capacity.

We have also entered into agreements to indemnify our directors and certain of our officers to the maximum extent allowed under Delaware law. These agreements will, among other things, indemnify our directors for certain expenses (including attorneys fees), judgments, fines and settlement amounts reasonably incurred by such person in any action or proceeding, including any action by or in our right, on account of any services undertaken by such person on behalf of the company or that person s status as a member of our board or directors.

The underwriting agreement provides that the underwriters are obligated, under certain circumstances, to indemnify our directors, officers and controlling persons against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of underwriting agreement to be filed as Exhibit 1.1 hereto.

Reference is also made to Item 17 for our undertakings with respect to indemnification for liabilities under the Securities Act.

**ITEM 15. Recent Sales of Unregistered Securities**

Since October 1, 2008, we have made sales of the following unregistered securities:

On March 27, 2009, we issued 250 shares of our common stock to a trust beneficially owned by our founders, John and Susan Ocampo. This transaction was exempt from the registration requirements of the Securities Act in reliance upon Section 4(2) of the Securities Act. On June 28, 2009, we issued an additional 24,999,750 shares of our common stock to a trust beneficially owned by our founders, Mr. and Mrs. Ocampo as a share dividend in connection with a 25,000-to-one forward stock split.

Since September 2009, we have granted stock options to purchase an aggregate of 4,245,000 shares of our common stock at exercise prices ranging from $0.64 to $11.08 per share to a total of 179 directors, officers, employees and consultants under our 2009 Omnibus Stock Plan. Since February 2011, we have granted restricted stock awards for an aggregate of 245,780 shares of our common stock to a total of 34 directors, officers, employees and consultants under our 2009 Omnibus Stock Plan. These transactions were exempt from the registration requirements of the Securities Act in reliance upon Rule 701 promulgated under the Securities Act or Section 4(2) of the Securities Act. All grants made in reliance upon Section 4(2) of the Securities Act were made to accredited investors.

On March 17, 2010, we issued an aggregate of 100,000,000 shares of our Series A-1 convertible preferred stock to the holders of our common stock in exchange for an aggregate of 24,500,000 shares of our outstanding common stock then held by them. This transaction was exempt from the registration requirements of the Securities Act in reliance upon Section 3(a)(9) of the Securities Act.

On May 28, 2010, we issued 17,500,693 shares of our Series A-2 convertible preferred stock to 15 accredited investors in connection with the Mimix Merger. The accredited investors were holders of the preferred stock of Mimix. This transaction was exempt from the registration requirements of the Securities Act in reliance upon Section 4(2) of the Securities Act.

On December 21, 2010, we issued 34,169,559.75 shares of our Class B convertible preferred stock and warrants to purchase an aggregate of 1,281,358.49 shares of our common stock to seven accredited investors for an aggregate purchase price of $120 million. These transactions were exempt from the registration requirements of the Securities Act in reliance upon Section 4(2) of the Securities Act.

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**ITEM 16. Exhibits and Financial Statement Schedules**
**(a) Exhibits**

| Exhibit Number | Description |
|---|---|
| 1.1** | Form of Underwriting Agreement. |
| 2.1#** | Purchase Agreement by and among Cobham Defense Electronic Systems Corporation, Lockman Electronic Holdings Limited and Kiwi Stone Acquisition Corp., dated as of March 30, 2009, as amended. |
| 2.2#** | Agreement and Plan of Merger by and among M/A-COM Technology Solutions Inc., Optomai, Inc., Optomai Merger Sub, Inc. and the others parties named therein, dated April 7, 2011. |
| 3.1** | Third Amended and Restated Certificate of Incorporation (currently in effect). |
| 3.2** | Amended and Restated Bylaws (currently in effect). |
| 3.3 | Fourth Amended and Restated Certificate of Incorporation (to be in effect following the closing of the offering). |
| 3.4 | Second Amended and Restated Bylaws (to be in effect following the closing of the offering). |
| 4.1** | Specimen of Common Stock Certificate. |
| 4.2 | Second Amended and Restated Investor Rights Agreement, dated February 28, 2012. |
| 4.3** | Form of Common Stock Purchase Warrant issued on December 21, 2010. |
| 5.1 | Opinion of Perkins Coie LLP. |
| 10.1+** | Form of Indemnification Agreement between M/A-COM Technology Solutions Holdings, Inc. and each of its directors and executive officers. |
| 10.2+** | M/A-COM Technology Solutions Holdings, Inc. Amended and Restated 2009 Omnibus Stock Plan. |
| 10.3+** | Form of Incentive Stock Option Agreement under the M/A-COM Technology Solutions Holdings, Inc. 2009 Omnibus Stock Plan. |
| 10.4+** | Form of Restricted Stock Agreement under the M/A-COM Technology Solutions Holdings, Inc. 2009 Omnibus Stock Plan. |
| 10.5+** | M/A-COM Technology Solutions Holdings, Inc. 2012 Omnibus Incentive Plan (to be in effect following the closing of the offering). |
| 10.8+** | M/A-COM Technology Solutions Holdings, Inc. 2012 Employee Stock Purchase Plan (to be in effect following the closing of the offering). |
| 10.9+** | Offer of Employment Letter to Joseph Thomas, Jr., dated July 9, 2009, as amended. |
| 10.10+** | Offer of Employment Letter to Charles Bland, dated February 8, 2011. |
| 10.11+** | Offer of Employment Letter to Conrad Gagnon, dated May 1, 2009. |
| 10.12+** | Offer of Employment Letter to Robert Donahue, dated July 16, 2009, as amended. |
| 10.13+** | Offer of Employment Letter to Michael Murphy, dated September 28, 2009, as amended. |
| 10.14+** | Management Services Agreement with GaAs Labs, LLC dated October 15, 2008, as amended. |
| 10.15** | Credit Agreement by and among M/A-COM Technology Solutions Holdings, Inc., the lenders party thereto, JPMorgan Chase Bank, N.A., Barclays Capital, RBS Citizens, N.A. and Raymond James Bank, FSB, dated as of September 30, 2011. |
| 10.16** | Lease Agreement between Cobham Properties, Inc. and M/A-COM Technology Solutions Inc., dated September 26, 2008, as amended. |
| 10.17 | Augmenting Lender Supplement to the Credit Agreement among M/A-COM Technology Solutions Holdings, Inc., the lenders party thereto and JPMorgan Chase Bank, N.A., dated February 24, 2012. |

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| Exhibit Number | Description |
|---|---|
| 21.1** | Subsidiaries of the registrant. |
| 23.1 | Consent of Deloitte & Touche LLP, independent registered public accounting firm, relating to M/A-COM Technology Solutions Holdings, Inc. |
| 23.2 | Consent of Deloitte & Touche LLP, independent auditors, relating to M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited. |
| 23.3 | Consent of Perkins Coie LLP (contained in the opinion filed as Exhibit 5.1). |
| 23.4** | Consent of Strategy Analytics. |
| 23.5** | Consent of Frost & Sullivan. |
| 24.1** | Power of Attorney (contained on page II-5). |

** Previously filed.

+ Management contract or compensatory plan.

# Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K under the Exchange Act. We hereby undertake to supplementally furnish copies of any omitted schedules to the SEC upon request by the SEC.

**(b) The following financial statement schedule is filed as part of this Registration Statement:**

All financial statement schedules have been omitted because they are not required, not applicable or the information to be included in the financial statement schedules is included in the financial statements or the notes thereto.

**ITEM 17. Undertakings**

A. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and persons controlling the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

B. The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) The registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Boston, Massachusetts, on February 28, 2012.

**M/A-COM TECHNOLOGY SOLUTIONS**

**HOLDINGS, INC.**

By: /s/ Charles Bland
Name: Charles Bland
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

| Signature | Title | Date |
|---|---|---|
| /s/ Charles Bland<br>Charles Bland | Chief Executive Officer (Principal Executive Officer) and Director | February 28, 2012 |
| *<br>Conrad Gagnon | Chief Financial Officer (Principal Financial and Accounting Officer) | February 28, 2012 |
| *<br>John Ocampo | Chairman of the Board | February 28, 2012 |
| *<br>Peter Chung | Director | February 28, 2012 |
| *<br>Gil Van Lunsen | Director | February 28, 2012 |
| /s/ Susan Ocampo<br>Susan Ocampo | Director | February 28, 2012 |

*By: /s/ Charles Bland
Charles Bland

Attorney-in-Fact

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## EXHIBIT INDEX

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+ Management contract or compensatory plan.

# Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K under the Exchange Act. We hereby undertake to supplementally furnish copies of any omitted schedules to the SEC upon request by the SEC.