

**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 September 27, 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 No. 0-12695

INTEGRATED DEVICE TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation or Organization)

6024 SILVER CREEK VALLEY ROAD, SAN JOSE, CALIFORNIA
(Address of Principal Executive Offices)

94-2669985

(I.R.S. Employer Identification No.)

95138
(Zip Code)

Registrant's Telephone Number, Including Area Code: **(408) 284-8200**

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 definition 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

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

The number of outstanding shares of the registrant's Common Stock, \$.001 par value, as of October 26, 2015 was approximately 146,725,251.

INTEGRATED DEVICE TECHNOLOGY, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(Unaudited, in thousands)</i>	September 27, 2015	March 29, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 91,557	\$ 116,945
Short-term investments	467,364	438,115
Accounts receivable, net of allowances of \$4,333 and \$4,664	63,373	63,618
Inventories	43,946	45,410
Income tax receivable	165	405
Prepayments and other current assets	14,930	15,636
Total current assets	681,335	680,129
Property, plant and equipment, net	64,890	65,508
Goodwill	135,644	135,644
Other intangible assets, net	12,983	5,535
Deferred non-current tax assets	643	735
Other assets	24,844	26,108
Total assets	\$ 920,339	\$ 913,659
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 31,730	\$ 28,006
Accrued compensation and related expenses	27,492	43,649
Deferred income on shipments to distributors	11,476	15,694
Deferred tax liabilities	1,629	1,401
Other accrued liabilities	11,305	17,582
Total current liabilities	83,632	106,332
Deferred tax liabilities	1,135	1,121
Long-term income tax payable	226	347
Other long-term liabilities	19,619	17,605
Total liabilities	104,612	125,405
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock: \$0.001 par value: 10,000 shares authorized; no shares issued	—	—
Common stock: \$0.001 par value: 350,000 shares authorized; 146,673 and 148,414 shares outstanding at September 27, 2015 and March 29, 2015, respectively	147	148
Additional paid-in capital	2,537,080	2,510,868
Treasury stock at cost: 103,686 shares at September 27, 2015 and 99,849 shares at March 29, 2015, respectively	(1,177,572)	(1,100,546)
Accumulated deficit	(539,454)	(620,035)
Accumulated other comprehensive loss	(4,474)	(2,181)
Total stockholders' equity	815,727	788,254
Total liabilities and stockholders' equity	\$ 920,339	\$ 913,659

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

INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(Unaudited, in thousands, except per share data)</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Revenues	\$ 169,498	\$ 137,093	\$ 330,405	\$ 263,395
Cost of revenues	62,952	55,217	124,625	107,510
Gross profit	106,546	81,876	205,780	155,885
Operating expenses:				
Research and development	35,301	30,742	69,055	62,792
Selling, general and administrative	29,227	26,795	57,370	52,254
Total operating expenses	64,528	57,537	126,425	115,046
Operating income	42,018	24,339	79,355	40,839
Interest income and other, net	1,016	405	2,834	1,267
Income before income taxes from continuing operations	43,034	24,744	82,189	42,106
Income tax provision	611	498	1,046	749
Net income from continuing operations	42,423	24,246	\$ 81,143	\$ 41,357
Discontinued operations:				
Gain from divestiture before income taxes	—	—	—	16,840
Loss from discontinued operations before income taxes	—	(9,747)	(547)	(21,900)
Income tax provision	—	57	15	12
Net loss from discontinued operations	—	(9,804)	(562)	(5,072)
Net income	\$ 42,423	\$ 14,442	\$ 80,581	\$ 36,285
Basic net income per share - continuing operations	\$ 0.29	\$ 0.16	\$ 0.55	\$ 0.28
Basic net loss per share - discontinued operations	—	(0.06)	—	\$ (0.04)
Basic net income per share	\$ 0.29	\$ 0.10	\$ 0.55	\$ 0.24
Diluted net income per share - continuing operations	\$ 0.28	\$ 0.16	\$ 0.53	\$ 0.27
Diluted net loss per share - discontinued operations	—	(0.07)	—	\$ (0.03)
Diluted net income per share	\$ 0.28	\$ 0.09	\$ 0.53	\$ 0.24
Weighted average shares:				
Basic	147,724	148,683	148,058	148,983
Diluted	152,152	153,784	152,997	153,816

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

INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(Unaudited, in thousands)</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net income	\$ 42,423	\$ 14,442	\$ 80,581	\$ 36,285
Other comprehensive income (loss), net of taxes:				
Currency translation adjustments, net of tax	(1,814)	(1,585)	(1,004)	(1,255)
Change in net unrealized gain (loss) on investments, net of tax	232	(448)	(678)	(16)
Actuarial loss on post-employment and post-retirement benefit plans, net of tax	(465)	(2)	(611)	(5)
Total other comprehensive loss	(2,047)	(2,035)	(2,293)	(1,276)
Comprehensive income	\$ 40,376	\$ 12,407	\$ 78,288	\$ 35,009

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

**INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Unaudited, in thousands)</i>	Six Months Ended	
	September 27, 2015	September 28, 2014
Cash flows from operating activities:		
Net income	\$ 80,581	\$ 36,285
Adjustments:		
Depreciation	8,648	10,364
Amortization of intangible assets	2,451	4,225
Impairment of assets held for sale	—	8,471
Gain from divestiture	—	(16,840)
Gain on sale of property, plant and equipment	(325)	—
Stock-based compensation expense, net of amounts capitalized in inventory	16,416	10,665
Deferred tax provision	334	94
Tax benefit from share-based payment arrangements	(115)	—
Changes in assets and liabilities:		
Accounts receivable, net	245	(8,533)
Inventories	1,400	12,158
Prepayments and other assets	2,353	1,701
Accounts payable	3,525	1,180
Accrued compensation and related expenses	(16,156)	4,113
Deferred income on shipments to distributors	(4,218)	1,491
Income taxes payable and receivable	179	(109)
Other accrued liabilities and long-term liabilities	(4,833)	4,467
Net cash provided by operating activities	90,485	69,732
Cash flows from investing activities:		
Cash in escrow related to acquisitions	—	1,026
Proceeds from divestitures	—	15,300
Purchases of property, plant and equipment, net	(8,090)	(8,748)
Purchases of intangible assets	(9,900)	—
Purchases of short-term investments	(189,213)	(111,100)
Proceeds from sales of short-term investments	109,885	56,883
Proceeds from maturities of short-term investments	48,774	32,295
Net cash used in investing activities	(48,544)	(14,344)
Cash flows from financing activities:		
Proceeds from issuance of common stock	9,744	10,432
Repurchase of common stock	(77,025)	(49,152)
Payment of acquisition related contingent consideration	—	(1,600)
Excess tax benefit from share-based payment arrangements	115	—
Net cash used in financing activities	(67,166)	(40,320)
Effect of exchange rates on cash and cash equivalents	(163)	(1,259)
Net (decrease) increase in cash and cash equivalents	(25,388)	13,809
Cash and cash equivalents at beginning of period	116,945	91,211
Cash and cash equivalents at end of period	\$ 91,557	\$ 105,020

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

**INTEGRATED DEVICE TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies

Nature of Business. Integrated Device Technology, Inc. (IDT or the Company) designs, develops, manufactures and markets a broad range of integrated circuits for the advanced communications, computing and consumer industries.

Basis of Presentation. The Company's fiscal year is the 52 or 53 week period ending on the Sunday closest to March 31. In a 52 week year, each fiscal quarter consists of 13 weeks. In a 53 week year, the additional week is usually added to the third quarter, making such quarter consist of 14 weeks. The first and second quarters of fiscal 2016 and fiscal 2015 were 13 week periods.

Principles of Consolidation. The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant Accounting Policies. For a description of significant accounting policies, see Note 1, Summary of Significant Accounting Policies to the consolidated financial statements included in the Company's annual report on Form 10-K for the fiscal year ended March 29, 2015. There have been no material changes to the Company's significant accounting policies since the filing of the annual report on Form 10-K.

In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair presentation of the condensed consolidated financial statements, for the interim period.

Recent Accounting Pronouncements

Accounting Pronouncements Not Yet Effective for Fiscal 2016

In July 2015, the Financial Accounting Standards Board (FASB) issued guidance applying to inventory measured using any other method other than last-in, last-out method. Under this guidance, inventory is measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is applied prospectively and is effective for the Company in its first quarter of fiscal 2018. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This standard sets forth management's responsibility to evaluate, each reporting period, whether there is substantial doubt about an entity's ability to continue as a going concern, and if so, to provide related footnote disclosures. The standard is effective for annual reporting periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. The Company does not believe that the adoption of this guidance will have any material impact on its financial position or results of operations.

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. On July 9, 2015, the FASB decided to delay the effective date by one year to December 15, 2017 for annual periods beginning after that date. The FASB also decided to allow early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Note 2. Net Income Per Share

Basic net income per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive potential common shares outstanding during the period. Potential common shares include employee stock options and restricted stock units. For purposes of computing diluted net income per share, weighted average potential common shares do not include potential common shares that are anti-dilutive under the treasury stock method.

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The following table sets forth the computation of basic and diluted net income per share from continuing operations:

	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
<i>(in thousands, except per share amounts)</i>				
Numerator (basic and diluted):				
Net income from continuing operations	\$ 42,423	\$ 24,246	\$ 81,143	\$ 41,357
Denominator:				
Weighted average common shares outstanding, basic	147,724	148,683	148,058	148,983
Dilutive effect of employee stock options and restricted stock units	4,428	5,101	4,939	4,833
Weighted average common shares outstanding, diluted	152,152	153,784	152,997	153,816
Basic net income per share from continuing operations	\$ 0.29	\$ 0.16	\$ 0.55	\$ 0.28
Diluted net income per share from continuing operations	\$ 0.28	\$ 0.16	\$ 0.53	\$ 0.27

Potential dilutive common shares of 0.7 million and 9 thousand pertaining to employee stock options and restricted stock units were excluded from the calculation of diluted earnings per share for the three months ended September 27, 2015 and September 28, 2014, respectively, because the effect would have been anti-dilutive. Potential dilutive common shares of 0.5 million and 0.7 million pertaining to employee stock options and restricted stock units were excluded from the calculation of diluted earnings per share for the six months ended September 27, 2015 and September 28, 2014, respectively, because the effect would have been anti-dilutive.

Note 3. Discontinued Operations

High-Speed Converter (“HSC”) Business

In fiscal 2014, the Company initiated a project to divest its HSC business and has classified the related assets, as held for sale. The HSC business included the assets of NXP B.V.’s Data Converter Business and Alvand Technologies, Inc., which were acquired in fiscal 2013.

On May 30, 2014, the Company completed the sale of certain assets related to the Alvand portion of the HSC business to a buyer pursuant to an Asset Purchase Agreement. Upon the closing of the transaction, the buyer paid the Company \$18.0 million in cash consideration, of which \$2.7 million is held in an escrow account for a period of 18 months. The Company recorded a gain of \$16.8 million in discontinued operations related to this divestiture during the first quarter of fiscal 2015. The following table summarizes the components of the gain (in thousands):

	Amount
Cash proceeds from sale (including amounts held in escrow)	\$ 18,000
Less book value of assets sold and direct costs related to the sale:	
Intangible assets	(990)
Transaction and other costs	(170)
Gain on divestiture	\$ 16,840

Following the sale of assets related to the Alvand portion of the HSC business, the business had remaining long-lived assets classified as held for sale amounting to \$8.5 million, which consisted of \$2.9 million in fixed assets and \$5.6 million in intangible assets. The Company evaluated the carrying value of the disposal group and determined that it exceeded its estimated fair value based on estimated selling price less cost to sell. Accordingly, total impairment charge of \$8.5 million was recorded as loss from discontinued operations in the Condensed Consolidated Statement of Operations in the first quarter of fiscal 2015.

As of March 29, 2015, all long-lived assets related to the HSC business were fully impaired.

On April 27, 2015, the Company completed the sale of the remaining HSC business to eSilicon Corporation (“eSilicon”), for \$1.5 million which will be paid on or before April 27, 2017. In connection with the sale, the Company entered into an Exclusive

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Intellectual Property License Agreement with eSilicon, whereby the Company provided an exclusive license to eSilicon to develop, manufacture, sell and maintain HSC products. In connection with the sale, the Company and eSilicon also entered into a Transition Services Agreement, whereby the Company will provide certain transition services over a specific period from the effective date of the sale. The transition services do not represent significant continuing involvement of the Company in the HSC business.

As of September 27, 2015, the Company had a receivable of \$1.5 million representing uncollected proceeds from the sale that was included under Other Assets on the Condensed Consolidated Balance Sheet. Given the term of the sale, the Company deferred the gain from this divestiture and will recognize it into discontinued operations when collectibility becomes certain. The following table summarizes the components of the deferred gain which was included under Other Long-term Liabilities on the Condensed Consolidated Balance Sheet as of September 27, 2015:

<i>(in thousands)</i>	Amount
Sale price	\$ 1,500
Less book value of assets sold	(115)
Deferred gain on divestiture	<u>\$ 1,385</u>

The HSC business was included in the Company's Communications reportable segment. For financial statements purposes, the results of operations for the HSC business have been segregated from those of the continuing operations and are presented in the Company's condensed consolidated financial statements as discontinued operations.

The results of the HSC business for the three and six months ended September 27, 2015 and September 28, 2014 were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Revenues	\$ —	\$ 1,332	\$ 176	\$ 2,338
Cost of revenues	—	(413)	(477)	(1,018)
Long-lived assets impairment	—	—	—	(8,471)
Restructuring costs (see Note 12)	—	(6,775)	—	(6,775)
Operating expenses	—	(3,891)	(246)	(7,974)
Gain on divestiture	—	—	—	16,840
Income tax provision	—	(57)	(15)	(12)
Net loss from discontinued operations	<u>\$ —</u>	<u>\$ (9,804)</u>	<u>\$ (562)</u>	<u>\$ (5,072)</u>

Note 4. Fair Value Measurement

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 27, 2015:

<i>(in thousands)</i>	Fair Value at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash Equivalents and Short-Term Investments:				
US government treasuries and agencies securities	\$ 144,368	\$ —	\$ —	\$ 144,368
Money market funds	37,139	—	—	37,139
Asset-backed securities	—	39,656	—	39,656
Corporate bonds	—	261,023	—	261,023
International government bonds	—	1,004	—	1,004
Corporate commercial paper	—	8,546	—	8,546
Bank deposits	—	14,803	—	14,803
Repurchase agreement	—	128	—	128
Municipal bonds	—	6,011	—	6,011
Total assets measured at fair value	\$ 181,507	\$ 331,171	\$ —	\$ 512,678

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 29, 2015:

<i>(in thousands)</i>	Fair Value at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash Equivalents and Short-Term Investments:				
US government treasuries and agencies securities	\$ 135,945	\$ —	\$ —	\$ 135,945
Money market funds	55,578	—	—	55,578
Asset-backed securities	—	31,830	—	31,830
Corporate bonds	—	245,675	—	245,675
International government bonds	—	1,006	—	1,006
Corporate commercial paper	—	4,999	—	4,999
Bank deposits	—	16,915	—	16,915
Repurchase agreements	—	191	—	191
Municipal bonds	—	6,044	—	6,044
Total assets measured at fair value	\$ 191,523	\$ 306,660	\$ —	\$ 498,183

U.S. government treasuries and U.S. government agency securities as of September 27, 2015 and March 29, 2015 do not include any U.S. government guaranteed bank issued paper.

The securities in Level 1 are highly liquid and actively traded in exchange markets or over-the-counter markets. Level 2 fixed income securities are priced using quoted market prices for similar instruments, non-binding market prices that are corroborated by observable market data.

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All of the Company's available-for-sale investments are subject to a periodic impairment review. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company did not record any impairment charges related to its available-for-sale investments in the three and six months ended September 27, 2015 and September 28, 2014.

Note 5. Investments

Available-for-Sale Securities

Available-for-sale investments at September 27, 2015 were as follows:

<i>(in thousands)</i>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	\$ 144,033	\$ 353	\$ (18)	\$ 144,368
Money market funds	37,139	—	—	37,139
Asset-backed securities	39,656	17	(17)	39,656
Corporate bonds	261,206	184	(367)	261,023
International government bonds	1,007	—	(3)	1,004
Corporate commercial paper	8,546	—	—	8,546
Bank deposits	14,803	—	—	14,803
Repurchase agreements	128	—	—	128
Municipal bonds	5,978	35	(2)	6,011
Total available-for-sale investments	512,496	589	(407)	512,678
Less amounts classified as cash equivalents	(45,314)	—	—	(45,314)
Short-term investments	\$ 467,182	\$ 589	\$ (407)	\$ 467,364

Available-for-sale investments at March 29, 2015 were as follows:

<i>(in thousands)</i>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	\$ 135,570	\$ 398	\$ (23)	\$ 135,945
Money market funds	55,578	—	—	55,578
Asset-backed securities	31,830	9	(9)	31,830
Corporate bonds	245,229	567	(121)	245,675
International government bonds	1,010	—	(4)	1,006
Corporate commercial paper	4,999	—	—	4,999
Bank deposits	16,915	—	—	16,915
Repurchase agreements	191	—	—	191
Municipal bonds	6,001	45	(2)	6,044
Total available-for-sale investments	497,323	1,019	(159)	498,183
Less amounts classified as cash equivalents	(60,068)	—	—	(60,068)
Short-term investments	\$ 437,255	\$ 1,019	\$ (159)	\$ 438,115

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The cost and estimated fair value of available-for-sale securities at September 27, 2015, by contractual maturity, were as follows:

<i>(in thousands)</i>	Amortized Cost	Estimated Fair Value
Due in 1 year or less	\$ 130,921	\$ 130,974
Due in 1-2 years	142,268	142,417
Due in 2-5 years	239,299	239,287
Total investments in available-for-sale securities	<u>\$ 512,488</u>	<u>\$ 512,678</u>

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses as of September 27, 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position.

<i>(in thousands)</i>	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	\$ 151,943	\$ (366)	\$ —	\$ —	\$ 151,943	\$ (366)
Asset-backed securities	17,306	(17)	—	—	17,306	(17)
U.S. government treasuries and agencies securities	38,447	(18)	—	—	38,447	(18)
Municipal bonds	2,003	(3)	—	—	2,003	(3)
International government bonds	1,004	(3)	—	—	1,004	(3)
Total	<u>\$ 210,703</u>	<u>\$ (407)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 210,703</u>	<u>\$ (407)</u>

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, as of March 29, 2015, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

<i>(in thousands)</i>	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	\$ 67,367	\$ (121)	\$ —	\$ —	\$ 67,367	\$ (121)
Asset-backed securities	17,736	(9)	—	—	17,736	(9)
U.S. government treasuries and agencies securities	18,478	(23)	—	—	18,478	(23)
Municipal bonds	1,001	(2)	—	—	1,001	(2)
International government bonds	1,006	(4)	—	—	1,006	(4)
Total	<u>\$ 105,588</u>	<u>\$ (159)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 105,588</u>	<u>\$ (159)</u>

Currently, a significant portion of the Company's available-for-sale investments that it holds are high grade instruments. As of September 27, 2015, the unrealized losses on the Company's available-for-sale investments represented an insignificant amount in relation to its total available-for-sale portfolio. Substantially all of the Company's unrealized losses on its available-for-sale marketable debt instruments can be attributed to fair value fluctuations in an unstable credit environment that resulted in a decrease in the market liquidity for debt instruments. Because the Company has the ability to hold these investments until a recovery of fair value, which may be maturity, the Company did not consider these investments to be other-than-temporarily impaired at September 27, 2015 and March 29, 2015.

Non-marketable Equity Securities

In the quarter ended December 28, 2014, the Company purchased common stock of a privately-held company for \$4 million. This investment (included under Other Assets on the Condensed Consolidated Balance Sheets) is accounted for as a cost-method investment, as the Company owns less than 20% of the voting securities and does not have the ability to exercise significant influence over operating and financial policies of the entity. The Company did not record any impairment charge for this investment during the three and six months ended September 27, 2015.

Note 6. Stock-Based Employee Compensation
Equity Incentive Programs

The Company currently issues awards under two equity-based plans in order to provide additional incentive and retention to directors and employees who are considered to be essential to the long-range success of the Company. These plans are further described below.

2004 Equity Plan (2004 Plan)

Options granted by the Company under the 2004 Plan generally expire seven years from the date of grant and generally vest over a four-year period from the date of grant, with one-quarter of the shares of common stock vesting on the 1 year anniversary of the grant date and the remaining shares vesting monthly for the 36 months thereafter. The exercise price of the options granted by the Company under the 2004 Plan shall not be less than 100% of the fair market value for a common share subject to such option on the date the option is granted. Full value awards made under the 2004 Plan shall become vested over a period of not less than 3 years (or, if vesting is performance-based, over a period of not less than one year) following the date such award is made; provided, however, that full value awards that result in the issuance of an aggregate of up to 5% of common stock available under the 2004 Plan may be granted to any one or more participants without respect to such minimum vesting provisions. As of September 27, 2015, there were 8.3 million shares available for future grant under the 2004 Plan.

Compensation Expense

The following table summarizes stock-based compensation expense by line items appearing in the Company's Condensed Consolidated Statement of Operations:

<i>(in thousands)</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Cost of revenue	\$ 645	\$ 439	\$ 1,327	\$ 755
Research and development	3,543	2,465	7,175	4,986
Selling, general and administrative	4,393	3,029	7,946	5,151
Discontinued operations	—	(281)	(32)	(227)
Total stock-based compensation expense	\$ 8,581	\$ 5,652	\$ 16,416	\$ 10,665

The amount of stock-based compensation expense that was capitalized during the periods presented above was not material.

Stock Options

The following is a summary of the Company's stock option activity and related weighted average exercise prices for each category:

<i>(shares in thousands)</i>	Six Months Ended September 27, 2015	
	Shares	Price
Beginning stock options outstanding	3,680	\$ 7.71
Granted	420	21.85
Exercised (1)	(574)	6.98
Canceled	(39)	6.99
Ending stock options outstanding	3,487	\$ 9.55
Ending stock options exercisable	2,227	\$ 7.23

(1) Upon exercise, the Company issues new shares of common stock.

As of September 27, 2015, the unrecognized compensation cost related to nonvested stock options, net of estimated forfeitures, was \$2.6 million and will be recognized over a weighted-average period of 1.23 years.

As of September 27, 2015, stock options vested and expected to vest totaled approximately 3.3 million with a weighted-average exercise price of \$9.10 and a weighted-average remaining contractual life of 3.41 years. The aggregate intrinsic value was approximately \$35.6 million.

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As of September 27, 2015, fully vested stock options totaled approximately 2.2 million with a weighted-average exercise price of \$7.23 and a weighted-average remaining contractual life of 2.68 years. The aggregate intrinsic value was approximately \$28.1 million.

Restricted Stock Units

Restricted stock units granted by the Company under the 2004 Plan generally vest over at least a three year period from the grant date with one-third of restricted stock units vesting on each one-year anniversary. As of September 27, 2015, 3.7 million restricted stock unit awards were outstanding under the 2004 Plan.

The following table summarizes the Company's restricted stock unit activity and related weighted-average exercise prices for each category for the six months ended September 27, 2015:

<i>(shares in thousands)</i>	Six Months Ended September 27, 2015	
	Shares	Weighted-average grant date fair value per share
Beginning RSUs outstanding	3,457	\$ 10.58
Granted	1,529	21.73
Released	(1,023)	9.71
Forfeited	(277)	12.37
Ending RSUs outstanding	3,686	\$ 15.31

As of September 27, 2015, restricted stock units vested and expected to vest totaled approximately 3.0 million with a weighted-average remaining contract life of 1.59 years. The aggregate intrinsic value was approximately \$59.2 million.

As of September 27, 2015, the unrecognized compensation cost related to restricted stock units granted under the Company's equity incentive plan was approximately \$28.9 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.72 years.

Performance-Based Stock Units

Under the 2004 Plan, the Company has granted performance-based stock units which vest and convert into shares of the Company's common stock based on the level of achievement of pre-established performance goals relating to Company's performance relative to a group of peer companies and to cumulative revenue targets for a specific product group, during a specified performance period. The performance period for the Company's performance-based stock units is generally 1 to 3 years. Management evaluates, on a quarterly basis, the likelihood of the Company meeting its performance metrics in determining stock-based compensation expense.

The following table summarizes the Company's performance stock unit activity and related weighted-average exercise prices for each category for the six months ended September 27, 2015:

<i>(shares in thousands)</i>	Six Months Ended September 27, 2015	
	Shares	Weighted-average grant date fair value per share
Beginning PSUs outstanding	517	\$ 8.06
Granted	58	8.50
Released	(157)	8.11
Forfeited	(143)	8.63
Ending PSUs outstanding	275	\$ 7.82

As of September 27, 2015, performance stock units vested and expected to vest totaled approximately 0.2 million with a weighted-average remaining contract life of 0.68 year. The aggregate intrinsic value was approximately \$4.2 million.

As of September 27, 2015, the unrecognized compensation cost related to performance stock units granted under the Company's equity incentive plan was approximately \$5.3 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 0.68 year.

Market-Based Stock Units

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In June 2015, under the 2004 Plan, the Company granted approximately 0.2 million shares of restricted stock units with a market-based condition to a group of executive-level employees. These equity awards vest and convert into shares of the Company's common stock based on the achievement of the Company's relative total shareholder return over the performance period of 2 years. The earned market-based stock units will vest in two equal installments, with the first installment of vesting to occur on June 15, 2017, and the second on June 15, 2018.

In June 2014, under the 2004 Plan, the Company granted approximately 0.5 million shares of restricted stock units with a market-based condition to a group of executive-level employees. These equity awards vest and convert into shares of the Company's common stock based on the achievement of the Company's relative total shareholder return over the performance period of 2 years. The earned market-based stock units will vest in two equal installments, with the first installment of vesting to occur on June 15, 2016, and the second on June 15, 2017.

The fair value of each market-based stock unit award was estimated on the date of grant using a Monte Carlo simulation model that uses the assumptions noted in the table below. The Company uses historical data to estimate employee termination within the valuation model. The expected term of 1.80 years was derived from the output of the valuation model and represents the period of time that restricted stock units granted are expected to be outstanding.

The following weighted average assumptions were used to calculate the fair value of the market-based equity award using a Monte Carlo simulation model:

	June 15, 2015	June 15, 2014
Estimated fair value	\$ 33.08	\$ 21.00
Expected volatility	41.22%	34.60%
Expected term (in years)	1.80	1.80
Risk-free interest rate	0.65%	0.38%
Dividend yield	—%	—%

As of September 27, 2015, the total market-based stock units outstanding were approximately 0.8 million.

As of September 27, 2015, market-based stock units vested and expected to vest totaled approximately 0.6 million with a weighted-average remaining contract life of 1.46 years. The aggregate intrinsic value was approximately \$12.7 million.

As of September 27, 2015, the unrecognized compensation cost related to market-based stock units granted under the Company's equity incentive plans was approximately \$9.6 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.52 years.

2009 Employee Stock Purchase Plan (2009 ESPP)

On June 18, 2009, the Board approved implementation of the 2009 Employee Stock Purchase Plan (2009 ESPP) and authorized the reservation and issuance of up to 9.0 million shares of the Company's common stock, subject to stockholder approval. On September 17, 2009, the Company's stockholders approved the plan at the 2009 Annual Meeting of Stockholders. The 2009 ESPP is intended to be implemented in successive quarterly purchase periods commencing on the first day of each fiscal quarter of the Company. In order to maintain its qualified status under Section 423 of the Internal Revenue Code, the 2009 ESPP imposes certain restrictions, including the limitation that no employee is permitted to participate in the 2009 ESPP if the rights of such employee to purchase common stock of the Company under the 2009 ESPP and all similar purchase plans of the Company or its subsidiaries would accrue at a rate which exceeds \$25,000 of the fair market value of such stock (determined at the time the right is granted) for each calendar year. At the 2012 annual meeting of stockholders on September 13, 2012, the Company's stockholders approved an additional 5.0 million. The number of shares of common stock reserved for issuance thereunder increased from 9.0 million shares to 14.0 million shares.

Activity under the Company's ESPP for the six months ended September 27, 2015 is summarized in the following table:

(in thousands, except per share amounts)

Number of shares issued	341
Average issuance price	\$ 16.84
Number of shares available at September 27, 2015	4,038

Note 7. Stockholders' Equity

Stock Repurchase Program. In April 2015, the Company's Board of Directors approved a new share repurchase program authorization for \$300 million. In the three and six months ended September 27, 2015, the Company repurchased 2.4 million shares for \$46.4 million and 3.8 million shares for \$77.0 million, respectively. Of the total repurchases for the six months ended September 27, 2015, \$69.1 million was from the new authorization. As of September 27, 2015, approximately \$230.9 million was available for future purchase under the new share repurchase program. In October 2015, the Company's Board of Directors approved an increase in the share repurchase authorization by another \$300 million.

Note 8. Balance Sheet Detail

<i>(in thousands)</i>	September 27, 2015	March 29, 2015
<i>Inventories, net</i>		
Raw materials	\$ 4,546	\$ 4,709
Work-in-process	21,810	18,377
Finished goods	17,590	22,324
Total inventories, net	<u>\$ 43,946</u>	<u>\$ 45,410</u>
<i>Property, plant and equipment, net</i>		
Land	\$ 11,508	\$ 11,578
Machinery and equipment	252,612	292,180
Building and leasehold improvements	48,080	48,031
Total property, plant and equipment, gross	<u>312,200</u>	<u>351,789</u>
Less: accumulated depreciation	(247,310)	(286,281)
Total property, plant and equipment, net	<u>\$ 64,890</u>	<u>\$ 65,508</u>
<i>Other accrued liabilities</i>		
Accrued restructuring costs (1)	\$ 4,191	\$ 10,512
Other (2)	7,114	7,070
Total other accrued liabilities	<u>\$ 11,305</u>	<u>\$ 17,582</u>
<i>Other long-term obligations</i>		
Deferred compensation related liabilities	\$ 13,645	\$ 13,143
Other	5,974	4,462
Total other long-term liabilities	<u>\$ 19,619</u>	<u>\$ 17,605</u>

(1) Includes accrued severance costs related to the HSC business of \$2.2 million and \$10.2 million as of September 27, 2015 and March 29, 2015, respectively.

(2) Other current liabilities consist primarily of accrued royalties and outside commissions, short-term portion of supplier obligations and other accrued unbilled expenses.

Note 9. Deferred Income on Shipments to Distributors

Included in the caption “Deferred income on shipments to distributors” on the Consolidated Condensed Balance Sheets are amounts related to shipments to certain distributors for which revenue is not recognized until the Company's product has been sold by the distributor to an end customer. The components of deferred income on shipments to distributors as of September 27, 2015 and March 29, 2015 are as follows:

<i>(in thousands)</i>	September 27, 2015	March 29, 2015
Gross deferred revenue	\$ 14,692	\$ 19,299
Gross deferred costs	(3,216)	(3,605)
Deferred income on shipments to distributors	<u>\$ 11,476</u>	<u>\$ 15,694</u>

The gross deferred revenue represents the gross value of shipments to distributors at the list price billed to the distributor less any price protection credits provided to them in connection with reductions in list price while the products remain in their inventory. The amount ultimately recognized as revenue will be lower than this amount as a result of ship from stock pricing credits which are issued in connection with the sell through of the Company's products to end customers. Historically, this amount represents on average approximately 36% of the list price billed to the customer. The gross deferred costs represent the standard costs (which approximate actual costs) of products the Company sells to the distributors. Although the Company monitors the levels and quality of inventory in the distribution channel, the Company's experience is that products returned from these distributors may be sold to a different distributor or in a different region of the world. As such, inventory write-downs for products in the distribution channel have not been significant.

Note 10. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the six months ended September 27, 2015 consisted of the following:

<i>(in thousands)</i>	Cumulative translation adjustments	Unrealized gain on available-for-sale investments	Pension adjustments	Total
Balance, March 29, 2015	\$ (3,721)	\$ 860	\$ 680	\$ (2,181)
Other comprehensive loss before reclassifications	(1,004)	(903)	—	(1,907)
Amounts reclassified out of accumulated other comprehensive income (loss)	—	225	(611)	(386)
Net current-period other comprehensive loss	(1,004)	(678)	(611)	(2,293)
Balance as of September 27, 2015	<u>\$ (4,725)</u>	<u>\$ 182</u>	<u>\$ 69</u>	<u>\$ (4,474)</u>

Comprehensive income components consisted of:

<i>(in thousands)</i>	Six Months Ended September 27, 2015	Location
Unrealized holding gains on available-for-sale investments	\$ 225	interest and other, net
Amortization of pension benefits prior service costs	(611)	operating expense
Total amounts reclassified out of accumulated other comprehensive loss	<u>\$ (386)</u>	

11. Goodwill and Intangible Assets, Net

Goodwill balances by reportable segment as of September 27, 2015 and March 29, 2015 are as follows:

Reportable Segment	<i>(in thousands)</i>
Communications	\$ 122,248
Computing and Consumer	13,396
Total	<u>\$ 135,644</u>

Goodwill balances as of September 27, 2015 and March 29, 2015 are net of \$920.3 million and \$922.5 million, respectively, in accumulated impairment losses.

Intangible asset balances as of September 27, 2015 and March 29, 2015 are summarized as follows:

<i>(in thousands)</i>	September 27, 2015		
	Gross Assets	Accumulated Amortization	Net Assets
Purchased intangible assets:			
Existing technology	\$ 203,914	\$ (200,468)	\$ 3,446
Trademarks	4,411	(4,100)	311
Customer relationships	128,787	(128,591)	196
Intellectual property licenses	9,900	(870)	9,030
Total purchased intangible assets	<u>\$ 347,012</u>	<u>\$ (334,029)</u>	<u>\$ 12,983</u>

<i>(in thousands)</i>	March 29, 2015		
	Gross Assets	Accumulated Amortization	Net Assets
Purchased intangible assets:			
Existing technology	\$ 211,170	\$ (206,491)	\$ 4,679
Trademarks	4,411	(3,850)	561
Customer relationships	131,045	(130,750)	295
Total purchased intangible assets	<u>\$ 346,626</u>	<u>\$ (341,091)</u>	<u>\$ 5,535</u>

During the three months ended September 27, 2015, the Company individually purchased intangible assets with a total cost of \$9.9 million and an average estimated useful life of 6.25 years. These intangible assets are comprised of intellectual property licenses that are being used by the Company in the development, manufacture and sale of certain products.

Amortization expense for the three months ended September 27, 2015 and September 28, 2014 was \$1.6 million and \$1.7 million, respectively. Amortization expense for the six months ended September 27, 2015 and September 28, 2014 was 2.5 million and 4.2 million, respectively.

During the first quarter of fiscal 2015, the Company recorded an impairment charge relating to the HSC assets held for sale of \$5.6 million, which consisted of existing technology of \$4.6 million, customer relationships of \$0.9 million and non-compete agreements of \$0.1 million. Refer to Note 3 for additional information.

The intangible assets are being amortized over estimated useful lives of 3 to 7.5 years.

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Based on the intangible assets recorded at September 27, 2015, and assuming no subsequent additions to or impairment of the underlying assets, the remaining estimated amortization expense is expected to be as follows (in thousands):

Fiscal Year	Amount
2016 (Remaining 6 months)	\$ 2,241
2017	3,666
2018	1,736
2019	1,490
2020 and there after	3,850
Total purchased intangible assets	<u>\$ 12,983</u>

Note 12. Restructuring

The following table shows the provision of the restructuring charges and the liability remaining as of September 27, 2015:

<i>(in thousands)</i>	HSC Business	Other	Total
Balance as of March 29, 2015	\$ 10,217	\$ 295	\$ 10,512
Provision	—	2,902	2,902
Payments and other adjustments	(7,994)	(1,229)	(9,223)
Balance as of September 27, 2015	<u>\$ 2,223</u>	<u>\$ 1,968</u>	<u>\$ 4,191</u>

HSC Business

In fiscal 2015, the Company prepared a workforce-reduction plan (the Plan) with respect to employees of its HSC business in France and the Netherlands. The Plan sets forth the general parameters, terms and benefits for employee dismissals. The Plan was approved by the French Works Council and Labor Administrator and the related Plan details were communicated to the affected employees in France and the Netherlands. No works council consultation was required in the Netherlands. The Company has not historically offered similar termination benefits as defined in the Plan for these locations. The Plan identified the number of employees to be terminated, their job classification or function, their location and the date that the Plan was expected to be completed. The Plan also established the terms of the benefit arrangement in sufficient detail to enable the employees to determine the type and amount of benefits that they would receive if terminated. In addition, the actions required to complete the Plan indicated that it was unlikely that substantial changes to the Plan would be made after communication to the employees. Accordingly, the Company accrued restructuring charges in accordance with ASC 420, *Exit or Disposal Cost Obligations*. The restructuring charges recorded to discontinued operations in the Condensed Consolidated Statement of Operations were approximately \$18.3 million for the fiscal year ended March 29, 2015, for a total of 53 employees in France and the Netherlands combined.

The Company expects payments to these termination benefits and to complete the restructuring action by December 2017.

Other

During the first quarter of fiscal 2016, the Company recorded other charges of \$0.9 million and reduced headcount by 11 employees. During the second quarter of fiscal 2016, the Company recorded additional charges of \$2.0 million and reduced headcount by 24 employees. During the six months ended September 27, 2015, the Company paid \$0.9 million related to these actions. As of September 27, 2015, the total accrued balance for employee severance costs related to these actions was \$2.0 million. The Company expects to complete these actions by the fourth quarter of fiscal 2016.

During fiscal 2015, the Company recorded other charges of \$1.1 million and reduced headcount by 28 employees in multiple reductions in workforce actions. During fiscal 2015, the Company paid \$0.8 million related to these actions. During first quarter of fiscal 2016, the Company paid \$0.3 million related to these actions, which reduced the total accrual balance to zero.

Note 13. Commitments and Contingencies**Warranty**

The Company maintains an accrual for obligations it incurs under its standard product warranty program and customer, part, or process specific matters. The Company's standard warranty period is one year, however in certain instances the warranty period may be extended to as long as two years. Management estimates the fair value of the Company's warranty liability based on actual past warranty claims experience, its policies regarding customer warranty returns and other estimates about the timing and disposition of product returned under the standard program. Customer, part, or process specific accruals are estimated using a

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specific identification method. Historical profit and loss impact related to warranty returns activity has been minimal. The total warranty accrual was \$0.1 million as of September 27, 2015 and March 29, 2015.

Litigation

In January 2012, Maxim I Properties, a general partnership that had purchased a certain parcel of real property (the Property) in 2003, filed a complaint in the Northern District of California naming approximately 30 defendants, including the Company ("Defendants"), alleging various environmental violations of the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and Resource Conservation and Recovery Act (RCRA), the California Hazardous Substance Account Act (HSAA), and other common law claims (the Complaint). The Complaint alleges that Defendants including the Company "...generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." The Complaint further alleges that Defendants are liable for the costs of investigation and remediation of the Property due to the release of hazardous substances, and that Defendants violated their duty to prevent the release of such hazardous substances. On August 15, 2012, the plaintiff voluntarily dismissed its Complaint against the Company without prejudice. However, Moyer Products, Inc., another defendant, counter-claimed against the plaintiff Maxim and cross-claimed against Defendants, including the Company, and thus the Company remains a cross-defendant in this action. In September 2012, the California Department of Toxic Substances Control (DTSC) notified the Company that it identified the Company, along with more than 50 other entities, as a respondent to DTSC's Enforcement Order, as "a generator of hazardous waste" that was sent to the Property. In April 2013, the Company, along with the other "respondent" parties, entered into a Corrective Action Consent Agreement (CACA) to conduct the Property investigation and corrective action selection. The CACA supersedes the Enforcement Order. In February 2013, the court stayed the Maxim/Moyer litigation pending the Property investigation under the CACA and DTSC's corrective action selection. On June 23, 2015, the Property investigation was deemed completed by DTSC. The DTSC continues to evaluate corrective action. The Company will continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon notification from the DTSC of its corrective action selection. Because no specific corrective action has been selected yet, and thus no specific monetary demands have been made, it is not possible for the Company to estimate the potential loss or range of potential losses for these actions.

The Company is also party to various other legal proceedings and claims arising in the normal course of business. As of September 27, 2015, while the Company has accrued for specific amounts based on the probability of settlement in some of these matters, those amounts, both individually and in total, are not material to any aspect of business operations and to the consolidated financial statements. Further, with regard to these other matters, potential liability and probable losses or ranges of possible losses cannot be reasonably estimated at this time. Generally, litigation is subject to inherent uncertainties, and no assurance can be given that the Company will prevail in any particular lawsuit. Accordingly, pending lawsuits, as well as potential future litigation with other companies, could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Note 14. Employee Benefit Plans

401(k) Plan

The Company sponsors a 401(k) retirement matching plan for qualified domestic employees. The Company recorded expenses of approximately \$1.5 million and \$1.3 million in matching contributions under the plan during the six months ended September 27, 2015 and September 28, 2014, respectively.

Deferred Compensation Plans

Effective November 1, 2000, the Company established an unfunded deferred compensation plan to provide benefits to executive officers and other key employees. Under the plan, participants can defer any portion of their salary and bonus compensation into the plan and may choose from a portfolio of funds from which earnings are measured. Participant balances are always 100% vested. As of September 27, 2015 and March 29, 2015, obligations under the plan totaled approximately \$13.6 million and \$13.1 million. Additionally, the Company has set aside assets in a separate trust that is invested in corporate owned life insurance intended to substantially fund the liability under the plan. As of September 27, 2015 and March 29, 2015, the deferred compensation plan assets were approximately \$14.2 million and \$16.5 million respectively.

During the first quarter of fiscal 2013, the Company assumed a deferred compensation plan associated with the acquisition of Fox. Under this plan, participants in retirement are entitled to receive a fixed amount from the Company on a monthly basis. The Company has purchased life insurance policies with the intention of funding the liability under this plan. As of September 27, 2015 and March 29, 2015, the deferred compensation plan assets under this plan were approximately \$0.8 million. As of September 27, 2015 and March 29, 2015, the deferred compensation plan liabilities under this plan were approximately \$1.8 million and \$1.7 million, respectively.

International Employee Benefit Plans

The Company sponsors defined-benefit pension plans, defined-contribution plans, multi-employer plans and other post-employment benefit plans covering employees in certain of the Company's international locations. As of September 27, 2015 and March 29, 2015, the net liability for all of these international benefit plans totaled \$0.7 million and \$1.0 million respectively.

Note 15. Income Taxes

During the three and six months ended September 27, 2015, the Company recorded an income tax expense from continuing operations of \$0.6 million and 1.0 million, respectively. The income tax expense recorded in the three and six months ended September 27, 2015 was primarily due to taxes on earnings in foreign jurisdictions. The Company recorded an income tax expense from continuing operations of 0.5 million and 0.7 million in the three and six months ended September 28, 2014, respectively. The income tax expense recorded in the three and six months ended September 28, 2014 was primarily due to taxes on earnings in foreign jurisdictions.

As of September 27, 2015, the Company continued to maintain a valuation allowance against its net U.S. and foreign deferred tax assets, as the Company could not conclude that it was more likely than not that the Company would be able to realize its U.S. and foreign deferred tax assets. Given the continued improvement in the Company's operations combined with certain tax strategies, it is reasonably possible that within the next 12 months, positive evidence will be sufficient to release a material amount of the Company's valuation allowance. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. The exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that the Company is able to actually achieve. The Company will continue to evaluate the release of the valuation allowance on a quarterly basis.

After examination of the Company's projected offshore cash flows, and global cash requirements, the Company determined that beginning in fiscal year 2016, the Company would no longer require 100% of its foreign generated cash to support its foreign operations. The Company plans to repatriate a portion of its current year offshore earnings to the U.S. for domestic operations, and has accrued for the related tax impacts accordingly. For earnings accumulated as of March 29, 2015, the Company continues to permanently reinvest such amounts in its foreign jurisdictions, except to the extent there is any previously taxed income which is expected to be repatriated. If circumstances change and it becomes apparent that some or all of those undistributed earnings of the Company's offshore subsidiary will be remitted in the foreseeable future but income taxes have not been recognized, the Company will accrue income taxes attributable to that remittance.

The Company benefits from tax incentives granted by local tax authorities in certain foreign jurisdictions. In the fourth quarter of fiscal 2011, the Company agreed with the Malaysia Industrial Development Board to enter into a new tax incentive agreement which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. This tax incentive agreement is subject to the Company meeting certain financial targets, investments, headcounts and activities in Malaysia.

During the quarter ended June 28, 2015, the Company reached an understanding regarding the terms for settling with the U.S. Internal Revenue Service ("IRS") and closed out all positions as part of the examination of the Company's income tax returns for the fiscal years 2010 through 2012. As a result, the Company remeasured its tax positions based on the facts, circumstances, and information available at the reporting date. The outcome did not have a material effect on the Company's financial position, cash flows or results of operations due to its tax attributes, which are fully offset by a valuation allowance.

As of September 27, 2015, the Company was under examination in Singapore. The Company's fiscal years 2009 through 2012 are under audit by the Inland Revenue Authority of Singapore. Although the final outcome is uncertain, based on currently available information, the Company believes that the ultimate outcome will not have a material adverse effect on its financial position, cash flows or results of operations.

The Company's open years in the U.S. federal jurisdiction are fiscal 2013 and later years. In addition, the Company is effectively subject to federal tax examination adjustments for tax years ended on or after fiscal year 1999, in that the Company has tax attribute carryforwards from these years that could be subject to adjustments, if and when utilized. The Company's open years in various state and foreign jurisdictions are fiscal years 2008 and later.

The Company does not expect a material change in unrecognized tax benefits within the next twelve months.

On July 27, 2015, in *Altera Corp. v. Commissioner*, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. A final decision has yet to be issued by the Tax Court due to other outstanding issues related to the case. At this time, the U.S. Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. Due to the uncertainty surrounding the status of the current regulations, questions related to the scope of potential benefits, and the risk of the Tax Court's decision being overturned upon appeal, the Company has not recorded any benefit as of September 27, 2015. The Company will continue to monitor ongoing developments and potential impacts to our financial statements.

Note 16. Segment Information

The Chief Operating Decision Maker is the Company's President and Chief Executive Officer.

The Company's reportable segments include the following:

- Communications segment: includes clock and timing solutions, flow-control management devices including Serial RapidIO® switching solutions, multi-port products, telecommunications products, high-speed static random access memory, first in and first out, digital logic, radio frequency, and frequency control solutions.
- Computing and Consumer segment: includes clock generation and distribution products, high-performance server memory interfaces, PCI Express switching solutions, power management solutions and signal integrity products.

The tables below provide information about these segments:

<i>Revenues by segment</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
<i>(in thousands)</i>				
Communications	\$ 72,271	\$ 79,771	\$ 137,164	\$ 160,757
Computing and Consumer	97,227	57,322	193,241	102,638
Total revenues	\$ 169,498	\$ 137,093	\$ 330,405	\$ 263,395

<i>Income by segment from continuing operations</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
<i>(in thousands)</i>				
Communications	\$ 27,401	\$ 30,436	\$ 50,351	\$ 59,548
Computing and Consumer	25,417	2,010	49,686	278
Unallocated expenses:				
Amortization of intangible assets	(751)	(1,676)	(1,583)	(4,225)
Assets impairment and recoveries	28	(401)	(119)	(2,703)
Stock-based compensation expense	(8,581)	(5,933)	(16,447)	(10,895)
Severance, retention and facility closure costs	(2,048)	(339)	(2,969)	(912)
Interest income and other, net	1,568	647	3,270	1,015
Income from continuing operations, before income taxes	\$ 43,034	\$ 24,744	\$ 82,189	\$ 42,106

The Company does not allocate goodwill and intangible assets impairment charge, severance and retention costs, acquisition-related costs, stock-based compensation, interest income and other, and interest expense to its segments. In addition, the Company does not allocate assets to its segments. The Company excludes these items consistent with the manner in which it internally evaluates its results of operations.

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Revenues from unaffiliated customers by geographic area, based on the customers' shipment locations, were as follows:

<i>(in thousands)</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
APAC	\$ 131,361	\$ 90,059	\$ 248,946	\$ 171,857
Americas (1)	16,950	19,753	38,695	36,761
Japan	7,525	10,447	16,745	20,689
Europe	13,662	16,834	26,019	34,088
Total revenues	\$ 169,498	\$ 137,093	\$ 330,405	\$ 263,395

(1) The revenues from the customers in the U.S. were \$15.6 million and \$17.4 million in the three months ended September 27, 2015 and September 28, 2014, respectively. The revenues from the customers in the U.S. were \$36.3 million and \$32.5 million in the six months ended September 27, 2015 and September 28, 2014, respectively.

The Company utilizes global and regional distributors around the world, that buy product directly from the Company on behalf of their customers. Three distributors, Uniquist, SK Hynix and its affiliates, and Avnet and its affiliates accounted for 16%, 15%, and 12%, respectively, of the Company's revenues in the three months ended September 27, 2015. Three distributors, Uniquist, SK Hynix and its affiliates, and Avnet and its affiliates accounted for 19%, 13% and 12%, respectively, of the Company's revenues in the six months ended September 27, 2015. Two distributors, Uniquist and Avnet and its affiliates accounted for 13% and 12%, respectively, of the Company's revenues in the three months ended September 28, 2014. Two distributors, Avnet and its affiliates, and Uniquist accounted for 12% and 11%, respectively, of the Company's revenues in the six months ended September 28, 2014.

At September 27, 2015, two distributors represented approximately 15% and 12%, respectively, of the Company's gross accounts receivable. At March 29, 2015, two distributors represented approximately 11% and 10%, respectively, of the Company's gross accounts receivable.

The Company's significant operations outside of the United States include a test facility in Malaysia, design centers in Canada and China, and sales subsidiaries in Japan, APAC and Europe. The Company's net property, plant and equipment, are summarized below by geographic area:

<i>(in thousands)</i>	September 27, 2015	March 29, 2015
United States	\$ 38,151	\$ 38,879
Canada	3,745	3,997
Malaysia	21,474	21,244
All other countries	1,520	1,388
Total property, plant and equipment, net	\$ 64,890	\$ 65,508

Note 17. Derivative Financial Instruments

As of September 27, 2015 and March 29, 2015, the Company did not have any outstanding foreign currency contracts that were designated as hedges of forecasted cash flows or capital equipment purchases. The Company does not enter into derivative financial instruments for speculative or trading purposes. The Company also has foreign exchange facilities used for hedging arrangements with banks that allow the Company to enter into foreign exchange contracts totaling approximately \$20 million, all of which was available at September 27, 2015.

Note 18. Subsequent Events

Pending Acquisition of Zentrum Mikroelektronik Dresden AG

On October 23, 2015, the Company (the Buyer) and Global ASIC GmbH, ELBER GmbH and Freistaat Sachsen (collectively, the Sellers) entered into a Share Purchase and Transfer Agreement (the Purchase Agreement). The Purchase Agreement provides that, on and subject to the terms of the Purchase Agreement, the Company will purchase all of the outstanding no-par-value shares of Zentrum Mikroelektronik Dresden AG, a German stock corporation (ZMD) from the Sellers in exchange for an aggregate fixed cash purchase price of the Euro equivalent of \$310 million (the Acquisition). ZMD delivers leadership products and technology in three major areas - automotive, analog signal processing, and power management. Through this acquisition, the Company

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expects to gain immediate automotive sales channel leverage for new designs in wireless charging, power management, and timing and signal conditioning.

The consummation of the Acquisition is subject to satisfaction of the condition precedent of WGZ Bank AG, Düsseldorf, Germany, having released its pledge over the shares of Global ASIC GmbH in ZMD and certain other security related to the shares held by Global ASIC GmbH. The closing of the Acquisition is expected to occur in December 2015, or such other date as may be agreed upon by the parties.

New Share Repurchase Authorization

In October 2015, the Company's Board of Directors approved an increase in the Company's share repurchase authorization by another \$300 million. This is incremental to the prior authorization and to the remaining repurchase authorization balance as of September 27, 2015 of \$230.9 million. The Company intends to fund this incremental \$300 million through debt financing, subject to market conditions, and execute this portion of the Company's buyback on an accelerated pace.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking. Forward-looking statements, which are generally identified by words such as "anticipates," "expects," "plans," "intends," "seeks," "targets," "believes," "can," "may," "might," "could," "should," "would," "will" and similar terms, include statements related to, among others, revenues and gross profit, research and development activities, selling, general and administrative expenses, restructuring costs, intangible expenses, interest income and other, taxes, capital spending and financing transactions, as well as statements regarding successful development and market acceptance of new products, industry and overall economic conditions and demand, and capacity utilization. Forward-looking statements are based upon current expectations, estimates, forecasts and projections that involve a number of risks and uncertainties. These risks and uncertainties include, but are not limited to: global business and economic conditions; operating results; new product introductions and sales; competitive conditions; capital expenditures and resources; manufacturing capacity utilization; customer demand and inventory levels; product performance; intellectual property matters; mergers and acquisitions and integration activities; and the risk factors set forth in Part II, Item 1A, "Risk Factors" to this Quarterly Report on Form 10-Q. As a result of these risks and uncertainties, actual results could differ significantly from those expressed or implied in the forward-looking statements. Unless otherwise required by law, we undertake no obligation to publicly revise these statements for future events or new information after the date of this Quarterly Report on Form 10-Q.

This discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and accompanying Notes included in this report and the Audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended March 29, 2015 filed with the SEC. Operating results for the three and six months ended September 27, 2015 are not necessarily indicative of operating results for an entire fiscal year.

Critical Accounting Policies

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of such statements requires us to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. Our estimates and assumptions are based on historical experience and other factors that we consider to be appropriate in the circumstances. However, actual future results may vary from our estimates and assumptions.

For a discussion of our critical accounting policies, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended March 29, 2015. We believe that these accounting policies are "critical," as defined by the SEC, in that they are both highly important to the portrayal of our financial condition and results, and they require difficult management judgments, estimates and assumptions about matters that are inherently uncertain. We believe that there have been no significant changes during the three and six months ended September 27, 2015 to the items that we disclosed as our critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended March 29, 2015.

Business Overview

We develop a broad range of low-power, high-performance mixed-signal semiconductor solutions that optimize our customers' applications in key markets. In addition to our market-leading timing products, we offer semiconductors targeting communications infrastructure - both wired and wireless - high-performance computing and power management. These products are used for next-generation development in areas such as 4G infrastructure, network communications, cloud data centers and power management for computing and mobile devices.

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Our top talent and technology paired with an innovative product-development philosophy allows us to solve complex customer problems when designing communications, computing and consumer applications. Through system-level analog and digital innovation, we consistently deliver extraordinary value to our customers.

For more information on our business, please see Part I, Item 1, "Business," in our Annual Report on Form 10-K for the fiscal year ended March 29, 2015.

Recent developments

High-Speed Converter ("HSC") Business

In fiscal 2014, we initiated a project to divest our HSC business and have classified the related assets, as held for sale. The HSC business included the assets of NXP B.V.'s Data Converter Business and Alvand Technologies, Inc., which were acquired in fiscal 2013.

On May 30, 2014, we completed the sale of certain assets related to the Alvand portion of the HSC business to a buyer pursuant to an Asset Purchase Agreement. Upon the closing of the transaction, the buyer paid us \$18.0 million in cash consideration, of which \$2.7 million has been held in an escrow account for a period of 18 months. We recorded a gain of \$16.8 million in discontinued operations related to this divestiture during the first quarter of fiscal 2015.

Following the sale of assets related to the Alvand portion of the HSC business, the business had remaining long-lived assets classified as held for sale amounting to \$8.5 million, which consisted of \$2.9 million in fixed assets and \$5.6 million in intangible assets. We evaluated the carrying value of the disposal group and determined that it exceeded its estimated fair value based on estimated selling price less cost to sell. Accordingly, total impairment charge of \$8.5 million was recorded as loss from discontinued operations on the Condensed Consolidated Statement of Operations in the first quarter of fiscal 2015.

As of March 29, 2015, all long-lived assets related to the HSC business were fully impaired.

On April 27, 2015, we completed the sale of the remaining HSC business to eSilicon Corporation ("eSilicon"), for \$1.5 million which will be paid on or before April 27, 2017. In connection with the sale, we entered into an Exclusive Intellectual Property License Agreement with eSilicon, whereby we provided an exclusive license to eSilicon to develop, manufacture, sell and maintain HSC products. In connection with the sale, the Company and eSilicon also entered into a Transition Services Agreement, whereby we will provide certain transition services over a specific period from the effective date of the sale. The transition services do not represent significant continuing involvement of the Company in the HSC business. Also, as part of the sale, we transferred to eSilicon certain equipment and inventory with net carrying value of \$0.1 million.

As of September 27, 2015, we had a receivable of \$1.5 million representing uncollected proceeds from the sale that was included under Other Assets on the Condensed Consolidated Balance Sheet. Given the term of the sale, we deferred the gain from this divestiture amounting to \$1.4 million and will recognize it into discontinued operations when collectibility becomes certain.

The HSC business was included in the Communications reportable segment. For financial statements purposes, the results of operations for the HSC business have been segregated from those of the continuing operations and are presented in the condensed consolidated financial statements as discontinued operations.

Subsequent Events

Pending Acquisition of Zentrum Mikroelektronik Dresden AG

On October 23, 2015, we (the Buyer) and Global ASIC GmbH, ELBER GmbH and Freistaat Sachsen (collectively, the Sellers) entered into a Share Purchase and Transfer Agreement (the Purchase Agreement). The Purchase Agreement provides that, on and subject to the terms of the Purchase Agreement, we will purchase all of the outstanding no-par-value shares of Zentrum Mikroelektronik Dresden AG, a German stock corporation (ZMD) from the Sellers in exchange for an aggregate fixed cash purchase price of the Euro equivalent of \$310 million (the Acquisition). ZMD delivers leadership products and technology in three major areas - automotive, analog signal processing, and power management. Through this acquisition, we expect to gain immediate automotive sales channel leverage for new designs in wireless charging, power management, and timing and signal conditioning.

The consummation of the Acquisition is subject to satisfaction of the condition precedent of WGZ Bank AG, Düsseldorf, Germany, having released its pledge over the shares of Global ASIC GmbH in ZMD and certain other security related to the shares held by Global ASIC GmbH. The closing of the Acquisition is expected to occur in December 2015, or such other date as may be agreed upon by the parties.

New Share Repurchase Authorization

In October 2015, our Board of Directors approved an increase in the share repurchase authorization by another \$300 million. This is incremental to the prior authorization and to the remaining repurchase authorization balance as of September 27, 2015 of \$230.9 million. We intend to fund this incremental \$300 million through debt financing, subject to market conditions, and execute this portion of our buyback on an accelerated pace.

Overview

The following table and discussion provides an overview of our operating results from continuing operations for the three and six months ended September 27, 2015 and September 28, 2014:

<i>(in thousands, except for percentage)</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Revenues	\$ 169,498	\$ 137,093	\$ 330,405	\$ 263,395
Gross profit	\$ 106,546	\$ 81,876	\$ 205,780	\$ 155,885
As a % of revenues	63%	60%	62%	59%
Operating income	\$ 42,018	\$ 24,339	\$ 79,355	\$ 40,839
As a % of revenues	25%	18%	24%	16%
Net income from continuing operations	\$ 42,423	\$ 24,246	\$ 81,143	\$ 41,357
As a % of revenues	25%	18%	25%	16%

Our revenues increased by \$32.4 million, or 24%, to \$169.5 million in the quarter ended September 27, 2015 compared to the quarter ended September 28, 2014. The increase was primarily due to increased unit shipments in our Computing and Consumer segment as we continued to experience increased demand for our memory interface and wireless power products. Gross profit percentage improved for the three months ended September 27, 2015 compared to the same period in fiscal 2015 primarily due to reduced manufacturing costs and improved inventory management. Net income from continuing operations was \$42.4 million in the second quarter of fiscal 2016, as compared to \$24.2 million in the second quarter of fiscal 2015. The increase in net income was primarily due to increased revenues and gross margin.

Results of Continuing Operations

Revenues

Revenues by segment:

<i>(in thousands)</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Communications	\$ 72,271	\$ 79,771	\$ 137,164	\$ 160,757
Computing and Consumer	97,227	57,322	193,241	102,638
Total revenues	\$ 169,498	\$ 137,093	\$ 330,405	\$ 263,395

Product groups representing greater than 10% of net revenues:

<i>As a percentage of net revenues</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Communications:				
Communications timing products	15%	24%	16%	25%
Serial RapidIO products	14%	19%	11%	19%
All others less than 10% individually	14%	15%	15%	17%
Total communications	43%	58%	42%	61%
Computing and Consumer:				
Consumer and computing timing products	9%	16%	10%	16%
Memory interface products	35%	19%	36%	17%
All others less than 10% individually	13%	7%	12%	6%
Total computing and consumer	57%	42%	58%	39%
Total	100%	100%	100%	100%

[Table of Contents](#)**Communications Segment**

Revenues in our Communications segment decreased \$7.5 million, or 9%, to \$72.3 million in the quarter ended September 27, 2015 as compared to the quarter ended September 28, 2014. The decrease was primarily due to a \$2.3 million decrease in shipments of our RapidIO switching solutions products as a result of lower demand combined with \$4.5 million and \$1.5 million decreases in networking and communications products and in legacy products, respectively.

Revenues in our Communications segment decreased \$23.6 million, or 15%, to \$137.2 million in the six months ended September 27, 2015 as compared to the six months ended September 28, 2014. The decrease was primarily due to a \$14.5 million decrease in shipments of our RapidIO switching solutions products as a result of lower demand combined with \$6.9 million and \$3.6 million decreases in networking and communications products and in legacy products, respectively.

Computing and Consumer Segment

Revenues in our Computing and Consumer segment increased \$39.9 million, or 70% to \$97.2 million in the quarter ended September 27, 2015 as compared to the quarter ended September 28, 2014. The increase was primarily due to a \$34.5 million increase in memory interface product revenues as a result of stronger demand combined with a \$21.5 million increase in shipments of wireless power products as our wireless business continues to grow, offset in part by a \$7.1 million decrease in timing products.

Revenues in our Computing and Consumer segment increased \$90.6 million, or 88% to \$193.2 million in the six months ended September 27, 2015 as compared to the six months ended September 28, 2014. The increase was primarily due to a \$75.1 million increase in memory interface product revenues as a result of stronger demand combined with a \$21.5 million increase in shipments of wireless power products as our wireless business continues to grow, offset in part by a \$3.6 million decrease in timing products.

Revenues by Region

Revenues in the quarter ended September 27, 2015 increased primarily in APAC (Asia Pacific region excluding Japan) as compared to the quarter ended September 28, 2014. Revenues in APAC, the Americas, Japan and Europe accounted for 78%, 10%, 4% and 8%, respectively, of consolidated revenues in the quarter ended September 27, 2015 compared to 66%, 14%, 8% and 12% of our consolidated revenues in the quarter ended September 28, 2014. The APAC region continues to be our strongest region, as many of our largest customers utilize manufacturers in that region.

Revenues in the six months ended September 27, 2015 increased primarily in APAC (Asia Pacific region excluding Japan) as compared to the six months ended September 28, 2014. Revenues in APAC, the Americas, Japan and Europe accounted for 75%, 12%, 5% and 8%, respectively, of consolidated revenues in the six months ended September 27, 2015 compared to 65%, 14%, 8% and 13% of our consolidated revenues in the six months ended September 28, 2014. The APAC region continues to be our strongest region, as many of our largest customers utilize manufacturers in that region.

Gross Profit

	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Gross Profit (in thousands)	\$ 106,546	\$ 81,876	\$ 205,780	\$ 155,885
Gross Profit Percentage	62.9%	59.7%	62.3%	59.2%

Gross profit increased \$24.7 million and \$49.9 million in the three and six months ended September 27, 2015 compared to the three and six months ended September 28, 2014, as a result of increased revenues combined with a higher gross margin percentage. Gross profit as a percentage of revenues increased 3.2% and 3.1% in the three and six months ended September 27, 2015 compared to the three and six months ended September 28, 2014. Gross profit percentage improved primarily due to reduced manufacturing costs and improved inventory management.

Operating Expenses

The following table presents our operating expenses for the three and six months ended September 27, 2015 and September 28, 2014:

<i>(in thousands, except for percentages)</i>	Three Months Ended				Six Months Ended			
	September 27, 2015		September 28, 2014		September 27, 2015		September 28, 2014	
	Dollar Amount	% of Net Revenue	Dollar Amount	% of Net Revenue	Dollar Amount	% of Net Revenues	Dollar Amount	% of Net Revenues
Research and development	\$ 35,301	21%	\$ 30,742	22%	\$ 69,055	21%	\$ 62,792	24%
Selling, general and administrative	\$ 29,227	17%	\$ 26,795	20%	\$ 57,370	17%	\$ 52,254	20%

Research and Development (R&D)

R&D expense increased \$4.6 million, or 14.8%, to \$35.3 million in the quarter ended September 27, 2015 compared to the quarter ended September 28, 2014. The increase was driven by a \$1.4 million increase in stock-based compensation, a \$0.8 million increase in R&D labor and benefit related costs, a \$0.6 million increase in accrued employee bonus expense, \$0.5 million increase in photomasks and R&D materials, a \$0.5 million increase in severance costs as a result of headcount reductions during the current quarter, and a \$ 0.5 million increase in R&D consulting and outside services.

R&D expense increased \$6.3 million, or 10.0%, to \$69.1 million in the six months ended September 27, 2015 compared to the six months ended September 28, 2014. The increase was driven by a \$2.5 million increase in stock-based compensation, a \$2.0 million increase in R&D labor and benefit related costs, a \$0.7 million increase in photomasks and R&D materials, a \$0.6 million increase in accrued employee bonus expense and a \$0.6 million increase in severance costs as a result of headcount reductions during the first six months of fiscal 2016. These increases were partly offset by a \$0.6 million decrease in equipment and maintenance expense.

Selling, General and Administrative (SG&A)

SG&A expense increased \$2.4 million, or 9.1%, to \$29.2 million in the quarter ended September 27, 2015 as compared to the quarter ended September 28, 2014. The increase was primarily driven by a \$1.4 million increase in stock-based compensation and a \$1.0 million increase in severance costs as a result of headcount reductions during the current quarter.

SG&A expense increased \$5.1 million, or 9.8%, to \$57.4 million in the quarter ended September 27, 2015 as compared to the quarter ended September 28, 2014. The increase was primarily driven by a \$2.8 million increase in stock-based compensation, a \$1.2 million increase in severance costs as a result of headcount reductions during the first six months of fiscal 2016, a \$0.8 million increase in accrued employee bonus expense, a \$ 0.5 million increase in consulting and outside services, and \$0.5 million increase in medical insurance expense. These increases were partly offset by \$0.9 million lower amortization of intangible assets.

Interest Income and Other, Net

The components of interest income and other, net are summarized as follows:

<i>(in thousands)</i>	Three Months Ended		Six Months Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Interest income	\$ 1,054	\$ 568	\$ 2,089	\$ 1,120
Other income, net	(38)	(163)	745	147
Interest income and other, net	\$ 1,016	\$ 405	\$ 2,834	\$ 1,267

Interest income is derived from earnings on our cash and short-term investments. Other income, net primarily consists of gains or losses in the value of deferred compensation plan assets, foreign currency gains or losses and other non-operating gains or losses. The increase in interest income in the three and six months ended September 27, 2015 as compared to the same periods in prior year was primarily attributable to higher level of short-term investments and interest rates. The decrease in other income in the three and six months quarter ended September 27, 2015 as compared to the same periods in prior year was primarily due to decrease in value of the underlying investments of the deferred compensation plan, offset in part by favorable impact of foreign currency fluctuations.

Income Tax Expense

During the three and six months ended September 27, 2015, we recorded an income tax expense from continuing operations of \$0.6 million and \$1.0 million, respectively. The income tax expense recorded in the three and six months ended September 27, 2015 was primarily due to taxes on earnings in foreign jurisdictions. We recorded an income tax expense from continuing operations of \$0.5 million and \$0.7 million in the three and six months ended September 28, 2014, respectively. The income tax expense recorded in the three and six months ended September 28, 2014 was primarily due to taxes on earnings in foreign jurisdictions.

As of September 27, 2015, we continued to maintain a valuation allowance against our net U.S. and foreign deferred tax assets, as we could not conclude that it was more likely than not that we would be able to realize our U.S. and foreign deferred tax assets. Given the continued improvement in our operations combined with certain tax strategies, it is reasonably possible that within the next 12 months, positive evidence will be sufficient to release a material amount of our valuation allowance. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. The exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that we are able to actually achieve. We will continue to evaluate the release of the valuation allowance on a quarterly basis.

After examination of our projected offshore cash flows, and global cash requirements, we determined that beginning in fiscal year 2016, we would no longer require 100% of our foreign generated cash to support our foreign operations. We plan to repatriate a portion of our current year offshore earnings to the U.S. for domestic operations, and have accrued for the related tax impacts accordingly. For earnings accumulated as of March 29, 2015, we continue to permanently reinvest such amounts in our foreign jurisdictions, except to the extent there is any previously taxed income which is expected to be repatriated. If circumstances change and it becomes apparent that some or all of those undistributed earnings of our offshore subsidiary will be remitted in the foreseeable future but income taxes have not been recognized, we will accrue income taxes attributable to that remittance.

We benefit from tax incentives granted by local tax authorities in certain foreign jurisdictions. In the fourth quarter of fiscal 2011, we agreed with the Malaysia Industrial Development Board to enter into a new tax incentive agreement which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. This tax incentive agreement is subject to the Company meeting certain financial targets, investments, headcounts and activities in Malaysia.

During the quarter ended June 28, 2015, we reached an understanding regarding the terms for settling with the U.S. Internal Revenue Service ("IRS") and closed out all positions as part of the examination of our income tax returns for the fiscal years 2010 through 2012. As a result, we remeasured our tax positions based on the facts, circumstances, and information available at the reporting date. The outcome did not have a material effect on our financial position, cash flows or results of operations due to our tax attributes, which are fully offset by a valuation allowance.

As of September 27, 2015, we were under examination in Singapore. Our fiscal years 2009 through 2012 are under audit by the Inland Revenue Authority of Singapore. Although the final outcome is uncertain, based on currently available information, we believe that the ultimate outcome will not have a material adverse effect on our financial position, cash flows or results of operations.

Our open years in the U.S. federal jurisdiction are fiscal 2013 and later years. In addition, we are effectively subject to federal tax examination adjustments for tax years ended on or after fiscal year 1999, in that we have tax attribute carryforwards from these years that could be subject to adjustments, if and when utilized. Our open years in various state and foreign jurisdictions are fiscal years 2008 and later.

We do not expect a material change in unrecognized tax benefits within the next twelve months.

On July 27, 2015, in *Altera Corp. v. Commissioner*, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. A final decision has yet to be issued by the Tax Court due to other outstanding issues related to the case. At this time, the U.S. Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. Due to the uncertainty surrounding the status of the current regulations, questions related to the scope of potential benefits, and the risk of the Tax Court's decision being overturned upon appeal, we have not recorded any benefit as of September 27, 2015. We will continue to monitor ongoing developments and potential impacts to our financial statements.

Liquidity and Capital Resources

Our cash and cash equivalents and short-term investments were \$558.9 million at September 27, 2015, an increase of \$3.9 million compared to March 29, 2015.

We had no outstanding debt at September 27, 2015 and March 29, 2015.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled \$90.5 million in the six months ended September 27, 2015 compared to \$69.7 million in the six months ended September 28, 2014. Cash provided by operating activities in the six months ended September 27,

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2015 consisted of our net income of \$80.6 million, adjusted to add back stock-based compensation, depreciation, amortization, impairment charges and other non-cash items which totaled \$27.7 million less net gain on sale of asset of \$0.3 million; and cash used by working capital requirements. In the six months ended September 27, 2015, excluding the effects of non-cash activities, cash used by working capital requirements was \$17.5 million and consisted primarily of a \$16.2 million decrease in accrued compensation and related expenses, a \$4.8 million decrease in other accrued liabilities and a \$4.2 million decrease in deferred income. These working capital uses were offset in part by a \$3.5 million increase in accounts payable, \$2.4 million decrease in prepaid and other assets and a \$1.4 million decrease in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities in the six months ended September 27, 2015 was \$48.5 million compared to net cash used of \$14.3 million in the six months ended September 28, 2014. Net cash used in investing activities in the six months ended September 27, 2015 was primarily due to \$9.9 million of payments to acquire intangible assets, \$8.1 million of expenditures to purchase capital equipment and \$30.6 million for the net purchase of short-term investments.

Cash Flows from Financing Activities

Net cash used in financing activities was \$67.2 million in the six months ended September 27, 2015 as compared to net cash used of \$40.3 million in the six months ended September 28, 2014. Cash used in financing activities in the six months ended September 27, 2015 was primarily due to \$77.0 million in stock buyback, offset in part by proceeds of \$9.7 million from the exercise of employee stock options and the issuance of stock under our employee stock purchase plan.

We anticipate capital expenditures of approximately \$15 million to \$25 million during the next 12 months to be financed through cash generated from operations and existing cash and investments.

In addition, as much of our revenues are generated outside the U.S., a significant portion of our cash and investment portfolio accumulates in the foreign countries in which we operate. At September 27, 2015, we had cash, cash equivalents and investments of approximately \$491.0 million invested overseas in accounts belonging to various IDT foreign operating entities. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies, and all offshore balances are exposed to local political, banking, currency control and other risks. In addition, these amounts may be subject to tax and other transfer restrictions.

We believe that existing cash and investment balances, together with cash flows from operations, will be sufficient to meet our working capital and capital expenditure needs through at least the next 12 months. We may choose to investigate other financing alternatives to supplement U.S. liquidity; however, we cannot be certain that additional financing will be available on satisfactory terms.

Off-Balance Sheet Arrangements

As of September 27, 2015, we did not have any off-balance sheet arrangements, as defined under SEC Regulation S-K Item 303(a)(4)(ii).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our interest rate risk relates primarily to our short-term investments of \$467.4 million and \$438.1 million as of September 27, 2015 and March 29, 2015, respectively. By policy, we limit our exposure to long-term investments and mitigate the credit risk through diversification and adherence to a policy requiring the purchase of highly rated securities. As of September 27, 2015 and March 29, 2015, the Company's cash, cash equivalents and investment portfolio was concentrated in securities with same day liquidity and a substantial majority of securities in our investment portfolio had maturities of less than two years. A hypothetical 10% change in interest rates would not have a material effect on the value of our investment portfolio as of September 27, 2015. We do not currently use derivative financial instruments in our investment portfolio.

At September 27, 2015 and March 29, 2015, we had no outstanding debt.

We are exposed to foreign currency exchange rate risk as a result of international sales, assets and liabilities of foreign subsidiaries, local operating expenses of our foreign entities and capital purchases denominated in foreign currencies. We may use derivative financial instruments to help manage our foreign currency exchange exposures. We do not enter into derivatives for speculative or trading purposes. We have foreign exchange facilities used for hedging arrangements with banks that allow the Company to enter into foreign exchange contracts totaling approximately \$20.0 million, all of which was available at September 27, 2015. We performed a sensitivity analysis as of September 27, 2015 and March 29, 2015 and determined that, without hedging the exposure, a 10% change in the value of the U.S. dollar would result in an approximate 0.3% and 0.4% impact on gross profit margin percentage, respectively, as we operate a manufacturing testing facility in Malaysia, and an approximate 0.7% and 0.6% impact to operating expenses (as a percentage of revenue), respectively, as we operate sales offices in Japan, Taiwan and South Korea and throughout Europe and design centers in China and Canada. At September 27, 2015 and March 29, 2015, we had no outstanding foreign exchange contracts.

We did not have any material currency exposure related to any outstanding capital purchases as of September 27, 2015 and March 29, 2015.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

At September 27, 2015, the end of the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure control and procedures were effective at a reasonable assurance level. There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonable likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Litigation

In January 2012, Maxim I Properties, a general partnership that had purchased a certain parcel of real property (the Property) in 2003, filed a complaint in the Northern District of California naming approximately 30 defendants, including the Company ("Defendants"), alleging various environmental violations of the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and Resource Conservation and Recovery Act (RCRA), the California Hazardous Substance Account Act (HSAA), and other common law claims (the Complaint). The Complaint alleges that Defendants including the Company "...generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." The Complaint further alleges that Defendants are liable for the costs of investigation and remediation of the Property due to the release of hazardous substances, and that Defendants violated their duty to prevent the release of such hazardous substances. On August 15, 2012, the plaintiff voluntarily dismissed its Complaint against the Company without prejudice. However, Moyer Products, Inc., another defendant, counter-claimed against the plaintiff Maxim and cross-claimed against Defendants, including the Company, and thus the Company remains a cross-defendant in this action. In September 2012, the California Department of Toxic Substances Control (DTSC) notified the Company that it identified the Company, along with more than 50 other entities, as a respondent to DTSC's Enforcement Order, as "a generator of hazardous waste" that was sent to the Property. In April 2013, the Company, along with the other "respondent" parties, entered into a Corrective Action Consent Agreement (CACA) to conduct the Property investigation and corrective action selection. The CACA supersedes the Enforcement Order. In February 2013, the court stayed the Maxim/Moyer litigation pending the Property investigation under the CACA and DTSC's corrective action selection. On June 23, 2015, the Property investigation was deemed completed by the DTSC. The DTSC continues to evaluate corrective action. The Company will continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon notification from DTSC of its corrective action selection. Because no specific corrective action has been selected yet, and thus no specific monetary demands have been made, it is not possible for the Company to estimate the potential loss or range of potential losses for these actions.

The Company is also party to various other legal proceedings and claims arising in the normal course of business. As of September 27, 2015, while the Company has accrued for specific amounts based on the probability of settlement in some of these matters, those amounts, both individually and in total, are not material to any aspect of business operations and to the consolidated financial statements. Further, with regard to these other matters, potential liability and probable losses or ranges of possible losses cannot be reasonably estimated at this time. Generally, litigation is subject to inherent uncertainties, and no assurance can be given that the Company will prevail in any particular lawsuit. Accordingly, pending lawsuits, as well as potential future litigation with other companies, could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Investing in our common stock 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 stock. These risk factors are intended to highlight certain factors that may affect our financial condition and results of operations and are not meant to be an exhaustive discussion of risks that we may face. Our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risk and uncertainties, both known and unknown, we may be unable to conduct our business as currently planned and our financial condition and operating results could be adversely impacted. In addition, the price of our securities is subject to volatility and could decline due to the occurrence of any of these risks, causing investors to lose all or part of their investment.

Our operating results can fluctuate dramatically. Our operating results have fluctuated in the past and are likely to vary in the future. Past financial results may not be a reliable indicator of future performance. Fluctuations in operating results can result from a wide variety of factors, including:

- global economic conditions, including those related to the credit markets;
- the cyclical nature of the semiconductor industry;
- changes in the demand for and mix of products sold and in the markets we and our customers serve;
- the availability of industry-wide wafer processing capacity;
- the availability of industry-wide and package specific assembly subcontract capacity and related raw materials;
- competitive pricing pressures;
- the success and timing of new product and process technology announcements and introductions from us or our competitors;
- potential loss of market share among a concentrated group of customers;
- difficulty in attracting and retaining key personnel;
- difficulty in predicting customer product requirements;
- production difficulties and interruptions caused by our complex manufacturing and logistics operations;
- limited control over our manufacturing and product delivery as a result of our reliance on subcontractors, foundry and other manufacturing services;
- unrealized potential of acquired businesses and resulting assets impairment;
- availability and costs of raw materials from a limited number of suppliers;
- political, economic and health conditions in various geographic areas;
- timing and execution of plans and programs subject to foreign labor law requirements, including consultation with work councils;
- reduced customer demand as a result of the impact from natural and/or man-made disasters which may adversely impact our customer's manufacturing capability or reduce our customer's ability to acquire critical materials or components to manufacture their end products;
- costs associated with other events, such as intellectual property disputes or other litigation; and
- legislative, tax, accounting, or regulatory changes or changes in their interpretation.

Global economic and geo-political conditions may adversely affect our business and results of operations.

We have and/or rely on facilities and operations in many countries throughout the world and some of our operations are concentrated in one or more geographic regions. Further, approximately 89% of our revenue comes from shipments to locations outside the United States. As a result of the breadth of our international operations, we are subject to the potential for substantial volatility in global capital markets and the global demand for semiconductor product. Our financial results and operations, including our ability to manufacture, assemble and test, design, develop and sell products, may be adversely affected by various global economic and geo-political conditions which can include:

- slow, uneven economic growth throughout the world;
- uncertainty regarding macroeconomic conditions and/or an institutional or economic collapse in a geographic region;
- geo-political events and security breaches throughout the world, such as armed conflict, civil or military unrest, political instability, terrorist activity, cyber attacks and data fraud or theft;
- natural disasters and public health issues including pandemics and outbreaks of infectious diseases; and
- large scale disruptions in transportation, communications and information technology networks.

The cyclical nature of the semiconductor industry exacerbates the volatility of our operating results.

The semiconductor industry is highly cyclical and has experienced significant downturns, often in connection with product cycles of both semiconductor companies and their customers, but also related to declines in general economic conditions. These downturns have been characterized by volatile customer demand, high inventory levels and accelerated erosion of average selling prices. Any future economic downturns could materially and adversely affect our business from one period to the next relative to demand

and product pricing. In addition, the semiconductor industry may experience periods of increased demand, during which we may experience internal and external manufacturing constraints. We may also experience substantial changes in future operating results due to the cyclical nature of the semiconductor industry.

The failure to complete our acquisition of ZMD may adversely affect our business and our share price.

Our and ZMD's obligations to consummate our acquisition of ZMD are subject to the satisfaction or waiver of certain customary closing conditions as defined in the Share Purchase and Transfer Agreement. There can be no assurance that the conditions to the completion of the acquisition will be satisfied in a timely manner or at all. If our acquisition of ZMD is not completed, our share price could fall to the extent that our current price reflects an assumption that the acquisition will be completed. Furthermore, if the acquisition is not completed, we may suffer other consequences that could adversely affect our business, results of operations and share price, including the following:

- we would have incurred significant costs in connection with the acquisition that we would be unable to recover;
- we may be subject to additional legal proceedings related to the acquisition;
- the failure to consummate the acquisition may result in negative publicity and a negative impression of us in the investment community; and
- any disruptions to our business resulting from the announcement and pendency of the acquisition, including any adverse changes in our relationships with our customers, vendors and employees, may continue or intensify in the event the acquisition is not consummated.

In addition, any failure to successfully integrate the business, operations and employees of ZMD, or to otherwise realize the anticipated benefits of the pending acquisition of ZMD, if and when closed, could harm our results of operations. Our ability to realize these benefits will depend, in part, on the timely integration and consolidation of organizations, operations, facilities, procedures, policies and technologies, and the harmonization of differences in the business cultures between the two companies and their personnel.

We have announced our intent to raise debt which could adversely affect our future financial condition, results of operations and prevent us from implementing our strategy.

In October 2015, we announced our intent to fund the incremental share repurchase program through debt financing, subject to market conditions, and execute this portion of the Company's buyback on an accelerated pace. The proposed additional borrowing could have adverse consequences including, but not limited to:

- limit our ability to use our cash flow or borrow additional funds for working capital, capital expenditures, acquisitions and general corporate and other purposes or, if funding is available, we may not be able to obtain it on acceptable terms;
- make it difficult for us to satisfy our financial obligations;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

We have made and may continue to make acquisitions and divestitures which could divert management's attention, cause ownership dilution to our stockholders, be difficult to integrate, and/or adversely affect our financial results.

Acquisitions and divestitures are commonplace in the semiconductor industry and we have acquired and divested, and may continue to acquire or divest, businesses and technologies. Integrating newly acquired businesses or technologies could put a strain on our resources, could be costly and time consuming, and might not be successful. Acquisitions or divestitures could divert our management's attention and other resources from other business concerns. In addition, we might lose key employees while integrating new organizations. Acquisitions and divestitures could also result in customer dissatisfaction, performance problems with an acquired company or technology, dilutive or potentially dilutive issuances of equity securities, the incurrence of debt, the assumption or incurrence of contingent liabilities, or other unanticipated events or circumstances, any of which could harm our business. Consequently, we might not be successful in acquiring or integrating any new businesses, products, or technologies, and might not achieve anticipated revenues and cost benefits. In addition, we might be unsuccessful in finding or completing acquisition or divestiture opportunities on acceptable terms in a timely manner.

Demand for our products depends primarily on demand in the communications, enterprise computing, personal computer (PC), and consumer markets which can be significantly affected by concerns over macroeconomic issues.

Our product portfolio consists predominantly of semiconductor solutions for the communications, computing, and consumer markets. Our strategy and resources are directed at the development, production and marketing of products for these markets. The markets for our products will depend on continued and growing demand for communications equipment, servers, PCs and consumer electronics. These end-user markets may experience changes in demand that could adversely affect our business and could be greater in periods of economic uncertainty and contraction. To the extent demand or markets for our products do not grow, our business could be adversely affected.

We rely upon subcontractors and third-party foundries.

We are dependent on third-party subcontractors for all of our assembly operations. We are also dependent on third-party outside foundries for the manufacture of our silicon wafers. Our reliance on subcontractors and third-party foundries for our current products presents certain risks because we will have less control over manufacturing quality and delivery schedules, maintenance of sufficient capacity to meet our orders and maintaining in place the manufacturing processes we require. During the fourth quarter of fiscal 2012, we completed the transfer of our internal wafer fabrication production to outside foundries. Due to production lead times and potential capacity constraints, any failure on our part to adequately forecast the mix of product demand and resulting foundry and subcontractor requirements could adversely affect our operating results. In addition, we cannot be certain that these foundries and subcontractors will continue to manufacture, assemble, package and test products for us on acceptable economic and quality terms, or at all, and it may be difficult for us to find alternatives in a timely and cost-effective manner if they do not do so.

We build most of our products based on estimated demand forecasts.

Demand for our products can change rapidly and without advance notice. Demand can also be affected by changes in our customers' levels of inventory and differences in the timing and pattern of orders from their end customers. A large percentage of our revenue in the APAC region is recognized upon shipment to our distributors. Consequently, we have less visibility over both inventory levels at our distributors and end customer demand for our products. Further, the distributors have assumed more risk associated with changes in end demand for our products. Accordingly, significant changes in end demand in the semiconductor business in general, or for our products in particular, may be difficult for us to detect or otherwise measure, which could cause us to incorrectly forecast end-market demand for our products. If we are not able to accurately forecast end demand for our products, we may be left with large amounts of unsold products, may not be able to fill all actual orders, and may not be able to efficiently utilize our existing manufacturing capacity or make optimal investment and other business decisions. As a result, we may end up with excess and obsolete inventory or we may be unable to meet customer short-term demands, either of which could have an adverse impact on our operating results.

If we are unable to execute our business strategy successfully, our revenues and profitability may be adversely affected.

Our future financial performance and success are largely dependent on our ability to execute our business strategy successfully. Our present business strategy to be a leading provider of essential mixed signal semiconductor solutions will be affected, without limitation, by: (1) our ability to continue to aggressively manage, maintain and refine our product portfolio including focus on the development and growth of new applications; (2) our ability to continue to maintain existing customers, aggressively pursue and win new customers; (3) our ability to successfully develop, manufacture and market new products in a timely manner; (4) our ability to develop new products in a more efficient manner; (5) our ability to sufficiently differentiate and enhance our products; (6) our ability to successfully deploy research and development (R&D) investment in the areas of displays, silicon timing, power management, signal integrity and radio frequency, and (7) our ability to improve our results of operations.

Our business strategy is based on our assumptions about the future demand for our current products and the new products and applications that we are developing and on our ability to produce our products profitably. We may not be successful in carrying out our business strategy. Further, some or all of our assumptions may be incorrect and our business strategy may not sustain or improve our results of operations. In particular, we may not be able to build our position in markets with high growth potential, increase our volume or revenue, rationalize our manufacturing operations or reduce our costs and expenses.

In addition, circumstances beyond our control and changes in our business or industry may require us to change our business strategy at any given time.

We face significant competition.

The semiconductor industry is highly competitive and subject to rapid market developments and changes in industry standards, trends and desirable technology. If we do not anticipate and respond to these developments, our competitive position may weaken and our products and/or technologies may become undesirable or obsolete. Further, the price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price decline or cost efficiencies or advancements of our competitors.

Our results are dependent on the success of new products.

The markets we serve are characterized by competition, rapid technological change, evolving standards, short product life cycles and continuous erosion of average selling prices. Consequently, our future success will be highly dependent upon our ability to continually develop new products using the latest and most cost-effective technologies, introduce our products in commercial quantities to the marketplace ahead of the competition and have our products selected for inclusion in leading system manufacturers' products. In addition, the development of new products will continue to require significant R&D expenditures. If we are unable to successfully develop, produce and market new products in a timely manner, have our products available in commercial quantities ahead of competitive products or have our products selected for inclusion in products of systems manufacturers and sell them at

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gross margins comparable to or better than our current products, our future results of operations could be adversely affected. In addition, our future revenue growth is also partially dependent on our ability to penetrate new markets in which we have limited experience and where competitors are already entrenched. Future success for certain new products will also depend on the development of product solutions for new emerging markets and new applications for existing markets. The success of such products is dependent on the ability of our customers and their customers to successfully develop new markets and gain market acceptance for new product solutions in those markets. Even if we are able to develop, produce and successfully market new products in a timely manner, such new products may not achieve market acceptance. The above described events could have a variety of negative effects on our competitive position and our financial results, such as reducing our revenue, increasing our costs, lowering our gross margin percentage, and ultimately leading to impairment of assets.

The loss of the services of any key personnel may adversely affect our business and growth prospects.

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of any of our executive officers, technical personnel or other key employees could adversely affect our business. In addition, our future success depends on our ability to successfully compete with other technology firms in attracting and retaining specialized technical and management personnel. If we are unable to identify, hire, and retain highly qualified technical and managerial personnel, our business and growth prospects could be adversely affected.

We are dependent on a concentrated group of customers for a significant part of our revenues.

A large portion of our revenues depends on sales to a limited number of customers. If these relationships were to diminish, or if these customers were to develop their own solutions or adopt a competitor's solution instead of buying our products, our results could be adversely affected.

Many of our end-customer OEMs have outsourced their manufacturing to a concentrated group of global EMSs and original design manufacturers (ODMs) who then buy products directly from us or from our distributors on behalf of the OEM. These EMSs and ODMs have achieved greater autonomy in the design win, product qualification and product purchasing decisions, especially for commodity products. Competition for the business from EMSs and ODMs is intense and there is no assurance we can remain competitive and retain our existing market share with these customers. If these companies were to allocate a higher share of commodity or second-source business to our competitors instead of buying our products, our results would be adversely affected. Furthermore, as EMSs and ODMs have represented a growing percentage of our overall business, our concentration of credit and other business risks with these customers has increased. Competition among global EMSs and ODMs is intense as they operate on very low margins. If any one or more of our global EMSs or ODMs customers were to file for bankruptcy or otherwise experience significantly adverse financial conditions, our business would be adversely affected as well.

In addition, we utilize a relatively small number of global and regional distributors around the world, who buy product directly from us on behalf of their customers. If our business relationships with any of these distributors were to diminish or any of these distributors were to file for bankruptcy or otherwise experience significantly adverse financial conditions, our business could be adversely affected. Because we continue to be dependent on product demand from a small group of OEM end customers and global and regional distributors, any material delay, cancellation or reduction of orders from or loss of these or other major customers could cause our revenue to decline significantly.

We are dependent on a limited number of suppliers.

Our manufacturing operations depend upon obtaining adequate raw materials on a timely basis. The number of suppliers of certain raw materials, such as silicon wafers, ultra-pure metals and certain chemicals and gases needed for our products, is very limited. In addition, certain packages for our products require long lead times and are available from only a few suppliers. From time to time, suppliers have extended lead times or limited supply to us due to capacity constraints. Our results of operations would be materially and adversely affected if we were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials, or if foundry or assembly subcontractor capacity were not available, or if capacity were only available at unfavorable prices.

Our operations and business could be significantly harmed by natural disasters or acts of terrorism.

A majority of the third-party foundries and subcontractors we currently use are located in Malaysia, South Korea, the Philippines, Taiwan, Thailand, and China. In addition, we own a test facility in Malaysia. The risk of an earthquake or tsunami in these Pacific Rim locations is significant. The occurrence of an earthquake, drought, flood, fire, or other natural disaster near any of these locations could cause a significant reduction of end-customer demand and/or availability of materials, a disruption of the global supply chain, an increase in the cost of products that we purchase, and otherwise interfere with our ability to conduct business. In addition, public health issues, acts of terrorism, armed conflicts or other catastrophic events could significantly delay the production or shipment of our products. Although we maintain insurance for some of the damage that may be caused by natural disasters, our insurance coverage may not be sufficient to cover all of our potential losses and would not cover us for lost business. As a result, a natural disaster in one or more of these regions could have a material adverse effect on our financial condition and results of operations.

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

Costs associated with unexpected product defects and errata, or deviations from published specifications, due to, for example, unanticipated problems in our design and manufacturing processes, could include:

- writing off the value of inventory of such products;
- disposing of products that cannot be fixed;
- recalling such products that have been shipped to customers;
- providing product replacements for, or modifications to, such products; and
- defending against litigation related to such products.

These costs could be substantial and may therefore increase our expenses and lower our gross margin. In addition, our reputation with our customers or users of our products could be damaged as a result of such product defects and errata, and the demand for our products could be reduced. The announcement of product defects and/or errata could cause customers to purchase products from our competitors as a result of anticipated shortages of our components or for other reasons. These factors could harm our financial results and the prospects for our business.

Intellectual property claims against and/or on behalf of us could adversely affect our business and operations.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which has resulted in significant and often protracted and expensive litigation. We have been involved with patent litigation and asserted intellectual property claims in the past, both as a plaintiff and a defendant, some of which have adversely affected our operating results. Although we have obtained patent licenses from certain semiconductor manufacturers, we do not have licenses from a number of semiconductor manufacturers that have broad patent portfolios. Claims alleging infringement of intellectual property rights have been asserted against us in the past and could be asserted against us in the future.

As a result of these claims, we may have to discontinue the use of certain processes, license certain technologies, cease the manufacture, use, and sale of infringing products, incur significant litigation costs and damages, indemnify customers against certain claims made against them, and develop non-infringing technology. We might not be able to obtain such licenses on acceptable terms or develop non-infringing technology. Further, the failure to renew or renegotiate existing licenses on favorable terms, or the inability to obtain a key license, could materially and adversely affect our business. Future litigation, either as a plaintiff or a defendant, could adversely affect our operating results, as a result of increased expenses, the cost of settled claims, and/or payment of damages.

We may be unable to enforce or protect our intellectual property rights.

We rely on patents, copyrights, trade secrets, mask rights, and other intellectual property rights as well as confidentiality and licensing agreements to protect our intellectual property interests. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of these rights in various countries. Should we seek to enforce our intellectual property rights, we could be subject to claims that our intellectual property rights are invalid or otherwise not enforceable. Our assertion of our intellectual property rights may result in the other party seeking to assert claims against us, which could be disruptive to and/or harm our business. Our inability to enforce our intellectual property rights under any of these circumstances may harm our competitive position and business.

We rely on access to third-party intellectual property, which may not be available to us on commercially reasonable terms or at all.

Some of our products include third-party intellectual property and/or implement industry standards, which may require licenses from third parties. Based on past experience and industry practice, we believe such licenses generally can be obtained on commercially reasonable terms. However, there is no assurance that the necessary licenses can be obtained on acceptable terms or at all. Failure to obtain the right to use third-party intellectual property, or to use such intellectual property on commercially reasonable terms, could preclude us from selling certain products or otherwise have a material adverse impact on our financial condition and operating results.

Our product manufacturing operations are complex and subject to interruption.

From time to time, we have experienced production difficulties, including lower manufacturing yields or products that do not meet our or our customers' specifications, which has resulted in delivery delays, quality problems and lost revenue opportunities. While delivery delays have been infrequent and generally short in duration, we could experience manufacturing problems, capacity constraints and/or product delivery delays in the future as a result of, among other things, the complexity of our manufacturing processes, changes to our process technologies (including transfers to other facilities and die size reduction efforts), and difficulties in ramping production. In addition, any significant quality problems could damage our reputation with our customers and could

take focus away from the development of new and enhanced products. These could have a significant negative impact on our financial results.

We are dependent upon electric power and water provided by public utilities where we operate our manufacturing facility. We maintain limited backup generating capability, but the amount of electric power that we can generate on our own is insufficient to fully operate this facility, and prolonged power interruptions and restrictions on our access to water could have a significant adverse impact on our business.

Tax benefits we receive may be terminated or reduced in the future, which would increase our costs.

As a result of our international manufacturing operations, a significant portion of our worldwide profits are in jurisdictions outside the United States, primarily Malaysia, which has granted the Company significant reductions in tax rates. These lower tax rates allow us to record a relatively low tax expense on a worldwide basis. If U.S. corporate income tax laws were to change regarding deferral of U.S. income tax on foreign earnings or other matters impacting our operating structure, this would have a significant impact to our financial results.

We were granted a tax incentive in Malaysia during fiscal 2009. The tax incentive was contingent upon us continuing to meet specified investment criteria in fixed assets, and to operate as an APAC regional headquarters center. In the first quarter of fiscal 2012, we entered into an agreement with the Malaysia Industrial Development Board (MIDA) who agreed to cancel the previously granted tax incentive and entered into a new tax incentive. The updated tax incentive provides for a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. We are required to meet several conditions as to financial targets, investment, headcount and activities in Malaysia to retain this status. Our inability to renew this tax incentive when it expires or meet certain conditions of the agreement with MIDA may adversely impact our effective tax rate.

Our financial results may be adversely affected by higher than expected tax rates or exposure to additional tax liabilities. Tax audits may have a material adverse effect on our profitability.

As a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region in which we operate. We are subject to income taxes in the United States and various foreign jurisdictions, and significant judgment is required to determine worldwide tax liabilities. The United States and other countries where we do business have been considering changes in relevant tax laws applicable to multinational corporations such as ours. These potential changes could adversely affect our effective tax rate or result in higher cash tax liabilities. In addition, our effective tax rate could be adversely affected by changes in the mix of earnings between countries with differing statutory tax rates, by changes in the valuation of deferred tax assets, or by material audit assessments, which could affect our profitability. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent upon our ability to generate future taxable income in the United States. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority such as the Internal Revenue Service in the United States could have a material effect on our profitability.

Also, we have not made a provision for U.S. income tax on the portion of our undistributed earnings of our non-US subsidiaries that is considered permanently reinvested outside the U.S. If in the future we repatriate any of these foreign earnings, we might incur incremental U.S. income tax, which could affect our results of operations.

The costs associated with legal proceedings can be substantial, specific costs are unpredictable and not completely within our control, and unexpected increases in litigation costs could adversely affect our operating results.

We have been, and continue to be, involved in various legal proceedings, such as those described below in Part I, Item 3 "Legal Proceedings." We may face legal claims or regulatory matters involving stockholder, consumer, competition and other issues on a global basis. The costs associated with legal proceedings are typically high, relatively unpredictable, and are not completely within our control. The costs may be materially more than expected, which could adversely affect our operating results. Moreover, we may become involved in unexpected litigation with additional litigants at any time, which would increase our aggregate litigation costs, and could adversely affect our operating results. We are not able to predict the outcome of any legal action, and an adverse decision in any legal action could significantly harm our business and financial performance.

If the credit market conditions deteriorate, it could have a material adverse impact on our investment portfolio.

Although we manage our investment portfolio by purchasing only highly-rated securities and diversifying our investments across various sectors, investment types, and underlying issuers, recent volatility in the short-term financial markets has been high. We have no securities in asset-backed commercial paper and hold no auction rated or mortgage-backed securities. However, it is uncertain as to the full extent of the current credit and liquidity crisis and with possible further deterioration, particularly within one or several of the large financial institutions, the value of our investments could be negatively impacted.

Our results of operations could vary as a result of the methods, estimates, and judgments we use in applying our accounting policies.

The methods, estimates, and judgments we use in applying our accounting policies have a significant impact on our results of operations. Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the calculation of stock-based compensation expense under the authoritative guidance requires us to use valuation methodologies that were not developed for use in valuing employee stock options and make a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price and the exercise behavior of our employees. Changes in these variables could affect our stock-based compensation expense and have a significant and potentially adverse effect on our gross margins, research and development expense and selling, general and administrative expense.

International operations add increased volatility to our operating results.

A substantial percentage of our total revenues are derived from international sales, as summarized below:

<i>(percentage of total revenues)</i>	First Six Months of Fiscal 2016	Fiscal 2015
APAC	75%	70%
Americas	12%	12%
Japan	5%	7%
Europe	8%	11%
Total	100%	100%

In addition, our test facility in Malaysia, our design centers in Canada and China, and our foreign sales offices incur payroll, facility, and other expenses in local currencies. Accordingly, movements in foreign currency exchange rates can impact our revenues and costs of goods sold, as well as both pricing and demand for our products.

Our non-U.S. offshore sites, manufacturing subcontractors and export sales are also subject to risks associated with foreign operations, including:

- political instability and acts of war or terrorism, which could disrupt our manufacturing and logistical activities;
- regulations regarding use of local employees and suppliers;
- exposure to foreign employment practices and labor laws;
- currency controls and fluctuations, devaluation of foreign currencies, hard currency shortages and exchange rate fluctuations;
- changes in local economic conditions;
- governmental regulation of taxation of our earnings and those of our personnel; and
- changes in tax laws, import and export controls, tariffs and freight rates.

Our international locations are subject to local labor laws, which are often significantly different from U.S. labor laws and which may under certain conditions result in large separation costs upon termination.

Contract pricing for raw materials and equipment used in the fabrication and assembly processes, as well as for foundry and subcontract assembly services, may also be affected by currency controls, exchange rate fluctuations and currency devaluations. We sometimes hedge currency risk for currencies that are highly liquid and freely quoted, but may not enter into hedge contracts for currencies with limited trading volume. In addition, as much of our revenues are generated outside the United States, a significant portion of our cash and investment portfolio accumulates in the foreign countries in which we operate. On September 27, 2015, we had cash, cash equivalents and investments of approximately \$491.0 million invested overseas in accounts belonging to our foreign subsidiaries. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies, and all offshore balances are exposed to local political, banking, currency control and other risks. In addition, these amounts may be subject to tax and other transfer restrictions.

We rely upon certain critical information systems for the operation of our business.

We maintain and rely upon certain critical information systems for the effective operation of our business. These information systems include telecommunications, the Internet, our corporate intranet, various computer hardware and software applications, network communications, and e-mail. These information systems are subject to attacks, failures, and access denials from a number of potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, communication lines and networking equipment. To the extent that these information systems are under our control, we have

implemented security procedures, such as virus protection software and emergency recovery processes, to address the outlined risks. While we believe that our information systems are appropriately controlled and that we have processes in place to adequately manage these risks, security procedures for information systems cannot be guaranteed to be failsafe and our inability to use or access these information systems at critical points in time could unfavorably impact the timely and efficient operation of our business.

We are exposed to potential impairment charges on certain assets.

Over the past several years, we have made several acquisitions. As a result of these acquisitions, we had \$135.6 million of goodwill and \$13.0 million of intangible assets on our Condensed Consolidated Balance Sheet as of September 27, 2015. In determining fair value, we consider various factors, including our market capitalization, forecasted revenue and costs, risk-adjusted discount rates, future economic and market conditions, determination of appropriate market comparables and expected periods over which our assets will be utilized and other variables. If our assumptions regarding forecasted cash flow, revenue and margin growth rates of certain long-lived asset groups and reporting units are not achieved, an impairment review may be triggered for the remaining balance of goodwill and long-lived assets prior to the next annual review in the fourth quarter of fiscal 2016, which could result in material charges that could impact our operating results and financial position.

Our reported financial results may be adversely affected by new accounting pronouncements or changes in existing accounting standards and practices.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board (FASB), SEC and various organizations formed to interpret and create appropriate accounting standards and practices. New accounting pronouncements and varying interpretations of accounting standards and practices have occurred and may occur in the future. New accounting pronouncements or a change in the interpretation of existing accounting standards or practices may have a significant effect on our reported financial results and may even affect our reporting of transactions completed before the change is announced or effective.

Our common stock may experience substantial price volatility.

Our stock price has experienced volatility in the past, and volatility in the price of our common stock may occur in the future, particularly as a result of fluctuations in global economic conditions and quarter-to-quarter variations in our actual or anticipated financial results, or the financial results of other semiconductor companies or our customers. Stock price volatility may also result from product announcements by us or our competitors, or from changes in perceptions about the various types of products we manufacture and sell. In addition, our stock price may fluctuate due to price and volume fluctuations in the stock market, especially in the technology sector, and as a result of other considerations or events described in this section.

We depend on the ability of our personnel, raw materials, equipment and products to move reasonably unimpeded around the world.

Any political, military, world health or other issue which hinders the worldwide movement of our personnel, raw materials, equipment or products or restricts the import or export of materials could lead to significant business disruptions. Furthermore, any strike, economic failure, or other material disruption on the part of major airlines or other transportation companies could also adversely affect our ability to conduct business. If such disruptions result in cancellations of customer orders or contribute to a general decrease in economic activity or corporate spending on information technology, or directly affect our marketing, manufacturing, financial and logistics functions, our results of operations and financial condition could be materially and adversely affected.

We invest in companies for strategic reasons and may not realize a return on our investments.

We make investments in companies around the world to further our strategic objectives and support our key business initiatives. Such investments include equity instruments of private companies, and many of these instruments are non-marketable at the time of our initial investment. These companies range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. The success of these companies is dependent on product development, market acceptance, operational efficiency, and other key business factors as well as their ability to secure additional funding, obtain favorable investment terms for future financings, or participate in liquidity events such as public offerings, mergers, and private sales. If any of these private companies fail, we could lose all or part of our investment in that company. If we determine that other-than-temporary decline in the fair value exists for an equity investment in a private company in which we have invested, we write down the investment to its fair value and recognize the related write-down as an investment loss.

When the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may decide to dispose of the investment. We may incur losses on the disposal of our non-marketable investments.

We are subject to a variety of environmental and other regulations related to hazardous materials used in our manufacturing processes.

The manufacturing and testing of our products require the use of hazardous materials that are subject to a broad array of environmental, health and safety laws and regulations. Any failure by us to adequately control the use or discharge of hazardous materials under present or future regulations could subject us to substantial costs or liabilities or cause our manufacturing operations to be suspended.

Existing and future environmental, health and safety laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify our product designs, or incur other expenses associated with such laws and regulations. Many new materials that we are evaluating for use in our operations may be subject to regulation under existing or future environmental laws and regulations that may restrict our use of one or more of such materials in our manufacturing, and test processes, or products. Any of these restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter our manufacturing and test processes.

Our operations could be affected by the complex laws, rules and regulations to which our business is subject.

We are subject to complex laws, rules and regulations affecting our domestic and international operations relating to, for example, environmental, safety and health; exports and imports; bribery and corruption; tax; data privacy; labor and employment; competition; and intellectual property ownership and infringement. Compliance with these laws, rules and regulations may be onerous and expensive, and if we fail to comply or if we become subject to enforcement activity, our ability to manufacture our products and operate our business could be restricted and we could be subject to fines, penalties or other legal liability. Furthermore, should these laws, rules and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs or restrictions on our ability to manufacture our products and operate our business.

[Table of Contents](#)**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table sets forth information with respect to repurchases of our common stock during the second quarter of fiscal 2016:

Period	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
June 29, 2015 - July 26, 2015	445,400	\$ 20.81	445,400	\$ 268,046,944
July 27, 2015 - August 23, 2015	723,519	\$ 19.29	723,519	\$ 254,076,331
August 24, 2015 - September 27, 2015	1,244,500	\$ 18.62	1,244,500	\$ 230,882,703
Total	2,413,419	\$ 19.23	2,413,419	

In April 2015, our Board of Directors approved a new share repurchase program authorization from \$300 million. As of September 27, 2015, approximately \$230.9 million was available for future purchases under the share repurchase program. In October 2015, the Company's Board of Directors approved an increase in the share repurchase authorization by another \$300 million. Share repurchases were recorded as treasury stock and resulted in a reduction of stockholders' equity. The program is intended to reduce the number of outstanding shares of our common stock to offset dilution from employee equity grants and increase shareholder value.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION***Submission of Matters to a Vote of Security Holders***

On September 22, 2015, Company held its annual meeting of stockholders (the "Annual Meeting"). At the Annual Meeting, stockholders voted on the following four proposals, each of which is described in detail in the Company's definitive proxy statement filed with the Securities and Exchange Commission (the "Commission") on July 27, 2015 (the "Proxy Statement").

Proposal No. 1. The election of the seven nominees listed below to serve as members of the Company's Board of Directors until the 2016 annual meeting of stockholders or until their successors are duly elected and qualified.

			<u>For</u>	<u>Withheld</u>	<u>Broker Non-Votes</u>
John Schofield	115,757,218	1,895,534	14,213,899		
Gregory Waters	116,605,185	1,047,567	14,213,899		
Umesh Padval	116,483,793	1,168,959	14,213,899		
Gordon Parnell	116,545,845	1,106,907	14,213,899		
Ken Kannappan	114,037,734	3,615,018	14,213,899		
Robert Rango	116,264,305	1,388,447	14,213,899		
Norman Taffe	116,543,588	1,109,164	14,213,899		

Proposal No. 2. The approval, on a non-binding, advisory basis, of the compensation of the Company's named executive officers as disclosed in the Proxy Statement pursuant to the compensation disclosure rules of the Commission ("Say-on-Pay").

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
116,197,415	1,101,225	454,112	14,213,899

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Proposal No. 3. To approve an amendment and restatement to the 2004 Equity Plan to, in part, increase the number of shares reserved for issuance thereunder from 41,800,000 to 46,300,000.

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
109,204,574	8,008,466	439,712	14,213,899

Proposal No. 4. The ratification of the selection, by the Audit Committee of the Company's Board of Directors, of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for its fiscal year ending April 3, 2016.

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
129,709,167	1,666,701	490,783	0

ITEM 6. EXHIBITS

(a) The following exhibits are filed herewith:

Exhibit Number	Exhibit Description
3.1	Restated Certificate of Incorporation, as amended to date. Incorporated by reference to Exhibit 3.1 to Form 10-K filed on May 21, 2012.
3.2	Certificate of Designations specifying the terms of the Series A Junior Participating Preferred Stock of Integrated Device Technology, Inc., as filed with the Secretary of State of the State of Delaware. Incorporated by reference to Exhibit 3.6 to Form 8-A filed on December 23, 1998.
3.3	Amended and Restated Bylaws of the Company, as amended and restated. Incorporated by reference to Exhibit 3.3 to Form 10-Q filed on November 6, 2013.
10.1	Share Purchase and Transfer Agreement, dated October 23, 2015, between Global ASIC GmbH, ELBER GmbH, Freistaat Sachsen, Integrated Device Technology Bermuda Ltd. and Integrated Device Technology, Inc. (filed herewith).
31.1	Certification of Chief Executive Officer as required by Rule 13a-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer as required by Rule 13a-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer 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 Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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.

INTEGRATED DEVICE TECHNOLOGY, INC.
Registrant

October 29, 2015

By: /s/ Gregory L. Waters

Gregory L. Waters
President and Chief Executive Officer

October 29, 2015

/s/ Brian C. White

Brian C. White
*Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)*

SHARE PURCHASE AND TRANSFER AGREEMENT

DATED OCTOBER 23, 2015

between

Global ASIC GmbH,

ELBER GmbH,

Freistaat Sachsen,

and

Integrated Device Technology Bermuda Ltd.

and

Integrated Device Technology, Inc.

regarding

all Shares in

Zentrum Mikroelektronik Dresden AG

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[NOT FORMAL PART OF THE NOTARIZATION]

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THIS AGREEMENT is made between:

- (1) **Global ASIC GmbH**, a limited liability company under German law (*Gesellschaft mit beschränkter Haftung – GmbH*) registered with the commercial register of the local court (*Amtsgericht*) of Dresden under registration number HRB 19543, with business address at Grenzstraße 28, 01109 Dresden, Germany (the **Seller 1**);
- (2) **ELBER GmbH**, a limited liability company under German law registered with the commercial register of the local court of Regensburg under registration number HRB 12769, with business address at Im Gewerbepark C 25, 93059 Regensburg, Germany (the **Seller 2**);
- (3) **Freistaat Sachsen**, represented by the Saxon State Ministry of Finance, Carolaplatz 1, 01097 Dresden, Germany (the **Seller 3**);

on the one hand (Seller 1, Seller 2 and Seller 3 each a **Seller** and collectively the **Sellers**), and

- (4) **Integrated Device Technology Bermuda Ltd.**, a company under the laws of Bermuda with its business address at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda (the **Purchaser**);
- (5) **Integrated Device Technology, Inc.**, a corporation under the laws of Delaware with its business address at 6024 Silver Creek Valley Road, San Jose, CA 95138 USA (the **Purchaser's Guarantor**);

on the other hand (each of the Sellers, and the Purchaser and the Purchaser's Guarantor are hereinafter also collectively referred to as the **Parties** and each of them as a **Party**).

BACKGROUND:

- (A) Zentrum Mikroelektronik Dresden AG (the **Company**) is a German stock corporation (*Aktiengesellschaft*) with its legal seat in Dresden and registered with the commercial register of the local court (*Amtsgericht*) of Dresden under the registration number HRB 19166. The registered share capital (*Grundkapital*) of the Company amounts to EUR 15,750,000.00 and consists of 15,750,000 registered no-par-value shares (*auf den Namen lautende Stückaktien*) with a *pro-rata* amount in the entire registered share capital of each share (*auf die einzelne Aktie entfallender anteiliger Betrag des Grundkapitals*) of EUR 1. The shares in the Company are represented by a single global share certificate (the **Share Certificate**).

(B) The Sellers are the sole shareholders in the Company and each Seller holds the number of issued no-par-value shares in the Company set forth in the table below:

Seller	Number of Shares	Definition	Sum of nominal value of Shares in EUR
Seller 1	9,929,834	Seller 1 Shares	9,929,834.00
Seller 2	4,153,038	Seller 2 Shares	4,153,038.00
Seller 3	1,667,128	Seller 3 Shares	1,667,128.00
in total:			15,750,000.00

The Seller 1 Shares, the Seller 2 Shares and the Seller 3 Shares are hereinafter referred to, collectively, as the **Shares**, whereas the Shares shall comprise any and all shares held by the Sellers in the Company, regardless of whether or not the number and *pro-rata* amount of such shares in the entire registered share capital and the aggregate amount of the registered share capital of the Company correspond to the details as outlined in this lit. (B). A copy of the current share register (*Aktienregister*) of the Company is attached hereto as **Schedule (B)** .

- (C) Seller 1 has granted to the Secured Bank a pledge over the Seller 1 Shares and assigned to the Secured Bank the dividend rights attached to the Seller 1 Shares as a collateral for Seller 1's payment obligations under a loan agreement (the **Seller 1 Bank Loan**) in an amount (including interest accrued thereon until October 20, 2015) of EUR 4,669,884.60 (in words: EUR four million sixhundredsixtynine thousand eighthundredeightyfour 60/100). The Seller 1 Bank Loan including any accrued interest (together the **Seller 1 Bank Loan Amount**) shall, subject to the terms and conditions of this Agreement, be repaid by Seller 1 to the Secured Bank and the Secured Bank shall release the pledge over the Seller 1 Shares and waive any and all rights under the advance assignment of dividend rights attached to the Seller 1 Shares upon Closing. The Seller 2 Shares and the Seller 3 Shares are not encumbered.
- (D) The Company is the direct or indirect shareholder of the entities listed (in each case with percentage and the number and nominal amount, if any, of such shareholding) in **Schedule (D)** (the **Subsidiaries** and each of them a **Subsidiary**). The Company and the Subsidiaries are hereinafter collectively referred to as the **Group Companies** and each of them as a **Group Company**.
- (E) The Company has granted to Seller 1 the loans listed in **Schedule (E)** (the **Seller 1 Upstream Loans**). The Seller 1 Upstream Loans shall, subject to the terms and conditions of this Agreement, be abrogated and the outstanding loan amounts including any accrued interest (together the **Seller 1 Upstream Loan Amount**) be repaid by Seller 1 to the Company upon Closing.
- (F) Each Seller wishes to sell and transfer its respective Shares to the Purchaser and the Purchaser wishes to purchase and acquire from each Seller the respective Seller's Shares under the terms and conditions of this share purchase and transfer agreement (this **Agreement**).
- (G) The Purchaser's Guarantor wishes to ensure (*sicherstellen*) the full and punctual fulfilment of all obligations of the Purchaser arising out of or in connection with this Agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions:

Accounts has the meaning set out in Clause 7.6(a).

Affiliate means any affiliated company (*verbundenes Unternehmen*) in the meaning of Sections 15 *et seq.* AktG, provided that, unless expressly provided otherwise, for the purpose of this Agreement, the Group Companies shall neither be deemed to be Affiliates of the Sellers nor of the Purchaser.

Agreement has the meaning set out in the Background under lit. (F).

AktG means the German Stock Corporation Act (*Aktiengesetz*).

Amendment, Assumption and Release Agreement has the meaning set out in Clause 11.3(a).

Assumed Change of Control Payments means the one-time payments (plus the employer's share (*Arbeitgeberanteil*) of social security contributions (*Sozialversicherungsbeiträge*) or similar public security contributions under the laws of any jurisdiction thereon) to which the Beneficiaries will become entitled to under the Amendment, Assumption and Release Agreements including any Wage Taxes relating to such payments; such payment amount to be calculated on the basis of the EUR/USD exchange rate published by the German Central Bank as of one day prior to Signing Date (8:00 pm). For purposes of payment of the Total Purchase Price, the Assumed Change of Control Payments shall be calculated as described in the preceding sentence plus 5 % of the calculated amount and be notified by the Company to the Purchaser pursuant to Clause 3.3(a)(i)(B).

Beneficiaries means the employees and/or officers and directors (*Mitglieder des Vorstands und Geschäftsführer*) of the Group Companies listed in **Schedule 1.1(a)** that would have rights against the Company under the Incentive Agreements in the event of a consummation of the Closing.

BGB means the German Civil Code (*Bürgerliches Gesetzbuch*).

Business Day means any day on which banks are generally open for business to the public (*Bankarbeitstage*) in Frankfurt am Main, Germany.

Closing has the meaning set out in Clause 6.1.

CoCP Agent has the meaning set out in Clause 3.3(a)(iii).

CoCP Agent Account has the meaning set out in Clause 3.3(a)(iii).

CoCP Wage Taxes shall mean with regard to any Assumed Change of Control Payment and Non-Assumed Change of Control Payments to or for the benefit of the individual Beneficiaries, Wage Tax on such payment, including Wage Tax on third party wage payments (*von einem Dritten gewährter Arbeitslohn*). For purposes of payment of the Total Purchase Price, the aggregate amount of CoCP Wage Taxes determined pursuant to the preceding sentence shall be increased by 5 % of such amount and be notified by the Company to the Purchaser pursuant to Clause 3.3(a)(i)(C).

Closing Actions has the meaning set out in Clause 6.2(a).

Closing Condition has the meaning set out in Clause 5.1(a).

Closing Date has the meaning set out in Clause 6.1.

Company has the meaning set out in the Background under lit. (A).

Company Account has the meaning set out in Clause 3.3(a)(i)(A).

Company IP Rights has the meaning set out in Clause 7.12(a).

Company Products means all products or services produced, marketed, licensed, sold, distributed or performed by or on behalf of any Group Company and all products or services under development by any Group Company.

Company Registered IP Rights has the meaning set out in Clause 7.12(c).

Confidential Information has the meaning set out in Clause 13.2(a).

Corporate Documents has the meaning set out in Clause 7.3(b).

Data Room DVD has the meaning set out in the definition of Electronic Data Room.

De Minimis Amount has the meaning set out in Clause 8.7(a).

Effective Date has the meaning set out in Clause 2.2.

Electronic Data Room means any documentation and information provided in the electronic data room by astiga GmbH, Breitscheidstr. 65, 70176 Stuttgart, Germany until and including October 20, 2015, 4.00 pm (CET). The Electronic Data Room has been saved by astiga GmbH on three identical DVDs (each a **Data Room DVD**), (i) one of which has been handed over to the Purchaser, (ii) one of which has been handed over to Seller 1 and (iii) one of which will be set aside and stored with the acting notary for purposes of providing evidence for a period of five (5) years after the Closing Date in accordance with a joint instruction letter from the Parties (the **Joint Instruction Letter**) substantially in the form as attached as **Schedule 1.1(b)**.

Escrow Account has the meaning as set out in Clause 3.2.

Escrow Agent has the meaning set out in Clause 3.2.

Escrow Agreement has the meaning as set out in Clause 3.2.

Escrow Amount has the meaning set out in Clause 3.3(b)(v).

Exempt Claims has the meaning set out in Clause 8.8(a).

Failing Party has the meaning set out in Clause 9.6(a)

Fairly Disclosed means disclosed to the Purchaser or its ultimate parent company Integrated Device Technology, Inc. (i) in writing within this Agreement (including the Schedules thereto) or (ii) in the Electronic Data Room, each in a conspicuous way that would enable a reasonable professional purchaser given the nature and context of the disclosure to become aware of the nature of the possible implications of such disclosure on the Company.

Governmental Entity means any supranational, national, state, municipal, local or foreign government, any court, tribunal, arbitrator, administrative agency, commission or other governmental official, authority or instrumentality, in each case whether domestic or foreign, any stock exchange or any quasi-governmental or private body exercising any regulatory, Taxing or other governmental authority.

Group Company has the meaning set out in the Background under lit. (D).

HGB means the German Commercial Code (*Handelsgesetzbuch*).

IFRS means International Financial Reporting Standards as issued by the International Accounting Standards Board.

Incentive Agreements means the agreements entered into by the Company and the Beneficiaries with respect to the stock option programs, exit participation program and comparable incentive schemes of the Company listed in **Schedule 1.1(c)**.

Initial Shareholder Amount has the meaning set out in Clause 3.3(b)(vi).

Initial Purchase Price has the meaning set out in Clause 3.3(b)(vi).

Initial Seller 1 Purchase Price has the meaning set out in Clause 3.3(b)(vi).

Initial Seller 2 Purchase Price has the meaning set out in Clause 3.3(b)(vi).

Initial Seller 3 Purchase Price has the meaning set out in Clause 3.3(b)(vi).

Information Technology has the meaning set out in Clause 7.13.

Interim Period has the meaning set out in Clause 11.1.

IP Rights has the meaning set out in Clause 7.12(a).

Joint Instruction Letter has the meaning set out in the definition of Electronic Data Room.

Leakage has the meaning set out in Clause 7.5.

Legal Requirements means any federal, state, foreign, local, municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity having the force of law.

Liability Cap has the meaning set out in Clause 8.8(a).

Liability Cap Tax has the meaning set out in Clause 9.6(d).

Material Adverse Effect means any specific, or series of related, events, matters or circumstances, which have had or with the lapse of time will reasonably be expected to have in the near future an enduring and material adverse effect (taking into account any claims for compensation or indemnification against third parties (including the Sellers) if and to the extent such claims have already been settled)

on the assets or the revenue and profitability of the Group Companies taken as a whole and which, to the extent curable, had not been cured until the earlier of (i) the Targeted Closing Date or (ii) within twenty (20) Business Days upon receipt of a written notice of the Purchaser by the Sellers of the occurrence of a Material Adverse Effect, describing the facts and circumstances resulting in or constituting the Material Adverse Effect in reasonable detail, provided, however, that any of the following events, matters, circumstances or conditions or effects thereof shall not be deemed to constitute, and shall not be taken into account in determining whether there has been, a material adverse effect:

- (i) any event that results from conditions or any matter or circumstance affecting the global semiconductor industry generally;
- (ii) any event that results from conditions or any matter or circumstance affecting general worldwide or regional, political, social, economic, business, financing and/or capital market conditions (including, for the avoidance of doubt, currency change rates);
- (iii) the announcement of the Transaction or measures or actions taken, or failures to take action, by or with the approval of the Purchaser pursuant to Clause 11 or otherwise expressly agreed by the Purchaser in writing; or
- (iv) actions of the customers or suppliers of the Group Companies as a result of the Transaction; or
- (v) any event, matter or circumstance the basis of which is attributable to the Purchaser; or
- (vi) any event, matter or circumstance the basis of which has been Fairly Disclosed prior to the Signing Date.

Material Contract has the meaning set out in Clause 7.17(a).

Non-Assumed Change of Control Payments means the one-time payments (plus the employer's share (*Arbeitgeberanteil*) of social security contributions (*Sozialversicherungsbeiträge*) or similar public security contributions under the laws of any jurisdiction thereon) under the Incentive Agreements to which those Beneficiaries are entitled who have not entered into an Amendment, Assumption and Release Agreement; such payment amount to be calculated on the basis of the EUR/USD exchange rates as provided for in Clause 3.1(a). For purposes of payment of the Total Purchase Price, the Non-Assumed Change of Control Payments shall be calculated as described in the preceding sentence plus 5 % of the calculated amount and be notified by the Company to the Purchaser pursuant to Clause 3.3(a)(i)(B).

Notice has the meaning set out in Clause 15.1.

Open Source Materials has the meaning set out in Clause 7.12(h).

Party or Parties has the meaning set out in the parties section of this Agreement.

Pension Schemes has the meaning set out in Clause 7.14(c).

Permits has the meaning set out in Clause 7.10(a).

Permitted Pre-Signing Leakage has the meaning set out in Clause 7.5(c).

Pre-Effective Date Taxes has the meaning set out in Clause 9.2(a).

Pro Rata Share means, with respect to a particular Seller, the number of Shares held by such Seller relative to the total number of Shares.

Purchaser has the meaning set out in the parties section of this Agreement.

Purchaser's Guarantor has the meaning set out in the parties section of this Agreement.

Real Estate has the meaning set out in Clause 7.11(a)

Related Party shall mean each Seller and persons related to the respective Seller (*einem Verkäufer nahestehende Personen*) within the meaning of Section 138 German Insolvency Code (*Insolvenzordnung*).

Related Party Agreements has the meaning set out in Clause 7.8(a).

Relevant Tax Proceedings has the meaning set out in Clause 9.5(a)

Secured Bank means WGZ Bank AG, Düsseldorf.

Secured Bank's Account has the meaning set out in Clause 3.3(a)(ii).

Seller or **Sellers** has the meaning set out in the parties section of this Agreement.

Sellers' Accounts has the meaning set out in Clause 4.3.

Sellers' Breach has the meaning set out in Clause 8.2.

Sellers' Guarantees has the meaning set out in Clause 7.1.

Sellers' Knowledge means

(i) the actual knowledge (*positive Kenntnis*) of the Sellers;

(ii) the actual knowledge (*positive Kenntnis*) of Mr. Thilo von Selchow and Mr. Steffen Wollek; and

(iii) the knowledge Mr. Thilo von Selchow and Mr. Steffen Wollek could have reasonably had after due inquiry prior to the date relevant for the respective Sellers' Guarantee of Gordon Seidel (head of IT of the Group Companies), Annegret Weidauer (head of Legal of the Group Companies), Clemens Wasewitz (head of Accounting of the Group Companies), Daniel Aitken (head of Marketing of the Group Companies), Margrit Heinig (head of HR of the Group Companies); such due inquiry to be conducted applying the level of care of a prudent business person.

Sellers' Period has the meaning set out in Clause 9.2(a).

Seller 1 has the meaning set out in the parties section of this Agreement.

Seller 1 Account has the meaning set out in Clause 4.3(a).

Seller 1 Bank Loan has the meaning set out in the Background under lit. (C).

Seller 1 Bank Loan Amount has the meaning set out in the Background under lit. (C).

Seller 1 Upstream Loan Amount has the meaning as set out in the Background under lit. (E).

Seller 1 Upstream Loans has the meaning as set out in the Background under lit. (E).

Seller 1 Shares has the meaning set out in the Background under lit. (B).

Seller 2 has the meaning set out in the parties section of this Agreement.

Seller 2 Account has the meaning set out in Clause 4.3(b).

Seller 2 Shares has the meaning set out in the Background under lit. (B).

Seller 3 has the meaning set out in the parties section of this Agreement.

Seller 3 Account has the meaning set out in Clause 4.3(c).

Seller 3 Shares has the meaning set out in the Background under lit. (B).

Share Certificate has the meaning set out in the Background under lit. (A).

Shares has the meaning set out in the Background under lit. (B).

Signing Date means the date on which this Agreement is signed by all Parties.

Straddle Period has the meaning set out in Clause 9.2(a).

Subsidiary or **Subsidiaries** has the meaning set out in the Background under lit. (D).

Targeted Closing Date has the meaning set out in Clause 6.1.

Tax means any (i) tax (*Steuern*) within the meaning of Section 3 of the German Tax Code (*Abgabenordnung – AO*) or equivalent taxes under the laws of any other jurisdiction, (ii) social security contributions (*Sozialversicherungsbeiträge*) or similar public social security contributions under the laws of any jurisdiction, customs duties (*Zölle*) and any other public fees and charges (*sonstige Gebühren und Abgaben*), (iii) any taxes to be withheld or paid for the account of a third party (*Steuerabzugsbeträge*), such as (in particular, but not limited to) capital withholding or wage tax (*Kapitalertrag- und Lohnsteuer*) and any taxes imposed as a secondary liability (*Steuerhaftungsbeträge*), as well as (iv) any penalties or administrative fines for non-adequate and/or non-proper documentation of intra-group transactions and transfer prices, in each case (A) together with any ancillary charges (*steuerliche Nebenleistungen*) in the meaning of Section 3 para. 4 of the German Tax Code

(*Abgabenordnung – AO*) (including any penalties and fines e.g. due to late or inadequate filing of a Tax Return, interest, late payment fees, costs or additions thereto) or equivalent ancillary charges under the laws of any other jurisdiction, and (B) irrespective whether imposed under the laws of Germany or any other jurisdiction by a Tax Authority, in any aforementioned case imposed by any Tax Authority or payable under any contractual arrangement, but excluding, in any aforementioned case, for the avoidance of doubt, deferred taxes and notional losses (such as reductions of loss carry forwards or future depreciation).

Tax Authority means any competent governmental authority or public body which charges, administers or collects Taxes.

Tax Benefit has the meaning set out in Clause 9.2(b)(vii).

Tax Guarantees has the meaning set out in Clause 9.1.

Tax Indemnification Claim has the meaning set out in Clause 9.2(a).

Tax Refund has the meaning set out in Clause 9.3(a).

Tax Return(s) means any return, declaration, report or notice in written form, relating to any Tax to be filed, including in each case any schedule or attachment thereto, and any amendment thereto.

Termination Agreement has the meaning set out in Clause 11.3(b)

Third-party Claim has the meaning set out in Clause 8.3(a).

Threshold has the meaning set out in Clause 8.7(a).

Total Purchase Price has the meaning set out in Clause 3.1(a).

Transaction(s) means all transactions contemplated by this Agreement.

Transaction Expenses means all third party fees and expenses in connection with this Agreement and the Transaction (including any fees and expenses of legal counsel and accountants, fees and expenses payable to financial advisors, investment bankers, consultants, brokers and other advisors of the Company, but excluding any employment related expenses), in each case including any applicable VAT, which have been incurred by a Group Company based on services ordered until and including the Closing Date.

UStG means the German Value Added Tax Act (*Umsatzsteuergesetz*).

VAT means value added tax (*Umsatzsteuer*).

Wage Tax shall mean any Tax, including the employer's and the employee's share (*Arbeitgeber- und Arbeitnehmeranteil*) of social security contributions (*Sozialversicherungsbeiträge*) or similar public security contributions under the laws of any jurisdiction, in each case on wages or other employment income or otherwise in connection with any employment.

- 1.2** The definitions set out in Clause 1.1 apply throughout this Agreement, unless the contrary intention appears. Terms defined in the singular shall have the comparable meaning when used in the plural, and vice versa.
- 1.3** If there is any conflict or inconsistency between a term in the body of this Agreement and a term in any of the Schedules or any other document referred to or otherwise incorporated into this Agreement, the term in the body of this Agreement shall take precedence, unless the relevant Schedule or other document which is referred to or otherwise incorporated into this Agreement expressly provides that the term in it is to take precedence over the term in the body of this Agreement.
- 1.4** In this Agreement, unless the contrary intention appears, a reference to a Clause or Schedule is a reference to a Clause or Schedule of or to this Agreement. The Schedules form part of this Agreement.
- 1.5** The headings in this Agreement do not affect its interpretation.
- 1.6** In this Agreement, unless otherwise indicated:
- (a) words importing any gender include the other gender; references to statutes or regulations are to be construed as including all statutory or regulatory provisions consolidating, amending or replacing the statute or regulation referred to;
 - (b) any reference to a time of day is to Frankfurt am Main, German time; and
 - (c) the words **including**, **includes** and **include** shall be deemed to be followed by the words "without limitation".
 - (d) Where a German translation has been added in parenthesis after an English word or phrase, only such German translation shall be decisive for the interpretation of the relevant English word or phrase.
 - (e) References to any German legal term or concept shall, in relation to any jurisdiction other than Germany, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

2. SALE AND TRANSFER OF THE SHARES

2.1 Sale of the Shares

- (a) Seller 1 hereby sells and the Purchaser purchases, subject to the terms and conditions of this Agreement, the Seller 1 Shares.
- (b) Seller 2 hereby sells and the Purchaser purchases, subject to the terms and conditions of this Agreement, the Seller 2 Shares.
- (c) Seller 3 hereby sells and the Purchaser purchases, subject to the terms and conditions of this Agreement, the Seller 3 Shares.

2.2 Effective Date, Ancillary Rights

The Shares are sold to the Purchaser with economic effect (*mit wirtschaftlicher Wirkung*) as of 1 January 2015, 0:00 hrs. (the **Effective Date**) with all rights and obligations pertaining thereto, including the right to receive all profits relating to the time after the Effective Date and all non-distributed profits relating to the time prior to the Effective Date.

2.3 Transfer and Assignment of the Shares and Share Certificate

Subject to satisfaction of the conditions precedent set forth in Clause 2.5 below

- (a) Seller 1 hereby transfers (*übereignet*) and assigns (*tritt ab*) with effect *in rem* the Seller 1 Shares, all membership rights and other rights pertaining to the Seller 1 Shares and ownership of Seller 1's co-ownership share (*Miteigentumsanteil*) in the Share Certificate to the Purchaser who accepts such transfers and assignments;
- (b) Seller 2 hereby transfers and assigns with effect *in rem* the Seller 2 Shares, all membership rights and other rights pertaining to the Seller 2 Shares and ownership of Seller 2's co-ownership share in the Share Certificate to the Purchaser who accepts such transfers and assignments; and
- (c) Seller 3 hereby transfers and assigns with effect *in rem* the Seller 3 Shares, all membership rights and other rights pertaining to the Seller 3 Shares and ownership of Seller 3's co-ownership share in the Share Certificate to the Purchaser who accepts such transfers and assignments.

2.4 Safe Keeping and Delivery of Share Certificate

- (a) Subject to satisfaction of the conditions precedent set forth in Clause 2.5 below, the Sellers and the Purchaser hereby enter into a custody agreement pursuant to Section 688 BGB, according to which the Sellers take into custody (*Verwahrung*) the Share Certificate for the Purchaser without consideration.
- (b) The Sellers and the Purchaser agree that the aforementioned custody agreement constitutes a constructive possession relationship (*Besitzmittlungsverhältnis*) as defined in Sections 930 and 868 BGB, according to which the Sellers hold constructive possession for the Purchaser (it being understood that the Purchaser shall have indirect possession (*mittelbarer Besitz*) of the Share Certificate).
- (c) On the Closing Date, the Sellers shall, subject to satisfaction of the condition precedent set forth in Clause 2.5 below, deliver the Share Certificate, duly endorsed (*indossiert*), to the Purchaser pursuant to Clause 6.2(a)(v).
- (d) The custody agreement according to Clause 2.4(a) shall end upon the earlier of physical delivery of the Share Certificate to the Purchaser or the effective termination of this Agreement.

2.5 Condition Precedent

The transfers and assignments pursuant to Clause 2.3 are subject only to the conditions precedent (*aufschiebende Bedingungen*) of

- (f) the aggregate amount of the Assumed Change of Control Payments (less the aggregate amount of related CoCP Wage Taxes) having been credited onto the CoCP Agent Account as set forth in Clause 3.3(b)(i);
- (g) the aggregate amount of the Non-Assumed Change of Control Payments (less the aggregate amount of related CoCP Wage Taxes) having been credited onto the Company Account as set forth in Clause 3.3(b)(ii);
- (h) the aggregate amount of CoCP Wage Taxes having been credited onto the Company Account as set forth in Clause 3.3(b)(iii);
- (i) the Transaction Expenses having been credited onto the Company Account as set forth in Clause 3.3(b)(iv);
- (j) the Escrow Amount having been credited onto the Escrow Account as set forth in Clause 3.3(b)(v);
- (k) the Initial Purchase Price having been credited onto the Sellers' Accounts as set forth in Clause 3.3(b)(vi);
- (l) the Seller 1 Upstream Loan Amount having been credited onto the Company Account as set forth in Clause 3.3(b)(vii); and
- (m) the Seller 1 Bank Loan Amount having been credited onto the Secured Bank's Account as set forth in Clause 3.3(b)(viii).

2.6 Share Register

Each of the Sellers hereby undertakes to cooperate with a view to the proper registration of the transfer of title in the Shares to the Purchaser in the Company's share register pursuant to Clause 6.2(a)(vi).

2.7 Shareholder's Consents

- (a) By notarized shareholders' resolution dated October 22, 2015, a copy of which is attached as **Schedule 2.7(a)**, the shareholders' meeting of Seller 1 gave its consent to the sale and transfer of the Seller 1 Shares under this Agreement.
- (b) By written shareholders' resolution dated October 21, 2015, a copy of which is attached as **Schedule 2.7(b)**, the shareholders' meeting of Seller 2 gave its consent to the sale and transfer of the Seller 2 Shares under this Agreement.

3. PURCHASE PRICE

3.1 Total Purchase Price

- (a) The aggregate purchase price to be paid by the Purchaser to the Sellers for the Shares shall amount to the Euro amount equivalent to the amount of USD 310,000,000.00 (in words: US Dollar three hundredandten million) of which an amount of USD 60,000,000.00 (in words: US Dollar sixty million) has been converted into EUR 53,036,329.89 (in words: Euro fiftythree million thirtysixthousand three hundred twentynine and eightynine Cents) at the EUR/USD exchange rate published

by the European Central Bank as of one day prior to the Signing Date (8:00 pm), and a remaining amount of USD 250,000,000.00 shall be converted at the EUR/USD exchange rate published by the European Central Bank as of one day prior to the Closing Date (8:00 pm) (such aggregate USD and Euro amount together the **Total Purchase Price**).

- (b) The Total Purchase Price shall be attributable (*zugeordnet*) to the Sellers according to each Seller's Pro Rata Share and be paid by the Purchaser as set forth in Clause 3.3(b) below.

3.2 Escrow

Prior to the Targeted Closing Date, the Sellers and the Purchaser shall open with the acting notary (the **Escrow Agent**) an escrow account for the benefit of the Sellers and the Purchaser (the **Escrow Account**) into which the Purchaser shall pay the Escrow Amount as set forth in Clause 3.3(b)(v). The Escrow Amount shall serve as collateral for Purchaser with respect to claims of the Purchaser against the Sellers arising out of or in connection with this Agreement and in accordance with Clause 8.9 within a period of 24 months as from Closing Date. The terms and conditions regarding the Escrow Account shall be set forth in an agreement to be executed between the Sellers, the Purchaser and the Escrow Agent prior to the Targeted Closing Date substantially in the form as attached hereto as **Schedule 3.2** (the **Escrow Agreement**).

3.3 Payment of Purchase Price

- (e) Five (5) Business Days prior to the Targeted Closing Date,
- (i) the Sellers shall procure that the Company with the consent of all Sellers notifies the Purchaser in writing of (in each case including the underlying calculations in detail)
 - (A) the amount of the Seller 1 Upstream Loan Amount and the account details of the Company's bank account into which the Seller 1 Upstream Loan Amount shall be paid (the **Company Account**);
 - (B) the aggregate amount of the Assumed Change of Control Payments and the aggregate amount of the Non-Assumed Change of Control Payments;
 - (C) the aggregate amount of Wage Taxes relating to (i) the aggregate amount of the Assumed Change of Control Payments and (ii) the aggregate amount of the Non-Assumed Change of Control Payments; and
 - (D) the amount of the Transaction Expenses; and
 - (ii) the Seller 1 shall procure that the Secured Bank notifies the Purchaser in writing of the amount of the Seller 1 Bank Loan Amount and the account details of the bank account into which the Seller 1 Bank Loan Amount shall be paid (the **Secured Bank's Account**);

- (iii) the Sellers shall notify the Purchaser in writing of the lawyer trust account (*Rechtsanwalts-Anderkonto*) of Anwaltskanzlei Lambsdorff Rechtsanwälte PartGmbH (local court (*Amtsgericht*) of Charlottenburg, register number PR 805 B) (the **CoCP Agent**) into which the Assumed Change of Control Payments notified by the Company pursuant to Clause 3.3(a)(i)(B) less the aggregate amount of the related CoCP Wage Taxes shall be paid (the **CoCP Agent Account**).
- (f) The Total Purchase Price shall become due and payable on the Targeted Closing Date. On the Targeted Closing Date the Purchaser shall pay
 - (i) the aggregate amount of the Assumed Change of Control Payments notified by the Company pursuant to Clause 3.3(a)(i)(B) less the aggregate amount of the related CoCP Wage Taxes pursuant to Clause 3.3(b)(iii) to the CoCP Agent Account;
 - (ii) on behalf of the Sellers and in discharge (*in Erfüllung*) of the Sellers' obligations to indemnify and hold harmless the Group Companies in accordance with Clause 11.4(a), the aggregate amount of the Non-Assumed Change of Control Payments notified by the Company pursuant to Clause 3.3(a)(i)(B) less the aggregate amount of the related CoCP Wage Taxes pursuant to Clause 3.3(b)(iii) to the Company Account;
 - (iii) the aggregate amount of CoCP Wage Taxes, with respect to the portion attributable to the Non-Assumed Change of Control Payments on behalf of the Sellers and in discharge (*in Erfüllung*) of the Sellers' obligations to indemnify and hold harmless the Group Companies in accordance with Clause 11.4(a) and with respect to the portion attributable to the Assumed Change of Control Payments on behalf of the Sellers and (a) in discharge (*in Erfüllung*) of the Sellers' obligations to make payments with respect to Wage Taxes on behalf of the respective Beneficiaries to the Company under the respective Amendment, Assumption and Release Agreements respectively (b) as advance payment with respect to potential obligations of the Sellers to indemnify and hold harmless the Group Companies in accordance with Clause 11.4(a), to the Company Account;
 - (iv) on behalf of the Sellers and in discharge (*in Erfüllung*) of the Sellers obligations to indemnify and hold harmless the Group Companies from any costs and expenses incurred as a result of the Transaction in accordance with Clause 11.4(c), the amount of the Transaction Expenses notified by the Company pursuant to Clause 3.3(a)(i)(D) (if any) into the Company Account;
 - (v) an amount of EUR 17,678,776.63 (in words: Euro seventeen million sixhundredseventyeighthousand sevenhundred seventysix and sixtythree Cents) (USD 20,000,000.00 converted at the EUR/USD exchange rate published by the European Central Bank as of one day prior to the Signing Date (8:00 pm) into Euro) (such Euro amount the **Escrow Amount**) into the Escrow Account;

- (vi) the balance between the Total Purchase Price and the items listed in no. (i) through (v) above (such balance the **Initial Shareholder Amount**) to the Sellers as follows:

To Seller 1 and into the Seller 1 Account an amount equal to

the Initial Shareholder Amount

multiplied with 9,929,834

divided by 15,750,000

minus the Seller 1 Upstream Loan Amount notified by the Company pursuant to Clause 3.3(a)(i)(A)

minus the Seller 1 Bank Loan Amount notified by the Secured Bank pursuant to Clause 3.3(a)(ii)

(such amount the **Initial Seller 1 Purchase Price**);

To Seller 2 and into the Seller 2 Account an amount equal to

the Initial Shareholder Amount

multiplied with 4,153,038

divided by 15,750,000

(such amount the **Initial Seller 2 Purchase Price**);

To Seller 3 and into the Seller 3 Account an amount equal to

the Initial Shareholder Amount

multiplied with 1,667,128

divided by 15,750,000

(such amount the **Initial Seller 3 Purchase Price**).

The Initial Seller 1 Purchase Price, the Initial Seller 2 Purchase Price and the Initial Seller 3 Purchase Price are hereinafter referred to, collectively, as the **Initial Purchase Price**.

- (vii) on behalf of Seller 1 and in discharge (*in Erfüllung*) of Seller 1's obligations under the Seller 1 Upstream Loans, the Seller 1 Upstream Loan Amount notified by the Company pursuant to Clause 3.3(a)(i)(A) into the Company Account; and
- (viii) on behalf of Seller 1 and in discharge (*in Erfüllung*) of Seller 1's obligations under the Seller 1 Bank Loan, the Seller 1 Bank Loan Amount notified by the Secured Bank pursuant to Clause 3.3(a)(ii) into the Secured Bank's Account.
- (g) If and to the extent it is ultimately determined that the CoCP Wage Taxes and/or the Non-Assumed Change of Control Payments have been overpaid by the Purchaser into Company, the Purchaser shall procure that the Company (i) informs the Sellers about such overpayment and the respective underlying calculations and (ii) pays out

the overpaid amount to the Sellers (on a pro rata basis) and/or Beneficiaries, as the case may be, each as soon as reasonably practicable.

- (h) The Parties agree that the payments made by the Purchaser in accordance with Clause 3.3(b) shall fully discharge the Purchaser from its obligation to pay the Total Purchase Price and that neither the Purchaser nor any Group Company shall bear any responsibility with respect to the distribution of the Assumed Change of Control Payments to the individual Beneficiaries.

3.4 VAT

It is the Parties' understanding that the sale and transfer of the Shares is either not subject to VAT (*nicht steuerbar*) or is exempt from VAT (*umsatzsteuerfrei*) and the Sellers declare that they will not waive any applicable VAT exemption, in particular pursuant to Section 9 para. 1 UStG. In case a Seller waives any applicable tax exemption (in particular, but not limited to pursuant to Section 9 para. 1 UStG) the applicable amount of VAT will not increase the Total Purchase Price, and the respective Seller will bear the finally assessed German VAT on the pro rata Total Purchase Price for the respective Seller's Shares.

4. RULES FOR PAYMENT

4.1 Modes of Payment

Any payments shall be made by irrevocable wire transfer of immediately available funds, free of bank and other charges. Any such payment shall be deemed made only upon the irrevocable and unconditional crediting of the amount payable (without deduction of any costs or charges) to the relevant bank account.

4.2 Default

Any payments under this Agreement shall, if and to the extent not paid when due, bear interest from (and including) the due date, at a rate of eight hundred (800) basis points above the base interest rate (*Basiszinssatz*) according to Section 247 BGB.

4.3 Sellers' Accounts

All payments owed by the Purchaser to the Sellers under this Agreement shall be paid into the following bank accounts (the **Sellers' Accounts**) (or any other account nominated by the respective Seller to the Purchaser in writing at least three (3) Business Days prior to due date of such payment):

- (n) Payments owed to Seller 1 into the **Seller 1 Account**:

Account Holder:	Global ASIC GmbH
Bank:	Volksbank Dresden
SWIFT:	GENODEF1DRS
IBAN:	DE 43 8509 0000 3245 4210 00

- (o) Payments owed to Seller 2 into the **Seller 2 Account**:

Account Holder: ELBER GmbH
Bank: Donner & Reuschel AG
SWIFT: CH DB DE HH XXX
IBAN: DE 38 2003 0300 0059 9190 01

(p) Payments owed to Seller 3 into the **Seller 3 Account**:

Account Holder: Freistaat Sachsen
Bank: Bundesbank Leipzig
SWIFT: MARKDEF1860
IBAN: DE 17 8600 0000 0086 0015 15

4.4 No Set-Off; No Right of Retention

Any rights of the Parties to set-off and/or to withhold any payments due under this Agreement is hereby expressly waived and excluded except for claims which are undisputed or *res iudicatae* (*rechtskräftig festgestellt*).

4.5 Calculation of Interest

Interest for any amounts due under or in connection with this Agreement shall be calculated on the basis of actual days elapsed and a calendar year with 360 days.

5. CLOSING CONDITION

5.1 Closing Condition

- (i) The obligations of the Sellers and the Purchaser to perform the Closing Actions shall be subject to the satisfaction of the following condition (*Bedingungen*) (the **Closing Condition**):

The Secured Bank has irrevocably released its pledge over the Seller 1 Shares and waived any and all rights under the assignment of the dividend rights attached to the Seller 1 Shares by executing a letter addressed to the Seller 1 and the Purchaser and declared to deliver to the Purchaser on the Closing Date the original of the power of attorney granted to the Secured Bank by Seller 1, subject only to the condition precedent of receipt of the full Seller 1 Bank Loan Amount as set forth in Clause 3.3(b)(viii).

- (j) The Purchaser and the Sellers may, to the extent legally possible, jointly waive the Closing Condition.

5.2 Obligations with respect to Closing Condition

- (q) Seller 1 shall use reasonable best efforts to cause the Closing Condition to be satisfied as soon as possible.

- (r) Seller 1 shall notify the others Sellers and the Purchaser in writing of the satisfaction of the Closing Condition or of the impossibility to satisfy the Closing Condition.
- (s) The Closing Condition is deemed satisfied once it has (i) occurred and such occurrence has been notified in writing by the Seller 1 to the other Sellers and the Purchaser or (ii) has been waived in accordance with Clause 5.1(b) or (iii) the Total Purchase Price has been paid by Purchaser in accordance with the provisions of this Agreement.

5.3 Consequences of Non-Satisfaction of Closing Condition

- (a) In the event that the Closing Condition is not satisfied or waived in accordance with this Agreement, within three (3) months after the Signing Date, the Purchaser may terminate this Agreement (*zurücktreten*) by giving written notice thereof to the Sellers, provided that the right of the Purchaser to terminate this Agreement pursuant to this Clause 5.3(a) shall cease (*verfallen*) upon the Closing Condition being satisfied. For the avoidance of doubt, the right of the Purchaser to seek, instead of exercising the termination right provided for hereunder, specific performance with respect to the satisfaction of the Closing Condition by the Sellers shall remain unaffected.
- (b) In the event of a termination of this Agreement (*Rücktritt*) in accordance with this Clause 5.3, the Parties shall have no claims and liability against each other except that
 - (i) any liability of any Party for damages for breaches of any obligations under this Agreement committed prior to or on the date of termination or for damages for willful breach of any obligations under this Agreement shall remain unaffected;
 - (ii) Clauses 11.4(c), 13, 14, 15 and 16 of this Agreement shall survive and remain in full force and effect also after such termination (*Rücktritt*).

5.4 Purchaser's Additional Termination Rights, Break-Fee

- (c) The Purchaser may terminate this Agreement (*zurücktreten*) with immediate effect by giving written notice thereof to the Sellers prior to or on the Closing Date in the event that between the Signing Date and the Closing Date a Material Adverse Effect occurs.
- (d) In the event that after the Signing Date and before Closing Date (i) any Seller should enter into a legally binding agreement with one or more third parties regarding the sale and/or transfer of any Shares or a merger of the Company into a third party or any other transaction with comparable economic effect or (ii) the Company should enter into a legally binding Agreement with one or more third parties regarding the sale and or transfer of all (or substantially all) assets of the Company or any other transaction with comparable economic effect, the Purchaser may terminate this Agreement (*zurücktreten*) in whole or, at the choice of the Purchaser, in part with immediate effect by giving written notice thereof to the Sellers prior to or on the Closing Date. Each Seller violating the aforementioned obligation shall pay to the Purchaser, within five (5) Business Days after such termination (*Rücktritt*),
 - (i) a break-up fee in the amount of 13% of his respective Pro Rata Share of the Total Purchase Price as a lump-sum compensation (*pauschalierter*

Schadenersatz), which shall be credited against the Purchaser's damage claims pursuant to Section 5.4(b)(ii), if any; and

- (ii) remain liable, regardless of any fault (*verschuldensunabhängig*), to Purchaser for any damages (within the meaning of Sections 249 *et seqq.* BGB) incurred by the Purchaser as a result of the non-occurrence of the Closing.

For the avoidance of doubt, a violation of the aforementioned obligation by a Seller shall in no event constitute a joint liability of the Sellers, but an individual liability only (*Einzelschuldnerschaft*).

6. CLOSING

6.1 Closing Place and Date

The performance of the Closing Actions (the **Closing**) shall take place at the offices of Lambsdorff Rechtsanwälte, Oranienburger Straße 3, 10178 Berlin, Germany, at 11 am CET (i) on December 7, 2015, or (ii) at such other location, time or date as may be agreed between the Sellers and the Purchaser (the **Targeted Closing Date**). The day on which the Closing actually occurs shall hereinafter be referred to as the **Closing Date**.

6.2 Closing Actions

- (c) On the Targeted Closing Date, the Sellers (each to the extent a Closing Action relates to such Seller) and the Purchaser (as the case may be) shall take, or cause to be taken, the following actions concurrently (*Zug um Zug*) and in the following order (collectively the **Closing Actions** and each a **Closing Action**):
 - (i) The Sellers shall deliver to the Purchaser duly executed Amendment, Assumption and Release Agreements to the extent available (reference is made to Clause 11.3(a));
 - (ii) The Seller 1 shall deliver to the Purchaser the duly executed Termination Agreement;
 - (iii) The Sellers shall deliver to the Purchaser duly executed resignation declarations of the members of the supervisory board (*Aufsichtsrat*) of the Company with effect as of the Closing Date;
 - (iv) The Purchaser shall make the payments set forth in Clause 3.3(b);
 - (v) The Sellers shall deliver to the Purchaser the properly endorsed (*indossiert*) Share Certificate;
 - (vi) The Sellers shall deliver a copy of the updated share register of the Company stating that the Purchaser owns all Shares.
- (d) By way of signing a closing protocol in the form to be agreed among the Parties, the Sellers and the Purchaser shall confirm to each other that the Closing Condition has

been fulfilled or waived, the Closing Actions have been performed in accordance with this Agreement and that the Closing has occurred.

6.3 Consequences of Non-Satisfaction of Closing Actions

- (e) In the event that the Closing Actions are not all satisfied or waived in accordance with this Agreement latest on the tenth (10th) Business Day after the Targeted Closing Date,
- (i) the Sellers jointly may terminate this Agreement (*zurücktreten*) with immediate effect by giving written notice thereof to the Purchaser, if the Purchaser does not perform the obligations concerning the Closing Actions under Clause 6.2(a)(iv); and
 - (ii) the Purchaser may terminate this Agreement (*zurücktreten*) with immediate effect by giving written notice thereof to the Sellers, if a Seller does not perform its obligations concerning the Closing Actions under Clauses 6.2(a)(i) through 6.2(a)(iii), 6.2(a)(v), 6.2(a)(vi),

provided that any right of a Party to terminate this Agreement pursuant to this Clause 6.3(a) shall cease (*verfallen*) upon the earlier of (i) the respective Closing Action(s), the non-satisfaction of which entitles the Party to such termination, being satisfied or duly waived, and (ii) the occurrence of the Closing. For the avoidance of doubt, the right of either Party to seek, instead of exercising the termination right provided for hereunder, specific performance with respect to the obligations to be satisfied by the other Party with respect to the relevant Closing Action shall remain unaffected.

- (f) In the event of a termination of this Agreement (Rücktritt) in accordance with this Clause, the provisions of Clause 5.3(b) shall apply *mutatis mutandis*.

7. SELLERS' GUARANTEES

7.1 Sellers' Guarantees

Each Seller as an individual obligor (*Teilschuldner*) in accordance with Clause 16.2 hereby represents and warrants to the Purchaser limited to each Seller's Pro Rata Share in the form of an independent guarantee in accordance with Section 311 BGB (*selbstständiges Garantieverprechen*) that the statements set forth in Clauses 7.2 through 7.19 (the **Sellers' Guarantees**) are true and complete as of the Signing Date, unless any other date is explicitly provided for in this Agreement or the respective disclosure schedule; provided, however, that:

- (e) each of the Sellers' Guarantees set forth in Clauses 7.2 through 7.4 shall also be true and complete immediately prior to the Closing;
- (f) with regard to Clause 7.2 and Clause 7.3(g) each Seller only gives a guarantee in relation to itself, but not in relation to the respective other Sellers (*Einzelschuldner*) (cf. Clause 16.2);
- (g) with regard to Clause 7.4(b) through 7.4(d) each Seller only gives a guarantee in relation to the Shares held by such Seller itself (i.e. the Seller 1 only with respect to the Seller 1 Shares, the Seller 2 only with respect to the Seller 2

Shares and the Seller 3 only with respect to the Seller 3 Shares) (*Einzelschuldner*) (cf. Clause 16.2);

- (h) the Sellers' Guarantee under Clause 7.5 is only given by Seller 1 and Seller 2; Seller 1 is liable on a pro rata share of 70.51 % and Seller 2 is liable on a pro rata share of 29.49 % (*Teilschuldnerschaft*);
- (i) any requirements and limitations set out in this Agreement and any provisions of this Agreement relating to the consequences of a breach of a Sellers' Guarantee, including the provisions and limitations set forth in Clauses 8.1 through 8.10, constitute an integral part of the Sellers' Guarantees (*Inhalt des Schuldverhältnisses/Bestandteil der Garantieerklärung*) and they are solely provided on the basis of these requirements, limitations, and provisions; and
- (j) the Parties agree that no Sellers' Guarantee shall be construed as a guarantee (*Garantieerklärung*) within the meaning of Sections 443 or 444 BGB and that the circumstances set out below are not quality features (*Beschaffenheitsmerkmale*) within the meaning of Section 443 para. 1 BGB. Therefore, should one or more of the statements set out below be incorrect, the remedies set forth in Clause 8 shall apply exclusively.

7.2 Capacity and Authorisation of the respective Seller

- (g) The respective Seller is duly organised and validly existing under the laws of Germany and has all requisite legal power to sell and transfer its respective Shares.
- (h) There is no lawsuit or official proceeding pending (*rechtshängig*) or, to the actual knowledge of the respective Seller, threatened in writing against the respective Seller before any court, arbitrator or governmental authority or other regulatory body which in any manner challenges or seeks to prevent, alter or materially delay the Transaction.
- (i) The statements made in Clause 7.3(f) with respect to the Company and the Subsidiaries apply *mutatis mutandis* to each Seller.

7.3 Legal Organisation of the Company and the Subsidiaries

- (a) The statements in the Background under lit. (A) regarding the Company are complete and correct. The Company has been duly incorporated and is validly existing under the laws of Germany.
- (b) **Schedule 7.3(b)** contains true and complete copies of the current articles of association as well as all shareholder, joint venture, consortium agreements or similar agreements, respectively, of, or with respect to, the Company or any of the Subsidiaries (the documents required to be disclosed in **Schedule 7.3(b)** the **Corporate Documents**). The Corporate Documents have not been amended by shareholder resolutions or otherwise and no side agreements thereto exist. There are no pending applications for registration (and no resolutions or other actions requiring such registration) in the commercial

register or with any other competent authority in respect of the Company or any of the Subsidiaries that have not yet been registered.

- (c) The statements in the Background under lit. (D) regarding the Subsidiaries are complete and correct. The Subsidiaries have the legal forms indicated in Schedule (D) and are validly existing under the laws of their jurisdiction of incorporation.
- (d) At Closing and other than under the Incentive Agreements which have not been assumed by the Sellers at Closing pursuant to Amendment, Assumption and Release Agreements, no parties other than the Purchaser holds direct or indirect participations or interests of whatever kind in (or options, warrants or other convertible securities with respect to) the Company or any Subsidiary, and there are no claims of third parties with respect to such participations or interests. The Company or any Subsidiary are not a party to any agreement that grants any third party (including any of the Sellers) any rights similar to shareholder rights or with respect to the profits (or a portion thereof), including enterprise agreements (*Unternehmensverträge*) within the meaning of Sections 291 et seq. of the German Stock Corporation Act (AktG), silent partnership agreements (*stille Beteiligungsverträge*), loans with profit participation (*partiarische Darlehen*), participation rights (*Genussrechte*) or any other rights which grant a participation in the profits or liquidation proceeds (*Liquidationserlös*) of the Company and similar agreements except for those within the scope of Clause 7.14(a).
- (e) The Company does not hold directly or indirectly any interest or sub-participation in any business, company, partnership or other entity other than in the Subsidiaries except for those disclosed in **Schedule 7.17(a)**.
- (f) No insolvency or similar proceedings have been opened (*eröffnet durch das zuständige Gericht*) and to the Sellers' Knowledge no application for the commencement of insolvency, reorganization, liquidation or similar proceedings (whether mandatory or voluntary) over the assets of the Company or any Subsidiary has been filed. Such filing is not required, nor are such proceedings pending or have been rejected on account of a lack of assets. The Company or any of the Subsidiaries did not enter into any moratorium agreement or similar agreement with its creditors. Neither the Company nor any of the Subsidiaries has stopped or suspended payment of its debts (*Zahlungen eingestellt*) or become unable to pay its debts (*zahlungsunfähig*) or has become insolvent (*überschuldet*) in Germany or in any other jurisdiction and no financial over-indebtedness (*rechnerische Überschuldung*) exists on a going concern basis. No assets of the Company or any Subsidiary have been seized or confiscated by or on behalf of any third party nor are any foreclosure, forfeiture, execution or enforcement proceedings pending with respect to the Company, a Subsidiary or its assets. To the Sellers' Knowledge there are no facts or events which may reasonably be expected to result in any proceedings, events or circumstances as referred to in this Clause.

- (g) As of the Closing Date neither any Seller (as an individual obligor (*Einzelschuldner*)) nor any Related Party holds any claims against the Company or a Subsidiary resulting from loan or other credit facilities.

7.4 Ownership of the respective Shares and Capital Structure

- (a) The Shares constitute the entire issued share capital of the Company.
- (b) As of the Closing, the respective Seller is the sole owner of the respective Shares allocated to it pursuant to the table under Background lit. (B) (i.e. Seller 1 with respect to the Seller 1 Shares, Seller 2 with respect to the Seller 2 Shares and Seller 3 with respect to the Seller 3 Shares). The respective Shares are duly authorized, validly issued and the contributions thereon (*Einlagen*) are fully paid up. There are no obligations to make further contributions (*keine Nachschusspflichten*) on the Shares. All non-cash contributions (if any) have been made at values not exceeding the fair market value of such contribution.
- (c) With the performance of the Closing Actions the respective Seller's Shares will not be pledged (*verpfändet*), attached (*gepfändet*) or otherwise encumbered (*belastet*) with any rights of third parties, and there are no pre-emptive rights, rights of first refusal, convertible, options (other than under the Incentive Agreements which have not been assumed by the Sellers at Closing pursuant to Amendment, Assumption and Release Agreements), or other rights of any third party to purchase, acquire or receive the respective Seller's Shares or additional shares (in particular with respect to the authorised capital).
- (d) No Seller is bound by any agreement, including voting trust agreements (*Stimmbindungsverträge*) or sub-participation agreements (*Unterbeteiligungsverträge*), or any restriction or obligation relating to the exercise of any rights under the Shares.

7.5 No Leakage

- (a) Since the Effective Date through the Signing Date, no Leakage, other than Permitted Pre-Signing Leakage has occurred with respect to a Group Company. For purposes of this Agreement **Leakage** means
- (iii) the payment, resolution or declaration of any dividend or similar distributions by a Group Company or any form of hidden profit distribution by a Group Company to any Seller, Related Party or third party, including any withdrawals (*Entnahmen*);
 - (iv) a reduction of the share capital or a redemption of the shares of a Group Company;
 - (v) any transaction with or for the benefit of, or payment to or for the benefit of, any Related Party (including the grant of loans);
 - (vi) any assumption or fulfillment by a Group Company of liabilities of any Related Party;

- (vii) any waiver by a Group Company of a claim against any Related Party;
 - (viii) the payment of any expenses in connection with the transactions contemplated by this Agreement for the benefit of any Related Party (except for the Transaction Expenses);
 - (ix) any commitments for any of the items under (i) through (vi); and / or
 - (x) any Tax becoming payable by any Group Company as a consequence of any of the matters referred to in lit. (i) through (vii) above and that would not have been payable if the respective matter had not occurred.
- (b) For the avoidance of doubt, any payments to or transactions for the benefit of Seller 3 acting not in its function as shareholder but as governmental authority and/or state, including but not limited to payments and transactions under public law, shall not be treated as Leakage.
- (c) For purposes of this Agreement **Permitted Pre-Signing Leakage** shall mean
- (i) any transactions required of the Company or foreseen by this Agreement;
 - (ii) the distribution to the Sellers of the Company's 2014 profits in the amount of EUR 1,300,000; for the avoidance of doubt, such amount shall be a gross amount including any applicable withholding taxes to be withheld by the Company;
 - (iii) any payment of Transaction Expenses;
 - (iv) any payments, transaction and any agreement by the Group Companies within the ordinary course of business and at arm's length (but not including any such payments, transaction and any agreement with Related Parties; except with Related Parties of Seller 3, if and to the extent made within the ordinary course of business and at arm's length); and

in each case by or for the account of any Group Company.

7.6 Accounts

- (a) The Company has delivered to the Purchaser true and complete copies of the audited individual financial statements of the Company and the audited consolidated financial statements of the Group Companies (to the extent included and consolidated) for the fiscal year ending on December 31, 2014 (consisting of a balance sheet, a profit and loss statement, the attachment (*Anhang*) as well as the management report (*Lagebericht*)) (collectively, the **Accounts**), which are included as **Schedule 7.6(a)**. The Accounts have been (i) prepared in accordance with HGB (individual financial statements) and IFRS (consolidated financial statements) consistent with past accounting practices of the Company, (ii) audited by the auditor, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft pursuant to Section 317 HGB in accordance with the German principles on proper auditing established by the German Institute of Public Auditors (*Deutsches Institut der Wirtschaftsprüfer – IDW*), and (iii) issued with an unqualified auditor's opinion (*uneingeschränkter*

Bestätigungsvermerk). The Accounts comply with the statutory requirements (*entsprechen den gesetzlichen Vorschriften*) and present a true and fair view of the assets and liabilities (*Vermögenslage*), financial position (*Finanzlage*) and earnings positions (*Ertragslage*) of the Company and the Subsidiaries (to the extent included and consolidated) pursuant to Section 264 para. 2 HGB (*ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage*) as of December 31, 2014. To the Sellers' Knowledge there are, as of the Signing Date, no facts that were already in existence at the time when the Accounts were prepared which would require a change of the Accounts if such facts had been known to the same extent at the time when the Accounts were prepared (*wertauffhellende Tatsachen*).

- (b) All books and records (including, without limitation, accounting and tax records) of the Company and the Subsidiaries have in all material respects been kept in accordance with applicable law and accurately reflect all material transactions that are required to be reflected therein pursuant to any applicable law and accounting principles. Such books and records are in the unrestricted possession of the Company respectively the relevant Subsidiary.
- (c) To the Sellers' Knowledge, the Company and any Subsidiary has no liability (whether known or unknown, absolute or contingent), other than (i) liabilities reflected in the Accounts (including, for the avoidance of doubt, any liabilities reserved against in the Accounts), (ii) liabilities that are required to be disclosed in this Agreement under any other provision hereof and that are so disclosed.

7.7 Absence of Certain Changes

Since the Effective Date, the Company and each Subsidiary has conducted its business only in the ordinary course consistent with past practice and as a going concern and with the care of a prudent business man. In particular:

- (a) neither the Company nor any Subsidiary has made or entered into any contract or letter of intent with respect to any acquisition, sale or transfer of any asset of the Company or any Subsidiary (other than the sale or license of Company Products to its customers in the ordinary course of business consistent with past practices), and neither the Company nor any Subsidiary has made or entered into any contract or letter of intent to acquire, sell or transfer any asset having an individual value in excess of EUR 250,000 or assets having an aggregate value in excess of EUR 500,000;
- (b) neither the Company nor any Subsidiary has made any borrowings or incurred any other financial indebtedness in excess of EUR 500,000;
- (c) neither the Company nor any Subsidiary has made any payment to third parties, whether through the grant of loans or otherwise, that has been made outside the ordinary course of business consistent with past practice;
- (d) neither the Company nor any Subsidiary has delayed or otherwise deferred payments to its suppliers for goods and services purchased in deviation of past practice;

- (e) neither the Company nor any Subsidiary has delayed or otherwise deferred any capital expenditures in deviation of past practice;
- (f) neither the Company nor any Subsidiary has increased or committed to increase the remuneration of any of its directors and officers (*Mitglieder des Vorstands / Geschäftsführer*) or employees outside the ordinary course of business or in excess of an amount of 5% of the respective gross salary and no other employment terms of any (including by any change in any severance agreement) of its directors and officers (*Mitglieder des Vorstands / Geschäftsführer*) or employees of the Company or any Subsidiary have been varied (either by way of amendment or the exercise of any discretion) in connection with or with a view to this Agreement or the transactions contemplated hereby or otherwise outside of the ordinary course of business, or not consistent with past practice;
- (g) neither the Company nor any Subsidiary have suffered any property damage, destruction or other casualty loss (whether or not covered by insurance) exceeding EUR 100,000 (individually or in the aggregate); and
- (h) there has been no material change in how the Company has maintained and prosecuted any Company Registered IP Rights.

The Company's capital expenditure and working capital have been maintained on a normal level, consistent with the requirements of the business and no events have occurred or been revealed which have constituted, or may reasonably be expected to have constituted, individually or in the aggregate, a Material Adverse Effect.

7.8 Related Party Agreements

- (a) Except for the existing employment agreement of Mr. Thilo von Selchow with the Company dated 13 July 2010, to be replaced by the employment agreement dated 26/27 May 2015, and the existing employment agreement of Mr. Thilo von Selchow with ZMD America, Inc. dated 13 July 2010, to be replaced by the employment agreement dated 26/27 May 2015, **Schedule (E)** contains a true and complete list of all written and non-written agreements, arrangements and other legal relationships (i) between a Group Company and a Related Party, and/or (ii) to which a Group Company is a party and which are for the benefit of a Related Party (as third party beneficiary or otherwise), and/or (iii) to which any Related Party is a party and which are for the benefit of a Group Company (as third party beneficiary or otherwise) (the agreements, arrangements and legal relationships required to be disclosed under (i) through (iii) the **Related Party Agreements**).
- (b) True and complete copies of all written Related Party Agreements have been delivered to the Purchaser prior to the Signing Date and there are no non-written Related Party Agreements.

7.9 Litigation

There are no law suits, court actions, civil, criminal or administrative action, suit, investigation or other legal proceedings before a court, arbitration panel or

administrative authority, in each individual case pending (*rechtshängig*), or threatened in writing against the Company or any Subsidiary involving an amount in dispute (*Streitwert*) exceeding EUR 100,000 except as disclosed in **Schedule 7.9** and to the Sellers' Knowledge, there are no facts which are likely to result in such proceedings.

7.10 Compliance and Subsidies

- (a) Except where the incorrectness of the following statement would not be reasonably expected to result in aggregate losses in excess of EUR 50,000 the Company and each Subsidiary hold all public and other consents, licenses, authorizations and permits required for its business as currently conducted (the **Permits**). The Permits are valid and have not been cancelled, revoked or restricted in any manner as of the Closing Date and, to the Sellers' Knowledge, there are no circumstances that may reasonably be expected to result in a cancellation, revocation or restriction of any Permit.
- (b) The business of the Company and each Subsidiary has been conducted in compliance in all material respects with all applicable laws, regulations, directives, binding guidelines or rules or orders of Governmental Authority, applicable in any jurisdiction and relating to any matter whatsoever and all Permits. The Company or any Subsidiary has in the last three years preceding the Signing Date not received a notice from any Governmental Authority of a violation of any applicable laws which has not been complied with.
- (c) Neither the Company nor any Subsidiary has applied for, been granted, received or used any public grants or subsidies during a period of five years prior to the Signing Date other as set forth in **Schedule 7.10(c)** or has in the last five years preceding the Signing Date received a notice concerning or otherwise learned about a (potential) violation of any terms or conditions of the public grants and subsidies.

7.11 Real Estate

- (a) **Schedule 7.11(a)** exclusively contains a list of all real estate leased by the Company and/or any Subsidiary (collectively, the **Real Estate**), listing all rent security deposits (*Mietsicherheiten*), name of the landlords, rental areas (*Mietflächen*), terms (*Laufzeiten*), extension options, amount of monthly net rent payments and rent reviews (*Mietanpassungen*). Either the Company or any Subsidiary, as applicable, has in the last 12 months prior to the Signing Date paid the rent and observed and performed all material covenants on the part of the tenant and the material conditions contained in the lease agreements related to any Real Estate leased by any such person. On the Signing Date there are no outstanding rent payments, service charges, rights of retention (*Zurückbehaltungsrechte*) or rights to set off (*Aufrechnungen*) regarding the Real Estate. As of the Signing Date the lease agreements regarding the Real Estate are neither subject to any notice of termination (written or otherwise) nor has such termination been threatened and to the Sellers' Knowledge there are no reasons which would justify a termination. The Real Estate leased by the Company and/or a Subsidiary is in a condition in accordance with the respective lease agreements and is suited for the Company and/or any Subsidiary to carry out their business. To the Sellers'

Knowledge, the Real Estate does not have any material defects which may adversely affect the business of the Company or any Subsidiary in the future.

- (b) Neither the Company, nor any of its Subsidiaries holds any real property on the basis of freehold ownership (*Eigentum*) or other ownership rights *in rem* (*dingliche Rechte*) such as hereditary building rights (*Erbbaurechte*) or separate or condominium ownership (*Teil- oder Wohnungseigentum*) and neither the Company, nor any of its Subsidiaries is beneficiary to any rights *in rem* in relation to real property whether registered or not and neither the Company, nor any of its Subsidiaries have committed to acquire real property or have, to the Sellers' Knowledge, incurred any environmental liability, including any obligation to remove, clear, or correct any environmental pollution, contamination or other environmental damage, or to compensate or pay fines for environmental pollution, contamination or other environmental damage.

7.12 Intellectual Property

- (a) **IP Rights** includes (i) intellectual property rights (including patents, utility models, registered and unregistered trademarks, business designations, copyrights, designs), (ii) applications for registration, and rights to apply for registration, of any of the foregoing rights and (iii) similar rights of protection (including software, data base rights, domain names, rights to inventions, trade secrets, know-how, manufacturing processes and techniques, formulae, research and development information and technology) existing anywhere in the world.

Company IP Rights are all IP Rights that are used in the course of the business of the Company or the Subsidiaries, including but not limited to employee inventions (*Arbeitnehmererfindungen*) and employee copyright exploitation rights (*urheberrechtliche Nutzungsrechte von Arbeitnehmern*) and semiconductor property rights (*Halbleiterschutzrechte*), as conducted on the Signing Date and the Closing Date, and all patents related to or derived in the course of the following funded projects:

- (i) State of Saxony - Digital Power Mgt IC (€1,767,462), Expected Completion: Jul 30, 2011;
- (ii) State of Saxony - Intelligent Battery Sensor (€1,473,718), Expected Completion: Jan 31, 2012;
- (iii) State of Saxony - High-Res Low-Power DAC (€1,049,726), Expected Completion: Apr 30, 2013;
- (iv) State of Saxony - Analog Topology Library -ILIAS (€765,734), Expected Completion: Jul 31, 2013;
- (v) State of Saxony - Environmental Sensors (€970,465) Expected Completion: Oct 31, 2014;

- (vi) German Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung) - Continuous diagnosis capability in semi-conductor elements and superior systems for the analysis of permanent and sporadic electronic failures in the complete system automotive (Durchgängige Diagnosefähigkeit in Halbleiterbauelementen und übergeordneten Systemen zur ANalyse von permanenten und sporadischen Elektronikausfällen im GESamtsystem Automobil) (DIANA)
- (vii) German Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung) - technologies for energy efficient computing platforms (Technologien für Energieeffiziente Computing-Plattformen – CoolEnergy –)
- (viii) German Federal Ministry for Economics and Technology (Bundesministerium für Wirtschaft und Technologie) - Adaptive Sense – Adaptive controlling of decentral information and control technology systems (Adaptive Sense – Adaptive Steuerung verteilter IKT-Systeme)
- (ix) German Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung) - cable-less sensors for structure monitoring (Kabellose Sensoren für die Strukturüberwachung) (CoolSensornet) Project part (Teilvorhaben): cable-less low-power sensor-RF-ICs for integration in energy self-sufficient applications (Kabellose low-power Sensor-RF-ICs zur Integration in energieautarken Anwendungen)
- (x) German Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung) - OptiNum-Grid – optimization of technical systems and scientific methods by means of numerical simulations in the grid (OptiNum-Grid: Optimierung technischer Systeme und naturwissenschaftlicher Modelle mit Hilfe numerischer Simulationen im Grid)
- (xi) German Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung) - synthesis supported design of analogue circuits (Syntheseunterstützter Entwurf analoger Schaltungen (SYENA)
- (xii) German Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung) - Design of electronic automotive systems from tolerance affected assemblies (Entwurf von elektronischen Automobil-Systemen aus toleranzbehafteten Baugruppen)
- (xiii) German Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung) - Continual measuring and analysis system for vital parameters – KONMEVIT (Kontinuierliches Mess- und Auswertesystem für Vitalparameter - KONMEVIT)
- (xiv) German Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung) - fast-realtime; TP9: Standard-Low-Noise-Sensor-Interface and design of a communication network for low-latent transmission technology with high signal technological security (fast-realtime; TP9: Standard-Low-Noise-Sensor-Interface sowie Entwurf eines

Kommunikationsnetzwerks für niedriglatente Funktechnologie mit hoher signaltechnischer Sicherheit)

- (b) All Company IP Rights are either legally and beneficially owned by the Company or a Subsidiary or lawfully used with the consent of the owner under a licence. To the extent that the Company or any Subsidiary was or is obliged to pay any remuneration for the assignment of any IP Rights or the grants of any rights of use in such IP Rights such payments have been duly effected and no payment obligations are currently outstanding.
- (c) **Schedule 7.12(c)** lists all Company IP Rights owned (fully or partially) by the Company or a Subsidiary which are registered or the subject of application for registration, including the relevant jurisdiction (the **Company Registered IP Rights**). All maintenance, renewal and other fees which are due and steps which are required for the maintenance and protection of the Company Registered IP Rights have been paid and taken.
- (d) **Schedule 7.12(d)** lists all contracts granting licenses for the lawful use by the Company and its Subsidiaries of Company IP Rights (except for off-the-shelf software) owned by a third party, which Company IP Rights are incorporated into or used for the Company's or its Subsidiaries' products or services. There is no material breach of any such Contract by the Company or any Subsidiary and none of these Contracts has been terminated nor are there, to the Sellers' Knowledge, any circumstances which would make any such breach or termination reasonably likely in the future, in particular, the consummation of the transactions contemplated under this Agreement will not constitute a breach, give either party a right of termination, modify the scope of license, result in additional payments or consideration, or otherwise materially alter the terms of such Contract.
- (e) All Company IP Rights are legally free and clear from encumbrances (*Belastungen*) (excluding restrictions contained in the applicable license agreements for Company IP Rights licensed from third parties) and there are no circumstances, in particular not the consummation of the transactions contemplated under this Agreement, which are likely to result in any encumbrance. To the Sellers' Knowledge, none of the Company IP Rights has been challenged, infringed or misused by any third party.
- (f) Neither the Company nor or a Subsidiary have received any written notice of any infringement by the Company or a Subsidiary of any third party IP Rights, and neither the Company nor a Subsidiary are involved in any ongoing infringement proceedings relating to IP Rights, and, to the Sellers' Knowledge, there are no circumstances which would constitute an infringement by the Company or a Subsidiary of any third party IP Rights, be it by the Company's or its Subsidiaries' products or services or by the Company's or a Subsidiary's acts or behaviour.
- (g) **Schedule 7.12(g)** lists all licences and sub-licenses which have been granted by the Company or a Subsidiary for the Company IP Rights, including whether such licenses are exclusive or sub-licensable. There is no breach of such

licences by the Company or a Subsidiary or, to the Sellers' Knowledge, by a third party.

- (h) **Schedule 7.12(h)** lists all software or other material that is distributed as "free software", "open source software" or under similar licensing or distribution terms (including the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL) and the Apache License) (the **Open Source Materials**) necessary to continue the business of the Company or any Subsidiary as currently conducted. Neither the Company nor any Subsidiary has used Open Source Materials in a manner that creates any material encumbrance (*Belastung*) or material restriction on the Company's use of other Company-Owned IP Rights, including any obligation to disclose material parts of Company software in source code form or make material parts of Company software available at no charge.
- (i) The Company IP Rights owned by any of the Group Companies are not subject to judgments, orders or decrees or any pending proceedings for opposition, cancellation, revocation or rectification.
- (j) To the Sellers' Knowledge, neither any of the Sellers nor the Company or a Subsidiary have disclosed any Company software source code (customary source code escrow agreements are excepted) or confidential manufacturing specifications or designs to a third party. The Company and its Subsidiaries have no obligations to do so (except for obligations under customary source code escrow agreements).
- (k) Each Group Company has taken appropriate measures to protect its know-how (including through confidentiality obligations in the employment agreements). To the Sellers' Knowledge no know-how and Company IP Rights (where the value of such Company IP Right is contingent upon maintaining the confidentiality thereof) relating to and of importance for the business of any of the Group Companies has been disclosed or permitted to be disclosed to any third party (except in the ordinary course of business under a binding confidentiality agreement), and to the Sellers' Knowledge no Group Company has undertaken to disclose to any third party any such know-how or such Company IP Right. No such confidentiality agreement has been breached to the Sellers' Knowledge by the other party thereto.

7.13 Information Technology

To the Sellers' Knowledge any computer hardware, software, firmware, networks and other information technology used to carry on any of the business operations of the Company and of the Subsidiaries (the **Information Technology**) is either owned or validly leased or licensed to the respective Company or Subsidiary for a period of at least twelve (12) months starting on the Signing Date. To the Sellers' Knowledge, in the last twelve (12) months prior to the Signing Date there have been no interruptions, outages or data loss in the respective business of the Company and of the Subsidiaries which have had not only an insignificant adverse effect on such business, and to the

Seller's Knowledge there are no defects in the Information Technology which are likely to have such effect.

7.14 Employee Matters

- (a) **Schedule 7.14(a)** sets forth a true, correct, complete and anonymous list of all employees, (*Arbeitnehmer*) freelancers and consultants employed as well as members of the management board (*Vorstand / Geschäftsführung*) and employees that are subject to special protection against dismissal such as employees on parental leave, handicapped employees *etc.* of the Company and each Subsidiary. Such list correctly states for each employee and member of a management board (as applicable) the department, function/position, date of birth, start of employment, fixed monthly gross salary and other material entitlement, unless and to the extent it is legally prohibited to disclose such data under applicable mandatory data protection law. As of Signing Date, unless otherwise disclosed in **Schedule 7.14(a)**, no notice of termination of the employment of any employee has been given nor does any Group Company or, to Sellers' Knowledge, any employee intend to terminate such employment. Neither any Group Company nor, to Sellers' Knowledge, any employee is in material breach of the terms of employment.
- (b) **Schedule 7.14(b)** sets forth a correct and complete list of all agreements with unions, workers councils, other employee representatives or standard practices (*betriebliche Übung*) (including, without limitation, collective bargaining agreements (*Tarifverträge*), shop agreements (*Betriebsvereinbarungen*), social plans (*Sozialpläne*), conciliations of interests (*Interessenausgleich*)) and similar collective agreements by which any Group Company is bound. All these agreements have been duly disclosed to the Purchaser.
- (c) Except as set forth in **Schedule 7.14(c)** as of the Signing Date, no pension commitments (whether vested or non-vested) or schemes of any kind (including retirement and early-retirement payments, disablement pensions, pensions for surviving dependents to any current or former directors, officers or employees) exist for former or existing directors, officers or employees of any Group Company or their respective dependents (the **Pension Schemes**). All Pension Schemes comply with applicable law in all material respects and have in all material respects been operated in accordance with their terms, and all contributions and other payments due under the Pension Schemes have been timely paid.
- (d) At the Closing Date, with the exception of the Incentive Agreements existing on the Signing Date, no profit sharing schemes (including share options, phantom stocks, profit participating schemes or similar schemes of any kind) or loans granted exist for former or existing directors, officers or employees of any of the Group Companies. True and complete copies of the Incentive Agreement are available at the Company as of the Closing Date.
- (e) At the latest as from the completion of the transfer of the Shares to the Purchaser no Group Company has granted or promised to any director, officer or employee of the Group Companies any payment or benefit which will

become payable or arise as a result of the Transactions. No employment terms of any employee of any of the Group Companies have been varied (either by way of amendment or the exercise of any discretion) in connection with or with a view to the Transactions otherwise outside of the ordinary course of business, consistent with past practice.

- (f) Unless otherwise provided in Clause 7.9 there is at the Signing Date, and since at least January 1, 2013 has been, no court proceeding with any labor union, works council or other collective employee representative body.

7.15 Insurance and Insurance Reporting Requirements

The Company and the Subsidiaries have taken out for their own benefit policies of insurance as set forth in **Schedule 7.15**, which contains a true and complete list of all insurance policies relating to the assets, business or operations of the Group Companies, indicating the contract parties, the insured risk, the insurance coverage and whether or not the insurance policy will terminate or may be terminated by the insurer as a result of the Transactions. Each of the Group Companies has all insurance coverage in place that is required under any contracts to which a Group Company is a party. True and complete copies of the insurance policies required to be listed in **Schedule 7.15** have been made available to Purchaser prior to the Signing Date. All insurance policies required to be listed in **Schedule 7.15** are in full force and effect. All insurance premiums due thereon have been paid in full when due and, to the Sellers' Knowledge, each of the Group Companies is in compliance with all terms and conditions of such insurance policies. No notice of cancellation or termination of any insurance policy has been received by any Group Company or to the Sellers' Knowledge issued. With the exception of the cases listed in **Schedule 7.15** since 1 January 2013 there has been no insurance claim (*Versicherungsfall*) made by any of the Group Companies. There are (or were during such period) no claims by any Group Company pending under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies. No Group Company has received any written notice from any insurer that the insurance premiums under any policy will be substantially increased (other than normal increases in the ordinary course) or the insurance coverage be materially modified.

7.16 Finders' Fees

No Group Company has any obligation or liability to pay any fees or commissions to any broker, finder or agent with respect to this Agreement and the consummation of Transactions.

7.17 Material Contracts

- (a) Except for the contracts specifically identified in **Schedule 7.17(a)**, neither the Company nor any Subsidiary is a party to or bound by any of the following written contracts, other than contracts which have already been fully performed (*vollständig erfüllt*) in relation to the main obligations (*Hauptleistungspflichten*) by all parties thereto (each, a **Material Contract**):
 - (i) agreements relating to the acquisition or sale of interests in other companies, businesses or real estate;

- (ii) any distributor, original equipment manufacturer, reseller, sales, advertising, agency or manufacturer's representative contract involving in the case of any such contract a minimum annual payment obligation of the Company or any Subsidiary in excess of EUR 100,000;
- (iii) agreements that require shareholder or supervisory board approval under applicable law or the rules of procedure of any Group Company;
- (iv) any contract for the purchase, sale or license of materials, supplies, equipment, services, software, IP Rights or other assets involving in the case of any such contract a consideration of more than EUR 100,000 over the life of the contract;
- (v) any mortgage, promissory note, factoring agreement, loan agreement or other contract for the borrowing of money, any currency exchange, commodities or other hedging arrangement or any leasing transaction of the type required to be capitalized in accordance with IFRS and all other agreements for the incurrence of any long term or short term financial indebtedness and obligations (and incurrence of any obligation to that effect);
- (vi) rental- or lease agreements relating to fixed or current assets and real property and any contract pursuant to which the Company or any Subsidiary is a lessor or lessee of any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property involving in the case of any such contract a minimum annual payment obligation or claim of the respective Group Company in excess of EUR 100,000;
- (vii) agreements providing for the purchase or sale of fixed assets with a value of EUR 100,000 or more;
- (viii) any guarantees, suretyships (*Bürgschaften*), letters of comfort (*Patronatserklärungen*), indemnification obligations (*Freistellungsverpflichtungen*), assumption of debt (*Schuldübernahme*), or any similar commitment with respect to, the liabilities or indebtedness of another Group Company or any third party;
- (ix) (A) any joint venture contract, partnership- or shareholder agreement, (B) any contract that involves a sharing of revenues, profits, cash flows, expenses or losses with another Group Company or any third party or (C) any contract that involves the payment of royalties to another Group Company or any third party in excess of EUR 100,000 per annum;
- (x) agreements that limit or purport to limit the freedom of any Group Company to compete in any line of business, with any third party, in any geographic area or during any period of time;
- (xi) agreements which provide for any of the following in connection with any change of control of any Group Company: (a) any consent requirement, (b) the termination or modification of the agreement or a right of the other party to terminate, modify or renegotiate the agreement, (c) any option or similar

right of the other party or (d) any other disadvantage for any Group Company, including any acceleration of any payment to, or right of, any third party;

- (xii) any in-license agreement or out-license agreements with third parties;
 - (xiii) agreements with sales representatives (*Handelsvertreter*), distributors (*Eigenhändler*), commission agents (*Kommissionäre*) and other sales representatives or consultancy agreements;
 - (xiv) agreements or commitments not made in the ordinary course of business; and
 - (xv) any other agreements providing for a minimum annual payment obligation or claim of the respective Group Company in excess of EUR 100,000.
- (b) True and complete copies of all Material Contracts have been delivered to the Purchaser prior to the Signing Date. All Material Contracts are in full force and effect (and to the Sellers' Knowledge comply with applicable law and regulation and all conditions precedent provided for their effectiveness have been satisfied). No notice of termination has been received by any Group Company with respect to any Material Contract, and, except as disclosed in **Schedule 7.17(a)**, none of the other parties to any Material Agreement has indicated to a Seller or any Group Company that it intends to terminate a Material Contract or terminate or reduce its business dealings with any Group Company. Neither any Group Company nor, to Sellers' Knowledge, any other party to any Material Contract is in default or breach under any such agreement. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will constitute a breach or default under, or result in the termination or modification of, any Material Contract.

7.18 Assets

- (a) Each Group Company is the beneficial owner of all (fixed and current) assets which are reflected in the Accounts (except for assets which have been disposed of in the ordinary course of business since the relevant balance sheet date). Except (i) for customary retentions of title and (ii) as set forth in **Schedule 7.18(a)** such assets are free and clear of any liens, encumbrances or rights of third parties.
- (b) Except for customary retentions of title, the Group Companies have good title to, or valid leasehold interests or licenses in, and have fully available, all assets (whether real, personal, tangible or intangible) required by them in order to carry on their businesses as currently conducted.
- (c) All trade accounts receivable of the Group Companies reflected in the Accounts have arisen from sales or services made in the ordinary course of business, consistent with past practice.

7.19 Disclosure

No document or other information provided by the Sellers or any Group Company to the Purchaser (in the Electronic Data Room or otherwise) is misleading and no

document or other information has been omitted to be provided in the Electronic Data Room which a prudent businessman could have reasonably expected to be provided in view of the Transaction.

7.20 Due Inquiry

The Purchaser acknowledges that the Seller 2 and Seller 3 have not independently examined or verified the underlying facts, matters, circumstances or statements made in such Sellers' Guarantees, except to the extent they relate to such respective Seller, and that nothing in this Agreement shall imply a duty of Seller 2 and Seller 3 to make specific or other inquiries or searches of whatever nature, and that the lack of such examinations or verifications of Seller 2 and Seller 3 shall, as such, in no event be regarded as acting in a fraudulent manner (*keine Arglist aufgrund Angaben ins Blaue hinein aufgrund unterbliebener Untersuchungen oder Überprüfungen der Verkäufer*).

8. REMEDIES AND LIMITATIONS OF LIABILITY

8.1 Exhaustive Provisions

Except for mandatory law requiring otherwise, in particular Sections 123 and 276 para. 3 BGB, and except as otherwise expressly provided in this Agreement: (a) the provisions set forth in this Clause 8 shall apply instead and to the exclusion of any and all remedies that would otherwise be available to the Purchaser under statutory law in the event of any breach of the Sellers' Guarantees or, if explicitly referred thereto, any breach or non-fulfilment of any other obligation, covenant or undertaking of the Sellers arising from or relating to this Agreement; and (b) any further liability of the Sellers, their Affiliates and their representatives, employees, directors, agents, officers or advisers and any differing or further rights or claims of the Purchaser other than explicitly provided for in this Agreement, irrespective of their nature or legal basis, are hereby expressly excluded and waived, including any right to rescind (*anfechten*) or to withdraw (*zurücktreten*) from this Agreement or to require on whatever legal basis the winding up of the Transactions (*Rückabwicklung des Vertrages gleich auf welcher Rechtsgrundlage, z.B. aufgrund großen Schadensersatzes/Schadensersatzes statt der Leistung*), to claim remediation (*Nacherfüllung*), to reduce (*mindern*) the Purchase Price payable under this Agreement and/or to claim damages (*Schadensersatz*) or reimbursement of frustrated expenditure (*Ersatz vergeblicher Aufwendungen*). The foregoing shall apply in particular, without limitation, to any rights and claims arising from or in connection with (i) defects in quality or title (*Sach- oder Rechtsmängel*) pursuant to Sections 437 to 441 BGB, (ii) incorrectness of any of the Sellers' Guarantees or other guarantees, warranties, indemnities or similar undertakings, (iii) breach of any contractual or pre-contractual obligation (*culpa in contrahendo*), including claims pursuant to Sections 241 para. 2, 311 para. 2 and para. 3 BGB or ancillary obligations (*Nebenpflichten*) including claims pursuant to Section 280 BGB, (iv) tort, (v) interference with the contractual basis pursuant to Section 313 BGB (*Störung der Geschäftsgrundlage*). Reference is made to Clause 8.8(b).

8.2 Scope of Remedies

In the event of any breach or non-fulfilment by any Seller of a Sellers' Guarantee pursuant to Clause 7 or a breach or non-fulfilment of any other obligation, covenant

or undertaking of the Sellers arising from or in connection with this Agreement other than those set forth in Clause 9 (Tax) for which the provisions contained in Clause 9 (Tax) shall apply (each a **Sellers' Breach**), the Sellers shall put the Purchaser or, at the Purchaser's election, the relevant Group Company, into the position it would have been in had the Sellers' Breach not occurred (*Naturalrestitution*). If and to the extent such remediation in kind (*Naturalrestitution*) (a) has not been effected by the Sellers within a period of thirty (30) Business Days after the receipt of a Breach Notice, (b) is impossible, or (c) is refused in writing by the Sellers, then the Purchaser shall be entitled to request from the Sellers compensation in cash (*Schadenersatz in Geld*) for any losses incurred by the Purchaser or any Group Company, provided, however, that such losses shall be determined by using the legal principles of calculation of damages, mitigation of damages and off-setting of losses by advantages (*Schadensberechnung, Schadensminderung, Vorteilsausgleich*) pursuant to Sections 249 et seq. BGB. Losses shall, however, not include any internal administration and overhead costs. Notwithstanding anything to the contrary in this Agreement, Sellers shall not be liable for a failure of the Company to achieve future profits or other financial figures anticipated by Purchaser when entering into this Transaction, and any arguments that the Total Purchase Price was calculated upon incorrect assumptions shall be explicitly excluded, except in the case of fraud (*Arglist*) or intentional misrepresentation.

8.3 Notification of Sellers; Third-party Claim Procedure

- (e) In the event of an actual or potential breach of a Sellers' Guarantee, the Purchaser shall, as soon as reasonably possible and in no event later than twenty (20) Business Days following the discovery of such facts and circumstances, notify the Sellers of such alleged breach in writing, describing the potential claim in reasonable detail and, to the extent practical, state the estimated amount of such claim and give the Seller the opportunity to remedy the breach within the period of time indicated in Clause 8.2. In the event that in connection with an actual or alleged breach of a Sellers' Guarantee any claim or demand of a third party, including the threatening of measures by authorities is asserted against the Purchaser or a Group Company (each a **Third-party Claim**), the Purchaser shall
 - (i) make available to the Sellers a copy of the Third-party Claim or demand and of all time-sensitive documents and provide all information reasonably required to investigate it, and
 - (ii) give the respective Seller reasonable opportunity to comment or discuss with the Purchaser any measures which the respective Seller proposes to take or omit against such claim. The Purchaser shall have the right to defend the claim by all appropriate proceedings, but must not admit any liability without the prior consent of the respective Seller (not to be unreasonably withheld).

In particular, the Purchaser shall be entitled to

- (iii) lead all negotiations and correspondence with the third party,

- (iv) appoint and instruct legal counsel to act for and on behalf of the Company or any of the Subsidiaries,

provided that Purchaser shall consult with the respective Seller in good faith about any such measures, and any decision about litigating or settling the claim, or about mitigating the damage occurring shall be preceded by good faith discussions with the respective Seller, with the Purchaser having due regard to the concerns of the respective Seller.

- (f) The Purchaser undertakes not to, and to cause any of the Group Companies not to settle a claim or permit any such acknowledgement or settlement without the respective Seller's prior written consent (such consent not to be unreasonably withheld) to the extent that such claims may result in a liability of the respective Seller under this Agreement. The Purchaser undertakes to, and to cause, if applicable, any of the Group Companies to reasonably cooperate with the respective Seller in the defence of any third party claim, provide the respective Seller and its representatives (including, for the avoidance of doubt, its advisors) during normal business hours and after reasonable advance notice with access to all relevant business records and documents of the Group Companies. To the extent it turns out that a Seller is in breach of a Sellers' Guaranty, all costs and expenses incurred by the respective Seller in defending such claim shall be borne by the Sellers. If it turns out that the Seller was not in breach, any external costs and expenses reasonably incurred by such Seller in connection with the defence (e.g. advisors' fees) shall be borne by the Purchaser.
- (g) The failure of the Purchaser to fully comply with its obligations under this Clause 8.3 shall release the respective Seller from its respective obligations under Clause 7 and Clause 8 but only to the extent the Sellers' liability increased as a result of such failure (cf. Clause 8.4(a)).

8.4 Exclusion of Remedies

The Sellers shall not be liable, and the Purchaser shall not be entitled to bring any respective claim under or in connection with this Agreement, if and to the extent that

- (d) the claim results from a failure of the Purchaser, its Affiliates or (after Closing) of the Group Companies to mitigate damages pursuant to Section 254 para. 1 and para. 2 BGB; or
- (e) with respect to a breach of a Sellers' Gurantee, the underlying facts or circumstances on which the liability or the claim is based were positively known by the Purchaser or its Affiliates as of the Signing Date, whereby such knowledge shall include – by definition but without limitation – any facts Fairly Disclosed; or
- (f) the matter to which the claim relates has specifically been taken into account by way of a liability (*Verbindlichkeit*), reserve (*Rückstellung*), or depreciation (*Abschreibung*), or exceptional depreciation (*außerplanmäßige Abschreibung*), or depreciation to reflect lower market values (*Abschreibung auf den niedrigsten beizulegenden Wert*) in the Accounts; or

- (g) the amount of such claim is recovered from third parties (including under existing insurance policies); or
- (h) the matter to which the claim relates resulted from an action carried out (i) with the prior written consent of the Purchaser, or (ii) by any of the Group Companies following the Closing.

8.5 Tax Reductions

To the extent any circumstances triggering an obligation or liability of any of the Sellers under or in connection with this Agreement should lead to a reduced Tax burden of any of the Group Companies in the period beginning on the Effective Date, 00:00 hours or the Purchaser, any such obligation or liability of the Sellers shall be reduced by an amount equal to such reduction provided that the payment of any of the Sellers in fulfillment of their obligations or liabilities does not trigger Taxes.

8.6 No Double Indemnification

To the extent any amount has actually been recovered from a Seller under any Section of this Agreement or under statutory provisions, or to the extent that a Seller has established a situation that would exist had a breach of the Sellers' Guaranties under Clause 7 not occurred, any other claim with respect to the same matter under any provision of this Agreement or any rule of law shall be excluded. The same shall apply in respect of circumstances and amounts which led to a reduction of the Purchase Price.

8.7 De Minimis, Threshold

- (c) The Purchaser shall only be entitled to any claims for a breach of Sellers' Guaranties under Clause 7 if and to the extent (i) each individual claim against the respective Seller exceeds an amount of EUR 176,787.77 (in words: Euro onehundred seventysixthousand sevenhundred eightyseven and seventyseven Cents) (USD 200,000 converted at the EUR/USD exchange rate published by the European Central Bank as of one day prior to the Signing Date (8:00 pm) into Euro) (the **De Minimis Amount**, provided that claims resulting from Sellers' Breaches of the same or a similar source (*Serienschäden*) shall be aggregated in order to determine whether the De Minimis Amount is reached)) and (ii) the aggregate amount of all individual claims of the Purchaser against the respective Seller which exceed the De Minimis Amount exceeds an amount of EUR 883,938.83 (in words: Euro eighthundred eightythreethousand ninehundred thirtyeight and eightythree Cents) (USD 1,000,000 converted at the EUR/USD exchange rate published by the European Central Bank as of one day prior to the Signing Date (8:00 pm) into Euro) (the **Threshold**). In case the De Minimis Amount and the Threshold are exceeded, the Purchaser can claim the entire amount, not only the excess amount exceeding the Threshold (*Freigrenze*).
- (d) The De Minimis Amount and the Threshold shall not apply to the Exempt Claims.

8.8 Liability Cap, Exempt Claims

- (a) The Sellers' aggregate liability for breaches of the Sellers' Guarantees shall be limited to an amount of EUR 17,678,776.63 (in words: Euro seventeen million sixhundredseventyeighthousand sevenhundred seventysix and sixtythree Cents) (USD 20,000,000 converted at the EUR/USD exchange rate published by the European Central Bank as of one day prior to the Signing Date (8:00 pm) into Euro) (the **Liability Cap**). The Liability Cap does not apply to liability for breaches of the Sellers' Guarantees set forth in Clause 7.2, 7.3, 7.4 and 7.5. For the avoidance of doubt the Liability Cap neither applies to other Purchaser claims, including (i) any specific performance claims for transfer of title to the Sold Shares (*Erfüllungsansprüche*), (ii) any and all claims under Clause 9 and Clause 11 (except for Clause 11.3(f)) and (iii) claims arising pursuant to lit. (b) (all claims to which the Liability Cap does not apply collectively, the **Exempt Claims**); provided, however, that the aggregate liability of the Sellers for any and all claims under this Agreement including, for the avoidance of doubt, distributions from the Escrow Account, shall in no event exceed the amount of the Total Purchase Price.
- (b) In the event of willful deceit (*arglistige Täuschung*) or other willful actions (*Vorsatz*) of a Seller, the limitations on liability contained in Clauses 8.7 and 8.8(a) and the benefit of pro rata liability (*Teilschuldnerschaft*) shall not apply to such Seller. For the avoidance of doubt, a willful deceit (*arglistige Täuschung*) or other willful actions (*Vorsatz*) of a Seller, shall not be imputed to the other Sellers. Willful deceit (*arglistige Täuschung*) or other willful actions (*Vorsatz*) of persons assisting a Seller in the performance of its contractual obligations (*Erfüllungsgehilfen*) pursuant to Section 278 BGB or of an advisor shall only be imputed to that Seller who actually involved such assisting person or advisor, but not generally to other or all Sellers, except where such assisting person or advisor was involved for several or all Sellers (e.g. an advisor who represented several or all Sellers).

8.9 Conduct of Purchaser's Claims

- (d) If the Sellers are individually liable towards the Purchaser (*Einzelschuldner*) as provided in Clause 16.2, the Purchaser shall not assert such claim against the Escrow Account.
- (e) If the Sellers are liable towards the Purchaser on a pro rata basis (*Teilschuldner*), the Purchaser is entitled to, at Purchaser's choice, assert such claim against the Escrow Account and/or the Sellers; provided, however, that the Purchaser shall assert any such claim that is subject to the Liability Cap against the Escrow Account to the extent the Escrow Account is still funded, notwithstanding the Purchaser's right to claim the remaining difference from the Sellers. If such claim against the Escrow Account is not timely satisfied, the Purchaser shall remain entitled to claim the full amount from the Sellers.
- (f) For the avoidance of doubt, if and to the extent an Exempt Claim for which the Sellers are liable on a pro rata basis (*Teilschuldner*) is asserted by the Purchaser against the Escrow Account, any payment from the Escrow Account to the Purchaser in performance of such claim shall not reduce the Liability Cap.

8.10 Time Limitation

Any claims of the Purchaser under and in connection with this Agreement shall become time-barred (*verjährt*) as follows:

- (c) any claims under Clause 9 are exclusively governed by Clause 9.6(b);
- (d) any other Exempt Claims shall become time-barred 60 months after the Closing Date;
- (e) any other claims shall become time-barred 24 months after the Closing Date; and
- (f) any claims arising as a result of intentional breaches (*Vorsatz*) within the meaning of Section 202 BGB or fraud (*Arglist*) shall become time-barred upon expiry of the statutory time limitation period.

Section 203 BGB shall apply.

9. TAX

9.1 Tax Warranties

Each Seller as an individual obligor (*Teilschuldner*) hereby guarantees to the Purchaser on a pro rata basis pursuant to each Seller's Pro Rata Share in accordance with Clause 16.2, subject to the disclosures in this Agreement, in the form of an independent guarantee in accordance with Section 311 BGB (*selbstständiges Garantieverprechen*) that the statements set forth in Clause 9.1(a) through 9.1(i) (the **Tax Guarantees**) are true as of the Signing Date or such other dates as explicitly provided for therein; Clauses 7.1(f) and 8.4 apply *mutatis mutandis* to this Clause 9.1. For the avoidance of doubt, the Purchaser cannot claim for damages under this Clause 9.1 with respect to Taxes that would have become payable in case the Tax Guarantee had been true.

- (h) As of the Signing Date, the Group Companies have timely and duly (*formell ordnungsgemäß*) submitted all Tax Returns that are due to be filed and all other legally necessary declarations to the Tax Authorities in accordance with all statutes and directives, fully and truthfully completed;
- (i) As of the Signing Date the Group Companies have in each case paid, or withheld and paid over all Taxes that are due;
- (j) No Group Company is involved in any Tax audit or investigation and no Group Company has received any written notification that any Tax Authority intends to conduct a Tax audit or investigation of the respective Group Company;
- (k) No Group Company is a party to a Tax court proceeding, and no Tax court proceeding with regard to a Group Company has been formally announced;
- (l) No claim has ever been made in writing by an authority in a jurisdiction where a Group Company does not file Tax Returns that it is or may be subject to Tax in that jurisdiction;

- (m) As of the Signing Date, all Tax related documents (including electronically stored data), which are under any Tax law required to be available at a company, including but not limited to all transfer pricing and related parties' transaction documentation, such as documentation pursuant to Section 90 (3) of the German Tax Code (*Abgabenordnung*) or similar foreign law provisions, are or will be available at all Group Companies in a manner as required under, and in full compliance with, the applicable Tax laws; for the avoidance of doubt, transfer pricing and related parties' transaction documentation that is to be prepared on request of the Tax Authorities has been prepared only if and to the extent the competent Tax Authority has actually requested the preparation thereof;
- (n) None of the Group Companies has received or applied for in writing any written ruling from any Tax Authority (including a binding ruling (*verbindliche Auskunft*) under German law or a similar ruling under any other applicable law) for Taxes relating to periods after the Effective Date or has entered into any written and legally binding agreement relating to Tax with any Tax Authority with effect for periods starting after the Effective Date;
- (o) None of the Group Companies has been involved in any scheme, arrangement, transaction or series of transactions that would have been aimed from the perspective of the respective Group Company for the evasion of Tax as main purpose;
- (p) Between the Effective Date and (including) the Closing Date, none of the Group Companies (i) has made or will make any hidden profit distribution (*verdeckte Gewinnausschüttung*) and (ii) has performed or refrained from any act prior to and including the Closing Date which or the omission of which triggers a hidden profit distribution to or for the benefit of the Sellers for the period following the Closing Date. Deviating from Clause 9.1 first sentence, Clause 9.2(a) last sentence shall apply mutatis mutandis.

9.2 Tax Indemnification

- (h) Each Seller as an individual obligor (*Teilschuldner*) in accordance with Clause 16.2 shall pay to the Purchaser or, upon request of the Purchaser, the relevant Group Company, on a pro rata basis pursuant to each Seller's Pro Rata Share an amount equal to any Pre-Effective Date Taxes (the **Tax Indemnification Claim**). **Pre-Effective Date Taxes** shall mean (i) any Taxes which are imposed on any of the Group Companies by any Tax Authority relating to the Sellers' Periods. **Sellers' Period** shall mean the taxable periods (*Veranlagungs- bzw. Erhebungszeiträume*) ending on or before the day preceding the Effective Date, 24:00 hours and (ii) with respect to a taxable period beginning before and ending after the day preceding the Effective Date, 24:00 hours (the **Straddle Period**), that portion of such taxable period ending on the day preceding the Effective Date, 24:00 hours.

For purposes of this Clause 9, in the case of any Straddle Period, the amount of Taxes to be allocated to the Sellers' Period shall be determined in accordance with the following "as-if assessment" and shall be equal to:

- (i) In case of Taxes that are assessed on an annual basis and are not based upon or related to income, such portion shall be deemed to be the amount of such Tax for the entire Tax assessment period multiplied by a fraction, the

numerator of which is the number of days in the Tax assessment period ending on the day preceding the Effective Date, 24:00 hours and denominator of which is the number of days in the entire Tax assessment period.

- (ii) In case of any Taxes based on or related to income or turnover such portion shall be deemed equal to the amount that would be payable if the relevant Tax period ended on the day preceding the Effective Date, 24:00 hours.
- (iii) In case of any other Taxes, the entire Tax, if and to the extent the matter of facts (*Steuertatbestand*) of the respective Tax has been completely fulfilled in the period ending on the day preceding the Effective Date, 24.00 hours, or nil, if not.

Deviating from sentence 1 with respect to Taxes which can be credited in favor of any of the Sellers or any Related Party the Sellers shall be liable for the Tax Indemnification Claim in accordance with the ratio between the fractional amounts of the respective Tax each Seller or a Related Party of the respective Seller is entitled to a Tax credit.

- (i) The Purchaser shall not be entitled to a Tax Indemnification Claim if and to the extent that the Pre-Effective Date Taxes
 - (xv) have been paid prior to the Effective Date; or
 - (xvi) a Group Company (x) has recovered the respective Pre-Effective Date Taxes from a third party (including any insurance policies) or (y) has a corresponding claim for repayment, reimbursement or indemnification with respect to any Pre-Effective Date Taxes from a third party (including any insurance policies) and has not used reasonable efforts to collect such claim from a third party. The recovered or recoverable amount pursuant to the preceding sentence shall be calculated as the gross amount recovered or recoverable from a third party less any Taxes and expenses actually incurred by the respective Group Company in connection with the recovered or recoverable amount; provided the Sellers have fully paid the amount of the respective indemnifiable Tax, the Purchaser will procure that the relevant Group Company will, upon request of the Sellers, assign any claims for recovery from any third party to the Sellers; or
 - (xvii) arise from (i) any change in accounting and taxation principles or practice of the Purchaser or any of the Group Companies (including methods or preparing or submitting Tax Returns) for the period until the Effective Date introduced after the Closing Date, or (ii) any merger or similar reorganization having retroactive effect for the Sellers' Period involving any Group Company and implemented after the Closing Date; sentence 1 of this Section (iii) shall not apply if and to the extent the relevant act (i) was legally required under mandatory law or its interpretation by the Tax Authorities, or (ii) has been taken at the request of the Sellers; or
 - (xviii) result from or are increased by a breach by the Purchaser of its obligations under Clause 9.4 (Filing of Tax Returns) and Clause 9.5 (Cooperation in Tax Matters); or

- (xix) have been taken into account in the Accounts as a liability (*Verbindlichkeit*) for Taxes or provision (*Rückstellung*) for Tax liabilities, even if part of other liabilities, or provisions, to the extent these liabilities for Taxes and provisions for Tax liabilities are listed in **Schedule 9.2(b)(v)**; for the avoidance of doubt, a liability or provision pursuant to the preceding sentence shall not reduce a Tax Indemnification Claim if and to the extent the amount of any such liability or provision has been paid to the Sellers pursuant to Clause 9.3(d); or
- (xx) the Pre-Effective Date Taxes can or could have been avoided by offsetting taxable profits against Tax losses (in particular in form of Tax loss carrybacks or Tax loss carryforwards); for the avoidance of doubt, any consumption or reduction of a Tax loss directly or indirectly caused by the Purchaser or – after the Effective Date – by any of the Group Companies shall be disregarded for the purpose of the existence of such offsetting opportunity ("as if calculation"); or
- (xxi) the Purchaser or any of its Affiliates or any of the Group Companies obtains a benefit in respect of Taxes within five (5) years after the Effective Date (the **Tax Benefit**), including but not limited to benefits resulting from the lengthening of any amortisation or depreciation periods, higher depreciation allowances, a step-up in the Tax basis of assets or the non-recognition of liabilities or provisions (*Phasenverschiebung*) as the result of an adjustment or payment giving rise to a Tax Indemnification Claim. Tax Benefits arising after the Effective Date shall be accounted for at their net present value. The net present value is determined by applying a discount factor of four (4) % and the applicable tax rate at the moment of the Tax Benefit.

Any Tax Indemnification Claim shall become due and payable on the later of (i) twenty (20) Business Days after the Purchaser has notified the Sellers in writing about the payment obligation (attaching a copy of the relevant Tax assessment notice or other payment notice of the Tax Authority, where applicable) and (ii) five (5) Business Days before such Taxes are due and payable to the relevant Tax Authority. The Sellers are entitled to make the indemnification payment directly to the bank account of the Tax Authority, if they inform the Purchaser thereof without undue delay. On request and at the expense of the Sellers the Purchaser shall procure that the respective Group Company makes its best efforts to achieve a deferred payment date, in particular but not limited to the application for a suspension of enforcement of tax payment obligation (*Aussetzung der Vollziehung*). If the Tax for which an indemnification payment has been made is subsequently reduced, the difference between the higher indemnification payment and the lower Tax amount shall be reimbursed by the Purchaser to the Sellers (on a pro rata basis pursuant to each Seller's Pro Rata Share), including all interests related thereto. Clauses 9.3(b) and 9.3(c) shall apply mutatis mutandis to the existence of any over-indemnification and the reimbursement obligation of the Purchaser.

9.3 Tax Refunds

- (i) After the Closing Date, the Purchaser undertakes to pay to the Sellers (on a pro rata basis pursuant to each Seller's Pro Rata Share) any refund of Pre-Effective Date Taxes relating to the Group Companies and received by the Purchaser or any of the Group Companies after the Effective Date (including, for the avoidance of

doubt, resulting from a change of law after the Closing Date with retroactive effect for the Sellers' Period) by receipt of cash payment, set-off or deduction but only if and to the extent that such refund of Taxes has not already been taken into account in the Accounts as an asset, except to the extent such refunds have reduced an otherwise payable indemnity amount or claim provided for under this Agreement (the **Tax Refund**).

- (j) The Purchaser shall, and shall procure (*steht dafür ein*) that the Group Companies will notify the Sellers within twelve (12) Business Days of any Tax Refund. The Sellers are entitled to appoint a certified accounting firm, tax advisory firm or law firm – at their own expense – to have the fulfilment of the Purchaser's duties under this Clause 9.3 reviewed. Clause 9.5 shall apply *mutatis mutandis* to such review.
- (k) Any Tax Refund shall be payable to the Sellers (on a pro rata basis pursuant to each Seller's Pro Rata Share) within five (5) Business Days after actual receipt of such Tax Refund (including by way of set-off or deduction).
- (l) The Purchaser undertakes to pay to the Sellers (on a pro rata basis pursuant to each Seller's Pro Rata Share) any surplus of provisions for Taxes (*Steuerrückstellungen*) or liabilities for Taxes (*sonstige Verbindlichkeiten aus Steuern*) which are in each case recorded in the Accounts, to the extent the amount of liabilities for Pre-Effective Date Taxes falls short of the amount of the provisions for Taxes or the amount of the liabilities for Taxes which are recorded in the Accounts and to the extent these liabilities for Taxes and provisions for Tax liabilities are listed in **Schedule 9.2(b)(v)**. Any amount to be paid by the Purchaser under this Clause 9.3(d) shall be due and payable within fifteen (15) Business Days after receipt of all Tax assessment notices for the Seller Period. The Purchaser shall notify the Seller in writing and without undue delay of any relevant decision by the Tax Authority resulting in a claim under this lit (d). If a payment has been made pursuant to this Clause 9.3(d) and the liabilities for Pre-Effective Date Taxes are subsequently increased, the difference shall be reimbursed by the Sellers (on a pro rata basis pursuant to each Seller's Pro Rata Share) to the Purchaser. For the avoidance of doubt, this Clause 9.3(d) shall not apply if and to the extent the liability or provision pursuant to the preceding sentence has reduced a Tax Indemnification Claim pursuant to Clause 9.2(b)(v).

9.4 Filing of Tax Returns

- (d) Until the Closing Date, the Sellers shall procure (*steht dafür ein*) that (i) Tax Returns of the Group Companies shall be prepared and filed in a timely manner and in accordance with all applicable laws and past practice and (ii) all Taxes payable under such Tax Returns are paid in a timely manner.
- (e) After the Closing Date, the Purchaser shall procure (*steht dafür ein*) that the Group Companies prepare and file when due all Tax Returns in line with past practice provided (i) no changes are required in order to comply with applicable rules under mandatory law or its interpretation by the Tax Authorities and (ii) no changes have been taken at the request of the Seller or to correct past misbehavior. To the extent that a Tax Return relates in whole or in part to a Pre-Effective Date Tax or to a Tax for which the Sellers may become liable under Clause 7.5 or Clauses 11.4(a) to 11.4(d) the Purchaser shall submit a draft of such Tax Return to the Sellers for review no later than thirty (30) Business Days prior to the due date of such Tax Return. The

Purchaser shall procure (*steht dafür ein*) that the relevant Group Companies (i), if and to the extent permitted by law, make any such amendments requested by the Sellers and (ii) not submit any such Tax Return to any Tax Authority without the prior consent of the Sellers, such consent not to be unreasonably withheld. For the avoidance of doubt, this shall not prohibit the Purchaser and the Group Companies from paying any Taxes as they fall due under law or by order of the Tax Authorities. The Sellers shall be deemed to have given their consent to any such Tax Return timely submitted to them for their review if the Sellers did not provide any comment with respect to the relevant Tax Return to the Purchaser or the relevant Group Company until five (5) Business Days prior to the due date of the Tax Return.

- (f) After the Closing Date, the Purchaser shall procure (*steht dafür ein*) that the Group Companies do not amend any Tax Return that has been filed by the relevant Group Company prior to or on the Closing Date and which relates to a Pre-Effective Date Tax or to a Tax for which the Sellers may become liable under Clause 7.5 or Clauses 11.4(a) to 11.4(d) without the Seller's prior written consent (not to be unreasonably withheld) unless (i) such amendments are required in order to comply with applicable rules under mandatory law, or its interpretation by the Tax Authorities, or (ii) such amendments have been taken at the request of the Seller or to correct past misbehavior.

9.5 Cooperation in Tax Matters

- (i) The Parties agree to fully cooperate with each other in connection with any Tax matter affecting the Group Companies and relating to the Sellers' Period or a Tax for which the Sellers may become liable under Clause 7.5 or Clauses 11.4(a) to 11.4(d), including the preparation and filing of any Tax Return, conduct of any audit, investigation, dispute, appeal or similar proceeding or other communication with any Tax authority. Such cooperation shall include, without limitation, providing or making available all relevant books, records and documentation and the assistance of officers and employees. Unless required otherwise by law, the Purchaser shall notify in writing the Sellers without undue delay (*unverzüglich*), but at the latest six (6) Business Days after the Purchaser or any Group Company became aware of such event of any announcement and commencement of any administrative and judicial proceeding relating to the Sellers' Period or a Tax for which the Sellers may become liable under Clause 7.5 or Clauses 11.4(a) to 11.4(d) (collectively the **Relevant Tax Proceedings**). The notification on the Relevant Tax Proceedings shall contain copies of all documents received from a Tax Authority related to the respective announcement or commencement of the Relevant Tax Proceedings. The Purchaser shall procure (*steht dafür ein*) that the Sellers or a Tax counsel appointed by it and bound to professional secrecy are given the opportunity to duly participate in any audits by the Tax Authorities relating to the Sellers' Period, in their preparation and any scheduled audit meetings and written correspondence relating thereto, in each case at the Sellers' own cost.
- (j) Purchaser shall procure that upon (i) request of at least one of the Sellers, objections are filed and legal proceedings are instituted and conducted against any assessment of Pre-Effective Date Taxes and that (ii) any such Tax proceedings are conducted in accordance with the Sellers reasonable directions, unless required otherwise by law,

in each case at the expense of the Sellers (including at the request of the Purchaser payments in advance required for such conduct).

9.6 Miscellaneous

- (e) If the Purchaser or the Sellers fail to comply in a material respect with any of their obligations under Clause 9.4 and 9.5 or deny fulfillment of such obligations (hereinafter the **Failing Party**), the respective other Party shall not be liable under this Clause 9, unless and to the extent that the Failing Party is able to demonstrate that the other party was not prejudiced in a material manner in avoiding the respective Taxes as a result of such non-compliance.
- (f) Claims of the Purchaser and the Sellers under this Clause 9 shall become time-barred (*verjährt*) for each claim
 - (i) in the case of claims relating to or depending on Taxes that are levied on the basis of an assessment, (x) six (6) months after the date of the final, non-appealable (*formell und materiell bestandskräftig*) assessment of the respective Tax, or, (y) in case of Taxes to which the concept of final, non-appealable (*formell und materiell bestandskräftig*) Taxes does not apply, six (6) months after the date as of which an assessment concerning the respective Taxes is time-barred; and
 - (ii) in all other cases five (5) years after the Closing Date,
 - (iii) but in case of claims of the Sellers with respect to which the Sellers are in need of certain information, e.g. Tax assessment notices of the Group Companies, being passed on to them by the Purchaser not earlier than six (6) months after the date on which the Sellers have received the relevant information from the Purchaser.
- (g) Any restrictions or limitations contained elsewhere in this Agreement (other than in this Clause 9) shall not apply to any claims of the Purchaser pursuant to this Clause 9 unless Clause 9 or the respective provision outside Clause 9 makes explicit reference to the claim of the Purchaser to be limited or restricted by mentioning Clause 9 and, where applicable, the respective subsection(s).
- (h) Each Seller's liability under this Clause 9 shall be limited to an amount equal to 100% of each Seller's Pro Rata Share of the difference of (i) the Total Purchase Price less (ii) the sum of the Assumed Change of Control Payments and the Non-Assumed Change of Control Payments (such resulting amount the **Liability Cap Tax**).
- (i) For the avoidance of doubt, the Sellers shall not be entitled to recharge any amounts payable to either Purchaser or at Purchaser's choice to the respective Group Company under this Clause 9 to any of the Group Companies under any Tax sharing agreement (if any).
- (j) Any claims, rights and obligations which relate to the obligation to pay or to the actual payment of Taxes as well as Wage Taxes contained in Clause 11.4 shall be subject to the provisions set forth in Clauses 9.6(b), 9.6(c), 9.6(d) and 9.6(e) which shall apply *mutatis mutandis*.

9.7 No double Recovery

- (c) In case of Taxes or damages with respect to which the Purchaser can raise a claim under this Clause 9 and a claim for a Sellers' Breach or any other claim under this Agreement, the Purchaser shall have exclusively the claim under this Clause 9; Clause 8.6 applies *mutatis mutandis* to claims of the Purchaser under this Clause 9.
- (d) For the avoidance of doubt, in the event that a fact or circumstance results in a breach of any Tax Warranty listed in Clause 9.1 and simultaneously gives rise to a Tax Indemnification Claim, the damage caused can only be claimed once and the Tax Indemnification Claim shall prevail.

10. PURCHASER'S AND PURCHASER'S GUARANTOR'S GUARANTEES

10.1 The Purchaser represents to the Sellers in the form of an independent guarantee in accordance with Section 311 BGB (*selbstständiges Garantiewersprechen*) that the following statements are true as of the Signing Date and as of the Closing Date:

- (j) The Purchaser is duly organized and validly existing under the laws of Bermuda.
- (k) The execution and performance of this Agreement by the Purchaser is within the Purchaser's corporate powers, has been duly authorized by all necessary corporate action on the part of the Purchaser, requires no approval or consent by any governmental authority or other regulatory body and does not violate any applicable law or decision by any court or governmental authority or other regulatory body binding on the Purchaser and this Agreement constitutes a legal, valid and binding obligation upon the Purchaser.
- (l) There is no lawsuit, investigation or proceeding pending (*rechtshängig*) or threatened in writing against the Purchaser before any court, arbitrator or governmental authority or other regulatory body which in any manner challenges or seeks to prevent, alter or materially delay the Transaction.
- (m) No bankruptcy, insolvency or similar proceedings are pending and to the actual knowledge of the Purchaser have been applied for in respect of the Purchaser under any applicable law. To the actual knowledge of the Purchaser, no circumstances exist which would require an application for any bankruptcy, insolvency or similar proceedings nor do any circumstances exist according to any applicable bankruptcy or insolvency laws which would justify the avoidance of this Agreement.

10.2 The Purchaser's Guarantor represents to the Sellers in the form of an independent guarantee in accordance with Section 311 BGB (*selbstständiges Garantiewersprechen*) that the following statements are true as of the Signing Date and as of the Closing Date:

- (m) The Purchaser's Guarantor is duly organized and validly existing under the laws of Delaware, United States of America.
- (n) The execution and performance of this Agreement by the Purchaser's Guarantor is within the Purchaser's Guarantor's corporate powers, has been

duly authorized by all necessary corporate action on the part of the Purchaser's Guarantor, requires no approval or consent by any governmental authority or other regulatory body and does not violate any applicable law or decision by any court or governmental authority or other regulatory body binding on the Purchaser's Guarantor and this Agreement constitutes a legal, valid and binding obligation upon the Purchaser's Guarantor.

- (o) There is no lawsuit, investigation or proceeding pending (*rechtshängig*) or threatened in writing against the Purchaser's Guarantor before any court, arbitrator or governmental authority or other regulatory body which in any manner challenges or seeks to prevent, alter or materially delay the Transaction.
- (p) No bankruptcy, insolvency or similar proceedings are pending and to the actual knowledge of the Purchaser's Guarantor have been applied for in respect of the Purchaser's Guarantor under any applicable law. To the actual knowledge of the Purchaser's Guarantor, no circumstances exist which would require an application for any bankruptcy, insolvency or similar proceedings nor do any circumstances exist according to any applicable bankruptcy or insolvency laws which would justify the avoidance of this Agreement.

10.3 If, after the Closing Date, the management board of the Company asserts a claim of the Company pursuant to Section 62 AktG against a Seller for repayment of amounts paid out by the Company to that Seller in violation of Section 57 AktG, the Purchaser shall hold such Seller harmless from such claim for repayment, including any interest accrued thereon. It is the joint understanding of the Parties that the sole purpose of this Clause 10.3 is to avoid "windfall profits" of the Purchaser. For the avoidance of doubt, this Clause 10.3 shall not apply to any claims asserted against a Seller by an insolvency administrator over the assets of the Company. The Purchaser's claims under Clause 9 and Clause 11.4 of this Agreement shall remain unaffected and in cases of doubt prevail over this Clause 10.3.

10.4 In the event of a breach of any guarantee, covenant or undertaking pursuant to Clause 10.1 or Clause 10.2, the Purchaser and Purchaser's Guarantor shall indemnify and hold harmless the Sellers from any damages incurred by the Sellers. All claims of the Sellers arising under Clause 10.1 shall be time-barred 24 months after the Closing Date. All claims of the Sellers arising under Clause 10.3 shall be time-barred six (6) months after the respective claim of the Company becoming time-barred, but at the latest five (5) years after the Closing Date.

10.5 The Purchaser's Guarantor hereby unconditionally and irrevocably guarantees to the Sellers by way of an independent and non-accessory guarantee pursuant to Section 311 BGB (i) the complete and punctual payment of the Total Purchase Price under this Agreement, and (ii) the full and punctual performance by the Purchaser of any and all other obligations and undertakings of the Purchaser under or in connection with this Agreement. The aggregate liability of the Purchaser and the Purchaser's Guarantor for any and all claims under this Agreement shall in no event exceed the amount of the Total Purchase Price.

11. SELLERS' COVENANTS AND INDEMNITIES

11.1 Conduct of Business prior to Closing

From the Signing Date until the occurrence of Closing (the **Interim Period**), each of the Sellers (*Einzelschuldner*) shall – to the extent legally possible and without a liability for a breach of this clause by any other Sellers - use best reasonable efforts to cause the Group Companies to carry on the business in the ordinary course consistent with past practice, including, for the avoidance of doubt, for Tax purposes, and to cause them to

- (q) use best reasonable efforts to preserve intact their business organizations and relationships with third parties and to keep available the services of their present directors, officers and employees, and
- (r) maintain their capital expenditure and working capital on a normal level, consistent with the requirements of its businesses, and
- (s) do not cause occurrence of events which may reasonably be expected to constitute, individually or in the aggregate, a Material Adverse Effect, and
- (t) refrain from any open or hidden profit distribution (*verdeckte Gewinnausschüttungen*).

11.2 Restricted Actions

Except as expressly required by this Agreement, during the Interim Period, each of the Sellers (*Einzelschuldner*) shall – to the extent legally possible and without a liability for a breach of this clause by any other Sellers - use best reasonable efforts to cause the Group Companies to not take any of the following actions without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned) and unless required under this Agreement, any Legal Requirements or final court decision:

- (g) any shareholders' resolutions regarding
 - (xxii) the amendment of the articles of association of a Group Company;
 - (xxiii) the payment of dividends or other distributions by a Group Company;
 - (xxiv) the issuance of, authorization to issue, securities, including but not limited to convertible bonds (*Wandelschuldverschreibungen*), dividend bonds (*Gewinnschuldverschreibungen*), participation rights (*Genussrechte*) and warrants as well as the granting of stock options or other options or rights to acquire shares in any of the Group Companies;
 - (xxv) the repurchase (*Erwerb eigener Anteile*) or redemption (*Einziehung*) of any shares;
 - (xxvi) any transformation (*Umwandlung*) of the Company within the meaning of the German Reorganization Act (*Umwandlungsgesetz*);

- (xxvii) the conclusion of any enterprise agreement (*Unternehmensvertrag*) within the meaning of Sections 291 and 292 AktG;
- (xxviii) the transfer of all, or essentially all, assets;
- (xxix) the liquidation, dissolution or wind-down of any Group Company;
- (h) any acquisition, sale or encumbrance of (i) real estate (irrespective of the value), (ii) any material intellectual property, (iii) or with a value in excess of EUR 100,000.00 (in words: Euro one hundred thousand) any other asset or (iv) of other businesses or enterprises or shareholdings, silent partnerships or other capital contributions or participations in such other businesses or enterprises;
- (i) any incurrence of long term or short term financial indebtedness and obligations (and incurrence of any obligation to that effect) of any sort outside the ordinary course of business consistent with past practice;
- (j) any sale, transfer or encumbrance (*Belastung*) of any shares;
- (k) any lay-off or other restructuring affecting a significant part of the workforce of the Company;
- (l) any capital expenditure in excess of (i) EUR 100,000.00 (in words: Euro one hundred thousand) in the individual case or (ii) of EUR 200,000.00 (in words: Euro two hundred thousand) in the aggregate for expenditures of a similar kind;
- (m) any change in any method of accounting or accounting practice or policy by the Group Company;
- (n) any entering into, termination of or amendment to any Material Contract (other than non-material amendments in the ordinary course of business, consistent with past practice), pension scheme, collective agreement, incentive scheme or Related Party Agreement by or affecting a Group Company;
- (o) any Leakage except actions permitted according to Clause 7.5(b) and 7.5(c)(iv);
- (p) any reduction or material change of the existing insurance coverage of the Group Companies and any omission to pay any premiums under the insurance policies when due;
- (q) any entering into agreements or other transactions whose terms are not at arm's length;
- (r) any action or omission of action that may give rise to an obligation of a Group Company to repay state subsidies (*Fördermittel*);
- (s) any omission of action required to maintain or prosecute any Company Registered IP Rights; and
- (t) entering into any agreement to take any of the actions set forth under Clause 11.2(a) through 11.2(m).

11.3 Other Post-Signing Actions and Undertakings

- (k) Prior to Closing, the Company and the Sellers, acting as shareholders in the Company, shall use reasonable best efforts to enter into an amendment, assumption and release agreement with each Beneficiary regarding the respective Beneficiary's Incentive Agreement substantially in the form as attached hereto as **Schedule 11.3(a)** (each an **Amendment, Assumption and Release Agreement**) according to which the Company, the Sellers, acting as Shareholders in the Company, and the respective Beneficiary agree subject to the condition subsequent that Closing does not occur that (i) the Incentive Agreements and any current and future obligations of the Company in connection therewith will be assumed by the Sellers with discharging effect (*mit befreiender Wirkung*) for the Company, (ii) the rights of the Beneficiaries under the assumed Incentive Agreements will be amended to the effect that the Beneficiaries will subject to the consummation of the Transaction only be entitled to claim from the Sellers the Assumed Change of Control Payments (less any Wage Taxes to be borne by the relevant Beneficiary), (iii) the Beneficiaries will waive any and all current and future claims out of and in connection with the Incentive Agreement against the Company and the Purchaser and (iv) the Company will, limited to the aggregate amount of CoCP Wage Taxes received from the Purchaser pursuant to Clause 3.3(b)(iii) (and the salary owed to the respective Beneficiary for the relevant period), pay the relevant Wage Taxes related to the Assumed Change of Control Payments to the competent public authorities; provided, however, that such reasonable best efforts shall not include the payment of any money to any Beneficiary in excess of such respective Beneficiary's claims under the relevant Incentive Agreements. The Parties are aware that prior to the Signing Date two amendment, assumption and release agreements were signed with a wording slightly different from, but with the same substance as the sample Amendment Assumption and Release Agreement attached as **Schedule 11.3(a)** hereto. The Parties hereby clarify that such signed amendment, assumption and release agreements shall be construed in the same way, and qualify as, the Amendment, Assumption and Release Agreement.
- (l) Prior to the Closing, Seller 1 shall enter into a termination agreement (the **Termination Agreement**) with the Company regarding the Seller 1 Upstream Loans, according to which the Company and Seller 1 agree subject only to receipt by the Company of the Seller 1 Upstream Loan Amount as set forth in Clause 3.3(b)(vii) that (i) the Seller 1 Upstream Loans will be abrogated and (ii) the Sellers will waive any and all current and future claims out of and in connection with the Seller 1 Upstream Loans against the Company and the Purchaser.
- (m) Each Seller (*Einzelschuldner*) shall, to the extent known to such Seller, inform and Seller 1 shall procure that the Company, to the extent known to the Company, informs the Purchaser without any undue delay about the occurrence of a Material Adverse Effect, describing the facts and circumstances resulting in or constituting the Material Adverse Effect in reasonable detail.
- (n) Each Seller (*Einzelschuldner*) shall inform the Purchaser without any undue delay about any event contemplated in Clause 5.4(b).
- (o) Each Seller (*Einzelschuldner*) shall, to the extent legally permissible, procure that the Purchaser has access to all employment and services agreements of any Group

Company and at Purchaser's choice can participate in reasonable customer visits of the Company with the Company's top five customers.

- (p) The Sellers shall provide the Purchaser with updated disclosure schedules to the extent such disclosure would be required if the Sellers' Guarantee pursuant to Clause 7 were given as of the Closing Date. In the event of a breach of this Clause 11.3(f) the limitations pursuant to Clause 8.7 and Clause 8.8 shall apply.

11.4 Sellers' Indemnities

- (k) The Sellers, acting as shareholders in the Company, shall (irrespective of knowledge of the Purchaser of potential claims but in accordance with Clause 16.2) indemnify and hold harmless (*freistellen*) (i) the Group Companies (by way of genuine contract for the benefit of a third party (*echter Vertrag zugunsten Dritter*) in terms of Section 328 BGB, such that each of the Group Companies shall have an immediate and direct claim for reimbursement pursuant to this Clause 11.4(a) against the Sellers) and (ii) the Purchaser (in each case of (i) and (ii) without, for the avoidance of doubt, any recourse of the Sellers against the Group Companies and Purchaser) from and against any and all disadvantages, obligations and liabilities, including, for the avoidance of doubt, with regard to Wage Taxes and other Taxes, resulting from and/or arising in connection with the Incentive Agreements, the Amendment, Assumption and Release Agreements, the Assumed Change of Control Payments as well as the Non-Assumed Change of Control Payments and the indemnity pursuant to this Clause 11.4(a).

For the avoidance of doubt, the Parties clarify that

- (i) the mere payment by the Purchaser of the aggregate amount of the Assumed Change of Control Payments and of the aggregate amount of the Non-Assumed Change of Control Payments as set forth in Clause 3.3(b)(i) and Clause 3.3(b)(ii) is owed as part of the Total Purchase Price *vis-à-vis* the Sellers;
- (ii) the payment by the Purchaser of the aggregate amount of the Non-Assumed Change of Control Payments (including, for the avoidance of doubt, the aggregate amount of related CoCP Wage Taxes) to the Company shall be made on behalf of the Sellers and in fulfilment of the Sellers' obligations under this Clause 11.4(a); and
- (iii) (A) the usage or forfeiture of Tax losses and/or Tax loss carryforwards and (B) Taxes which would have become payable in case the event triggering the indemnity under this Clause 11.4(a) had not occurred do not qualify as disadvantage, obligation or liability with regard to Taxes.

With respect to Taxes Clause 9.2(a) last sentence, Clause 9.2(b) second last sentence and last sentence (including the applicability of Clause 9.6(b)) and Clause 9.6(a) shall apply *mutatis mutandis* to claims under this Clause 11.4(a).

- (l) Seller 1 and Seller 2 shall jointly and severally (*Gesamtschuldner*), and Seller 3 shall on a pro rata basis (*Teilschuldner*), in each case acting as shareholders in the Company, (in each case irrespective of knowledge of the Purchaser of potential

claims) indemnify and hold harmless (*freistellen*) the Group Companies and the Purchaser from and against any and all disadvantages, obligations and liabilities, including, for the avoidance of doubt, with regard to Taxes, resulting from and/or arising in connection with the law suit listed in **Schedule 11.4(b)**, if and to the extent such disadvantages, obligations and liabilities exceed an amount of USD 1,000,000 (in words: US Dollar one million). With respect to Taxes Clause 9.2(a) last sentence, Clause 9.2(b) second last sentence and last sentence (including the applicability of Clause 9.6(b)) and Clause 9.6(a) shall apply *mutatis mutandis* to claims under this Clause 11.4(b). For the avoidance of doubt, the Parties clarify that (A) the usage or forfeiture of Tax losses and/or Tax loss carryforwards and (B) Taxes which would have become payable in case the event triggering the indemnity under this Clause 11.4(b) had not occurred do not qualify as disadvantage, obligation or liability with regard to Taxes.

- (m) The Sellers, acting as shareholders in the Company, shall (irrespective of knowledge of the Purchaser of potential claims but in accordance with Clause 16.2) indemnify and hold harmless (*freistellen*) (i) the Group Companies (by way of genuine contract for the benefit of a third party (*echter Vertrag zugunsten Dritter*) in terms of Section 328 BGB, such that each of the Group Companies shall have a direct claim for reimbursement pursuant to this Clause 11.4(c) against the Sellers) and (ii) the Purchaser (in each case of (i) and (ii) without, for the avoidance of doubt, any recourse of the Sellers against the Group Companies and Purchaser) from and against any and all disadvantages, obligations and liabilities, including, for the avoidance of doubt, with regard to Taxes, resulting from and/or arising in connection with any Transaction Expenses and the indemnity pursuant to this Clause 11.4(c). For the avoidance of doubt, the Parties clarify that the mere payment of the Transaction Expenses by the Purchaser as set forth in Clause 3.3(b)(iv) is owed as part of the Total Purchase Price vis-à-vis the Sellers. With respect to Taxes Clause 9.2(a) last sentence, Clause 9.2(b) second last sentence and last sentence (including the applicability of Clause 9.6(b)) and Clause 9.6(a) shall apply *mutatis mutandis* to claims under this Clause 11.4(c). For the avoidance of doubt, the Parties clarify that (A) the usage or forfeiture of Tax losses and/or Tax loss carryforwards and (B) Taxes which would have become payable in case the event triggering the indemnity under this Clause 11.4(c) had not occurred do not qualify as disadvantage, obligation or liability with regard to Taxes.
- (n) Seller 1, acting as shareholder in the Company, shall (irrespective of knowledge of the Purchaser of potential claims but in accordance with Clause 16.2) indemnify and hold harmless (*freistellen*) (i) the Group Companies (by way of genuine contract for the benefit of a third party (*echter Vertrag zugunsten Dritter*) in terms of Section 328 BGB, such that each of the Group Companies shall have a direct claim for reimbursement pursuant to this Clause 11.4(d) against the Sellers) and (ii) the Purchaser (in each case of (i) and (ii) without, for the avoidance of doubt, any recourse of the Sellers against the Group Companies and Purchaser) from and against any and all disadvantages, obligations and liabilities, including, for the avoidance of doubt, with regard to Taxes, resulting from and/or arising in connection with the Seller 1 Upstream Loans and the indemnity pursuant to this Clause 11.4(d). For the avoidance of doubt, the Parties clarify that the mere payment by the Purchaser of the Seller 1 Upstream Loan Amount as set forth in Clause 3.3(b)(vii) is owed as part of the Total Purchase Price vis-à-vis the Sellers. With respect to Taxes Clause 9.2(b) second last

sentence and last sentence (including the applicability of Clause 9.6(b)) and Clause 9.6(a) shall apply *mutatis mutandis* to claims under this Clause 11.4(d). For the avoidance of doubt, the Parties clarify that (A) the usage or forfeiture of Tax losses and/or Tax loss carryforwards and (B) Taxes which would have become payable in case the event triggering the indemnity under this Clause 11.4(d) had not occurred do not qualify as disadvantage, obligation or liability with regard to Taxes.

12. NO ASSIGNMENT

Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other Parties hereto, and any such assignment without such prior written consent shall be null and void. The Purchaser is, however, entitled to assign and pledge any rights under this Agreement without the prior consent of the Sellers to its Affiliates.

13. PUBLIC ANNOUNCEMENTS AND CONFIDENTIALITY

13.1 Announcements

The Sellers shall not, and shall cause the Company and each Subsidiary not to, directly or indirectly, issue any press release or other public statement relating to the terms of this Agreement or the Transactions or use the Purchaser's or any of its Affiliates' names or refer to any of them directly or indirectly in connection with the Purchaser's relationship with the Company in any media interview, advertisement, news release, press release or professional or trade publication, or in any print media, whether or not in response to an inquiry, without the prior written approval of the Purchaser, unless required by Legal Requirements and/or stock exchange rules.

13.2 Confidentiality

- (o) Each of the Parties shall, and shall ensure (*sicherstellen*) that its Affiliates do, treat as strictly confidential and not disclose or use any information received or obtained as a result of or in connection with the entering into this Agreement which relates to this Agreement, its existence or its provisions or to any agreement to be entered into pursuant to this Agreement, or to the negotiations relating to this Agreement (the **Confidential Information**).
- (p) This Agreement shall not prohibit disclosure or use of any Confidential Information if and to the extent that:
 - (i) the disclosure or use is required by law (e.g. necessary information to works council of Company) or any governmental authority or other regulatory body;
 - (ii) the Seller 3 is required to disclose such information by law, in particular towards the Saxon state parliament, committees of the state parliament, Court of Audit of the State of Saxony, tax or other authorities;
 - (iii) the disclosure or use is required for the purpose of any judicial proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement or the disclosure is made to a competent Tax Authority in connection with the Tax affairs of the disclosing Party;

- (iv) the disclosure is made to professional advisers of a Party, who are subject to professional secrecy rules, on a need to know basis;
- (v) the disclosure is made to professional advisers, who are not subject to professional secrecy rules, of a Party on a need to know basis and on terms that such professional advisers undertake (also for the benefit of the other Parties) to comply with the confidentiality obligations set out in this Clause 13.2 in respect of such information as if they were a party to this Agreement;
- (vi) the information is or becomes publicly available (other than by breach of this Agreement or any other confidentiality agreement between the Parties or any of them);
- (vii) in case of a disclosure or use by the Purchaser or the Purchaser's Guarantor, the Sellers have given prior written approval to the disclosure or use;
- (viii) in case of a disclosure or use by any of the Sellers, the Purchaser has given prior written approval to the disclosure or use; or
- (ix) the information is independently developed after Closing.

In case of the foregoing lit (i) through lit (iii), prior to such disclosure and to the extent legally possible, the Parties shall provide each other with prompt notice of such requirement and keep the other Party fully and promptly informed of any such disclosure and - except with regard to (ii) - all related matters and developments and provide the other Party and or any of the Group Companies if applicable the opportunity to seek protective measures against any such disclosure.

14. COSTS

Unless set out otherwise in this Agreement, each Party shall bear its own costs and the costs and fees of its advisers in connection with the preparation, negotiation and execution of this Agreement. The Purchaser on the one hand side and the Sellers on the other hand side (the Sellers on a Pro Rata Share basis) each shall bear half of the fees of the acting notary for the notarization of this Agreement and the Escrow Account.

15. NOTICES

15.1 Form of Notice

Any notice or other communication in connection with this Agreement (each a **No-tice**) shall be shall be in the English language and made only (i) in writing (*schrift-liche Form*) solely within the meaning of Sec. 126 (1) and (2) of the German Civil Code (*Bürgerliches Gesetzbuch*), by facsimile or email unless notarization or any other specific form is required by mandatory law provided that both with respect to Notices send by facsimile or email, receipt by the sender of a confirmation regard-ing the receipt of such Notice by the addressee (e.g. receipt of a delivery confirma-tion generated by the sender's email program) shall be required for a proper Notice. Any Notice sent in accordance with this Clause shall be effective: (i) if mailed, seven (7) Business Days after mailing, (ii) if sent by messenger / courier, upon de-livery, and (iii) if sent via facsimile or email, one (1) Business Day following trans-mission

and confirmation of receipt (as set forth in the preceding sentence). However, if any communication would otherwise become effective on a non-Business Day or after 6 p.m. local time at the address of the respective receiving Party on a Business Day, it shall instead become effective at 9 a.m. local time at the address of the respective receiving Party on the next Business Day.

15.2 Notices to the Sellers

The Sellers shall appoint a person or legal entity, which is on a non-exclusive basis authorized to accept with legally binding effect for the Sellers all declarations under this Agreement or in consummation thereof.

- (g) Any notice to be given to the Seller 1 and to the Seller 2 shall be addressed as follows:

Global ASIC GmbH
c/o Thilo von Selchow
Bockumer Straße 275
40489 Düsseldorf
Germany
Email: tvs@zmdi.com

with a copy to (for information purposes only):

Lambsdorff Rechtsanwälte Partnerschaftsgesellschaft mbB
Attn: Konstantin Graf Lambsdorff
Oranienburger Strasse 3
10178 Berlin
Germany
Facsimile: +49 30 5770 200 99
Email: k.lambsdorff@lambsdorff.net

- (h) Any notice to be given to the Seller 3 shall be addressed as follows:

Freistaat Sachsen
Saxon State Ministry of Finance
Attn.: Sybille Gedenk-Fleger
Carolaplatz 1
01097 Dresden
Germany
Facsimile: +493515644440
Email: Sybille.gedenk-fleger@smf.sachsen.de

with a copy to (for information purpose only):

Noerr LLP
Attn.: Jens Gehlich
Paul-Schwarze-Straße 2
01097 Dresden
Germany
Facsimilie: +493518166081
Email: jens.gehlich@noerr.com

15.3 Notices to the Purchaser and the Purchaser's Guarantor

Any notice to be given to the Purchaser and the Purchaser's Guarantor shall be addressed as follows:

Integrated Device Technology, Inc.
Attn.: Matthew Brandalise
6024 Silver Creek Valley Road
San Jose, CA 95138
USA
Facsimile: +1 408 284 8454
Email: Matthew.Brandalise@idt.com

with a copy to (for information purposes only):

Latham & Watkins LLP
Attn: Christoph W. G. Engeler
Warburgstrasse 50
20354 Hamburg
Germany
Facsimile: +49 4140 3130
Email: christoph.engeler@lw.com

15.4 Changes of Address

The Parties shall notify without undue delay (*unverzüglich*) any change of their respective addresses set forth in this Agreement in writing to the other Parties of this Agreement.

15.5 Notices to Advisers

The receipt of copies of Notices under this Clause by any of the Parties' advisers shall not constitute or substitute the receipt of such Notices by the Parties themselves, irrespective of whether the delivery of such copy was mandated by this Agreement.

16. MISCELLANEOUS

16.1 No Third-Party Beneficiaries

Except has explicitly stated in this Agreement, this Agreement nor any provision set forth in this Agreement is intended to confer any rights or remedies upon any person or entity other than the Parties.

16.2 No Joint and Several Debtors

Unless provided for otherwise in this Agreement (Clause 11.4(b)), the Sellers shall not be jointly and severally liable (*gesamtschuldnerische Haftung*) under or in connection with this Agreement. Each Seller is only liable on a pro rata basis pursuant to its respective Pro Rata Share (*Teilschuldnerschaft*), except, however, with respect to (i) any specific performance claims for transfer of title to the Sold Shares (*Erfüllungsansprüche*), (ii) the Sellers Guarantees under Clauses 7.2 and 7.4(b)

through 7.4(d), (iii) claims under Clause 5.4(b) and (iv) any claims under Clauses 11.1, 11.2, 11.3(c) through 11.3(e) concerning which only the respective Seller in breach shall be exclusively liable subject to the restrictions contained herein (*Einzelschuldnerschaft*). The Sellers shall not be joint and several creditors (*Gesamtgläubiger*) with regard to all and any claims they might have under this Agreement against Purchaser or the Purchaser's Guarantor.

16.3 Form of Amendments

Changes or amendments to this Agreement shall be valid only if made by the Parties in writing (*schriftliche Form*) solely within the meaning of Sec. 126 (1) and (2) BGB, unless notarization or any other specific form is required by mandatory law. This shall also apply to any change of this Section 16.3.

16.4 Invalid Provisions

Should any provision of this Agreement be or held to be wholly or partly invalid, ineffective or unenforceable, this shall not affect the validity, effectiveness or enforceability of the remaining provisions. Any such invalid, ineffective or unenforceable provision shall, to the extent permitted by law, be deemed replaced, or to the extent this is not possible, shall be replaced through an agreement in the required form by the Parties, by such valid, effective and enforceable provision as comes closest to the economic intent and purpose of such invalid, ineffective or unenforceable provision. The aforesaid shall apply *mutatis mutandis* to any unintended omission in this Agreement. It is the express intent of the Parties that this Clause 16.4 shall not be construed as a mere reversal of burden of proof (*Beweislastumkehr*) but as a contractual exclusion of Section 139 BGB in its entirety.

16.5 Entire Agreement

This Agreement, including its Schedules, constitutes the entire agreement among and between the Parties with respect to the subject matter hereof and shall replace any negotiations and understandings, oral or written, heretofore made between the Parties or any of them with respect to the subject matter hereof. Side agreements to this Agreement do not exist.

16.6 Disputes

- (a) Any dispute arising from or in connection with this Agreement, its validity and its consummation shall be finally settled by three arbitrators in accordance with the arbitration rules of the German Institution of Arbitration (*Deutsche Institution für Schiedsgerichtsbarkeit e.V.*) as applicable at the time when such proceedings are initiated without recourse to the ordinary courts of law. The venue of the arbitration shall be Frankfurt am Main, Germany. The language of the arbitral proceedings shall be English, provided however that the Parties shall be entitled to submit written evidence in the German language.
- (b) In the event that mandatory applicable law requires any matter arising from or in connection with this Agreement and its consummation to be decided upon by a court of law, the competent courts in and for Frankfurt am Main, Germany, shall have the exclusive jurisdiction thereupon.

16.7 Governing Law

This Agreement shall be exclusively governed by, and be construed in accordance with, the laws of the Federal Republic of Germany, without regard to principles of conflicts of laws and without regard to the UN Convention on the Sale of Goods (CISG).

Certification of Chief Executive Officer

I, Gregory L. Waters, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integrated Device Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2015

By: /s/ Gregory L. Waters

Gregory L. Waters
President and Chief Executive Officer

Certification of Chief Financial Officer

I, Brian C. White, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integrated Device Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2015

By: /s/ Brian C. White

Brian C. White
Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of Chief Executive Officer

I, Gregory L. Waters, of Integrated Device Technology, Inc. (the "Company"), pursuant to the requirement set forth in Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350, certify to my knowledge that:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 27, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2015

By: /s/ Gregory L. Waters

Gregory L. Waters

President and Chief Executive Officer

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Chief Financial Officer

I, Brian C. White, of Integrated Device Technology, Inc. (the "Company"), pursuant to the requirement set forth in Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350, certify to my knowledge that:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 27, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2015

By: /s/ Brian C. White
Brian C. White
Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

