

XILINX INC  
Form 10-Q  
January 30, 2014  
Table of Contents

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

FORM 10-Q  
(Mark One)

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

For the quarterly period ended December 28, 2013

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 000-18548

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Xilinx, Inc.  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

77-0188631  
(I.R.S. Employer  
Identification No.)

2100 Logic Drive, San Jose, California  
(Address of principal executive offices)  
(408) 559-7778

95124  
(Zip Code)

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Shares outstanding of the registrant's common stock:

Class	Shares Outstanding as of January 17, 2014
Common Stock, \$.01 par value	266,854,824

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TABLE OF CONTENTS

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Table of Contents

<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>ITEM 1. FINANCIAL STATEMENTS</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	<u>4</u>
<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	<u>5</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>6</u>
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>7</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>25</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>33</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>34</u>
<u>PART II. OTHER INFORMATION</u>	<u>35</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>35</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>36</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>44</u>
<u>ITEM 6. EXHIBITS</u>	<u>45</u>
<u>SIGNATURES</u>	<u>46</u>

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## XILINX, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Net revenues	\$586,816	\$509,767	\$1,764,708	\$1,636,484
Cost of revenues	180,792	170,493	543,308	556,617
Gross margin	406,024	339,274	1,221,400	1,079,867
Operating expenses:				
Research and development	128,092	129,055	364,635	364,389
Selling, general and administrative	91,794	86,823	280,520	274,952
Amortization of acquisition-related intangibles	2,589	2,554	7,425	7,021
Litigation and contingencies	(19,190)	) —	9,410	—
Total operating expenses	203,285	218,432	661,990	646,362
Operating income	202,739	120,842	559,410	433,505
Interest and other expense, net	4,807	5,149	25,734	24,824
Income before income taxes	197,932	115,693	533,676	408,681
Provision for income taxes	22,055	12,045	59,315	51,765
Net income	\$175,877	\$103,648	\$474,361	\$356,916
Net income per common share:				
Basic	\$0.66	\$0.40	\$1.78	\$1.36
Diluted	\$0.61	\$0.38	\$1.66	\$1.31
Cash dividends per common share	\$0.25	\$0.22	\$0.75	\$0.66
Shares used in per share calculations:				
Basic	267,780	260,690	266,068	261,723
Diluted	288,195	271,174	285,380	271,861

See notes to condensed consolidated financial statements.

Table of Contents

XILINX, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012
Net income	\$175,877	\$103,648	\$474,361	\$356,916
Other comprehensive income (loss), net of tax:				
Change in net unrealized gain (loss) on available-for-sale securities	(2,901	) (2,253	) (16,831	) 4,899
Reclassification adjustment for gain on available-for-sale securities	(21	) (421	) (188	) (1,336
Change in net unrealized gain (loss) on hedging transactions	(96	) (703	) (251	) 1,809
Reclassification adjustment for (gain) loss on hedging transactions	(259	) 19	1,836	3,011
Cumulative translation adjustment	290	(51	) (774	) (484
Other comprehensive income (loss)	(2,987	) (3,409	) (16,208	) 7,899
Total comprehensive income	\$172,890	\$100,239	\$458,153	\$364,815

See notes to condensed consolidated financial statements.

Table of ContentsXILINX, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	December 28, 2013 (unaudited)	March 30, 2013 [1]
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$631,879	\$623,558
Short-term investments	1,825,540	1,091,187
Accounts receivable, net	207,248	229,175
Inventories	206,728	201,250
Deferred tax assets	2,066	60,709
Prepaid expenses and other current assets	74,365	91,760
Total current assets	2,947,826	2,297,639
Property, plant and equipment, at cost:	802,093	784,796
Accumulated depreciation and amortization	(447,293)	(419,109)
Net property, plant and equipment	354,800	365,687
Long-term investments	1,287,392	1,651,033
Goodwill	159,296	158,990
Acquisition-related intangibles, net	31,329	36,054
Other assets	221,158	220,048
Total Assets	\$5,001,801	\$4,729,451
<b>LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$90,123	\$72,766
Accrued payroll and related liabilities	152,397	124,195
Income taxes payable	4,595	60,632
Deferred income on shipments to distributors	48,075	53,358
Deferred tax liabilities	140,601	51
Other accrued liabilities	61,894	75,786
Convertible debentures (Note 10)	934,392	—
Total current liabilities	1,432,077	386,788
Convertible debentures (Note 10)	—	922,666
Deferred tax liabilities	279,696	415,442
Long-term income taxes payable	10,576	37,579
Other long-term liabilities	2,481	3,680
Commitments and contingencies		
Temporary equity (Note 10)	355,243	—
Stockholder's equity:		
Preferred stock, \$.01 par value (none issued)	—	—
Common stock, \$.01 par value	2,665	2,636
Additional paid-in capital	1,037,592	1,276,278
Retained earnings	1,889,019	1,675,722
Accumulated other comprehensive income (loss)	(7,548)	8,660
Total stockholders' equity	2,921,728	2,963,296
Total Liabilities, Temporary Equity and Stockholders' Equity	\$5,001,801	\$4,729,451

[1] Derived from audited financial statements

See notes to condensed consolidated financial statements.

5

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Table of Contents

XILINX, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

(In thousands)	Nine Months Ended	
	December 28, 2013	December 29, 2012
Cash flows from operating activities:		
Net income	\$474,361	\$356,916
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	41,604	42,434
Amortization	14,828	12,878
Stock-based compensation	68,353	56,616
Net (gain) loss on sale of available-for-sale securities	277	(2,489)
Amortization of debt discount on convertible debentures	12,144	11,877
Provision for deferred income taxes	70,168	48,302
Excess tax benefit from stock-based compensation	(20,248)	(6,312)
Others	(1,512)	437
Changes in assets and liabilities:		
Accounts receivable, net	21,927	(17,292)
Inventories	(5,208)	(21,018)
Prepaid expenses and other current assets	(7,929)	5,021
Other assets	(15,695)	(6,208)
Accounts payable	17,357	19,953
Accrued liabilities	28,303	3,088
Income taxes payable	(77,905)	(4,334)
Deferred income on shipments to distributors	(5,283)	(16,985)
Net cash provided by operating activities	615,542	482,884
Cash flows from investing activities:		
Purchases of available-for-sale securities	(3,152,726)	(2,965,026)
Proceeds from sale and maturity of available-for-sale securities	2,758,941	2,684,994
Purchases of property, plant and equipment	(30,717)	(24,053)
Other investing activities	27,092	(32,349)
Net cash used in investing activities	(397,410)	(336,434)
Cash flows from financing activities:		
Repurchases of common stock	(167,121)	(197,750)
Proceeds from issuance of common stock through various stock plans, net	137,363	51,950
Payment of dividends to stockholders	(200,301)	(172,647)
Excess tax benefit from stock-based compensation	20,248	6,312
Net cash used in financing activities	(209,811)	(312,135)
Net increase (decrease) in cash and cash equivalents	8,321	(165,685)
Cash and cash equivalents at beginning of period	623,558	788,822
Cash and cash equivalents at end of period	\$631,879	\$623,137
Supplemental disclosure of cash flow information:		
Interest paid	\$26,526	\$26,526
Income taxes paid, net of refunds	\$67,335	\$6,917
See notes to condensed consolidated financial statements.		



Table of Contents

XILINX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended March 30, 2013. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending March 29, 2014 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2014 and 2013 are a 52-week year ending on March 29, 2014 and March 30, 2013, respectively. The quarters ended December 28, 2013 and December 29, 2012 each included 13 weeks.

Note 2. Recent Accounting Changes and Accounting Pronouncements

The Company adopted the authoritative guidance, established by the Financial Accounting Standards Board (FASB), that sets requirements for presentation for significant items reclassified out of the accumulated other comprehensive income to net income in their entirety during the period, and for items not reclassified to net income in their entirety during the period. This guidance does not affect the underlying accounting for components of other comprehensive income.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company's distributors, distributes the Company's products worldwide. As of December 28, 2013 and March 30, 2013, Avnet accounted for 55% and 64% of the Company's total net accounts receivable, respectively. Resale of product through Avnet accounted for 45% and 47% of the Company's worldwide net revenues in the third quarter and the first nine months of fiscal 2014, respectively. For the third quarter and the first nine months of fiscal 2013, resale of product through Avnet accounted for 47% and 46% of the Company's worldwide net revenues, respectively. The percentage of accounts receivable due from Avnet and the percentage of worldwide net revenues from Avnet are consistent with historical patterns.

Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the condensed consolidated balance sheet. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or distributors.

No end customer accounted for more than 10% of the Company's worldwide net revenues for any of the periods presented.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing more than 86% of its portfolio in AA or higher grade securities as rated by Standard & Poor's or Moody's Investors Service. The Company's methods to arrive at investment decisions are not solely based on the rating agencies' credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company's forward currency exchange contracts. Additionally, Xilinx limits its investments in the debt securities of a single issuer based upon the issuer's credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of December 28, 2013, approximately 33% of the portfolio consisted of mortgage-backed securities. All of the mortgage-backed securities in the investment portfolio were issued by U.S. government-sponsored enterprises and

agencies and are rated AA+ by Standard & Poor's and AAA by Moody's Investors Service.

The global credit and capital markets have continued to experience adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities, and have experienced volatility and disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability. Therefore, there is a risk that the Company may incur other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate or the underlying assets fail to perform as anticipated. See "Note 5. Financial Instruments" for a table of the Company's available-for-sale securities.

Table of Contents

Note 4. Fair Value Measurements

The guidance for fair value measurements established by FASB defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which Xilinx would transact and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.

The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation testing and analyses. The Company primarily uses a consensus price or weighted-average price for its fair value assessment. The Company determines the consensus price using market prices from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price. For certain other securities, such as student loan auction rate securities, the Company performs its own valuation analysis using a discounted cash flow pricing model.

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the first nine months of fiscal 2014 and the Company did not adjust or override any fair value measurements as of December 28, 2013.

Fair Value Hierarchy

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company's Level 1 assets consist of U.S. government and agency securities and money market funds.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets consist of bank certificates of deposit, commercial paper, corporate bonds, municipal bonds, U.S. agency securities, foreign government and agency securities, mortgage-backed securities and a debt mutual fund. The Company's Level 2 assets and liabilities also include foreign currency forward contracts and commodity swap contracts.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company's Level 3 assets and liabilities include student loan auction rate securities and the embedded derivative related to the Company's debentures.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value

measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 28, 2013 and March 30, 2013:

8

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Table of Contents

	December 28, 2013			
	Quoted			
(In thousands)	Prices in	Significant	Significant	Total Fair
	Active	Other	Unobservable	Value
	Markets for	Observable	Inputs	
	Identical	Inputs	(Level 3)	
	Instruments	(Level 2)		
	(Level 1)			
Assets				
Cash and cash equivalents:				
Money market funds	\$ 152,160	\$—	\$—	\$ 152,160
Bank certificates of deposit	—	29,996	—	29,996
Commercial paper	—	19,996	—	19,996
Corporate bonds	—	172,237	—	172,237
U.S. government and agency securities	109,996	—	—	109,996
Foreign government and agency securities	—	79,987	—	79,987
Short-term investments:				
Bank certificates of deposit	—	109,960	—	109,960
Commercial paper	—	179,978	—	179,978
Corporate bonds	—	310,845	—	310,845
Municipal bonds	—	11,990	—	11,990
U.S. government and agency securities	506,442	157,918	—	664,360
Foreign government and agency securities	—	229,940	—	229,940
Mortgage-backed securities	—	318,467	—	318,467
Long-term investments:				
Corporate bonds	—	229,290	—	229,290
Auction rate securities	—	—	19,856	19,856
Municipal bonds	—	17,869	—	17,869
U.S. government and agency securities	11,720	44,270	—	55,990
Mortgage-backed securities	—	908,906	—	908,906
Debt mutual fund	—	55,481	—	55,481
Derivative financial instruments, net	—	473	—	473
Total assets measured at fair value	\$ 780,318	\$ 2,877,603	\$ 19,856	\$ 3,677,777
Liabilities				
Convertible debentures — embedded derivative	\$—	\$—	\$ 628	\$ 628
Total liabilities measured at fair value	\$—	\$—	\$ 628	\$ 628
Net assets measured at fair value	\$ 780,318	\$ 2,877,603	\$ 19,228	\$ 3,677,149

Table of Contents

(In thousands)	March 30, 2013			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets</b>				
Cash and cash equivalents:				
Money market funds	\$ 108,311	\$—	\$—	\$ 108,311
Bank certificates of deposit	—	79,995	—	79,995
Commercial paper	—	208,667	—	208,667
U.S. government and agency securities	95,039	—	—	95,039
Foreign government and agency securities	—	54,989	—	54,989
Short-term investments:				
Bank certificates of deposit	—	44,992	—	44,992
Commercial paper	—	294,883	—	294,883
Corporate bonds	—	40,728	—	40,728
Municipal bonds	—	3,706	—	3,706
U.S. government and agency securities	416,887	75,011	—	491,898
Foreign government and agency securities	—	214,912	—	214,912
Mortgage-backed securities	—	68	—	68
Long-term investments:				
Corporate bonds	—	235,275	—	235,275
Auction rate securities	—	—	28,700	28,700
Municipal bonds	—	21,234	—	21,234
U.S. government and agency securities	55,142	55,143	—	110,285
Mortgage-backed securities	—	1,192,612	—	1,192,612
Debt mutual fund	—	62,927	—	62,927
Total assets measured at fair value	\$ 675,379	\$ 2,585,142	\$ 28,700	\$ 3,289,221
<b>Liabilities</b>				
Derivative financial instruments, net	\$—	\$ 1,615	\$—	\$ 1,615
Convertible debentures — embedded derivative	—	—	1,090	1,090
Total liabilities measured at fair value	\$—	\$ 1,615	\$ 1,090	\$ 2,705
Net assets measured at fair value	\$ 675,379	\$ 2,583,527	\$ 27,610	\$ 3,286,516

## Changes in Level 3 Instruments Measured at Fair Value on a Recurring Basis

The following table is a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Table of Contents

(In thousands)	Three Months Ended		Nine Months Ended		
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012	
Balance as of beginning of period	\$22,229	\$27,524	\$27,610	\$27,998	
Total realized and unrealized gains (losses):					
Included in interest and other expense, net	(221	) 221	462	(393	)
Included in other comprehensive income	870	(318	) 1,456	172	
Sales and settlements, net	(3,650	) (350	) (10,300	) (700	)
Balance as of end of period	\$19,228	\$27,077	\$19,228	\$27,077	

The amount of total gains (losses) included in net income attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of the end of the period was as follows:

(In thousands)	Three Months Ended		Nine Months Ended		
	December 28, 2013	December 29, 2012	December 28, 2013	December 29, 2012	
Interest and other expense, net	\$(221	) \$221	\$462	\$(393	)

As of December 28, 2013, there was no material change to the input assumptions of the pricing model for the student loan auction rate securities as compared to the assumptions used as of our last fiscal year end. The valuation methodology was consistent with prior year.

The 3.125% Junior Convertible Debentures due March 15, 2037 (3.125% Debentures) included embedded features that qualify as an embedded derivative, and was separately accounted for as a discount on the 3.125% Debentures. Its fair value was established at the inception of the 3.125% Debentures. Each quarter, the change in the fair value of the embedded derivative, if any, is recorded in the condensed consolidated statements of income. The Company uses a derivative valuation model to derive the value of the embedded derivative. Key inputs into this valuation model are the Company's current stock price, risk-free interest rates, the stock dividend yield, the stock volatility and the 3.125% Debenture's credit spread over London Interbank Offered Rate (LIBOR). The first three inputs are based on observable market data and are considered Level 2 inputs while the last two inputs require management judgment and are Level 3 inputs.

#### Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Our Senior Convertible Debentures due June 15, 2017 (2.625% Debentures) and 3.125% Debentures are measured at fair value on a quarterly basis for disclosure purposes. The fair value of the 2.625% and 3.125% Debentures as of December 28, 2013 were approximately \$924.0 million and \$1.08 billion, respectively, based on the last trading price of the respective debentures for the period (classified as level 2 in fair value hierarchy due to relatively low trading volume).

#### Note 5. Financial Instruments

The following is a summary of cash equivalents and available-for-sale securities as of the end of the periods presented:

Table of Contents

(In thousands)	December 28, 2013				March 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	\$152,160	\$—	\$—	\$152,160	\$108,311	\$—	\$—	\$108,311
Bank certificates of deposit	139,956	—	—	139,956	124,987	—	—	124,987
Commercial paper	199,974	—	—	199,974	503,550	—	—	503,550
Corporate bonds	711,636	2,951	(2,215 )	712,372	270,945	5,193	(135 )	276,003
Auction rate securities	21,500	—	(1,644 )	19,856	31,900	—	(3,200 )	28,700
Municipal bonds	29,924							