

**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 December 29, 2013 OR
- // TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File 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)

94-2669985

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

6024 SILVER CREEK VALLEY ROAD, SAN JOSE, CALIFORNIA

(Address of Principal Executive Offices)

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 January 31, 2014 was approximately 149,932,640.

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>	December 29, 2013	March 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 104,628	\$ 130,837
Short-term investments	333,670	166,333
Accounts receivable, net of allowances of \$2,122 and \$2,787	65,774	62,083
Inventories	53,332	56,555
Income tax receivable	144	192
Prepayments and other current assets	15,253	24,505
Total current assets	572,801	440,505
Property, plant and equipment, net	71,716	74,988
Goodwill	135,644	144,924
Other intangible assets, net	33,173	48,602
Deferred non-current tax assets	776	671
Other assets	17,704	18,889
Total assets	\$ 831,814	\$ 728,579
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 22,822	\$ 23,244
Accrued compensation and related expenses	22,545	21,090
Deferred income on shipments to distributors	13,374	14,539
Deferred tax liabilities	1,150	1,000
Other accrued liabilities	10,646	14,652
Total current liabilities	70,537	74,525
Deferred tax liabilities	1,552	1,552
Long-term income tax payable	305	454
Other long-term liabilities	19,539	22,022
Total liabilities	91,933	98,553
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock: \$.001 par value: 10,000 shares authorized; no shares issued	—	—
Common stock: \$.001 par value: 350,000 shares authorized; 150,108 and 146,253 shares outstanding at December 29, 2013 and March 31, 2013, respectively	150	146
Additional paid-in capital	2,449,380	2,407,998
Treasury stock at cost: 92,467 shares at December 29, 2013 and 90,426 shares at March 31, 2013, respectively	(997,672)	(977,296)
Accumulated deficit	(713,973)	(802,308)
Accumulated other comprehensive income	1,996	1,486
Total stockholders' equity	739,881	630,026
Total liabilities and stockholders' equity	\$ 831,814	\$ 728,579

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

**INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
<i>(Unaudited in thousands, except per share data)</i>				
Revenues	\$ 124,628	\$ 114,277	\$ 366,139	\$ 376,673
Cost of revenues	49,689	51,203	154,317	166,472
Gross profit	74,939	63,074	211,822	210,201
Operating expenses:				
Research and development	31,063	36,700	107,939	117,375
Selling, general and administrative	23,687	25,871	77,826	89,864
Total operating expenses	54,750	62,571	185,765	207,239
Operating income	20,189	503	26,057	2,962
Gain (loss) on divestitures, net	(3,415)	—	78,934	—
Interest income (expense) and other, net	1,108	(344)	1,921	1,450
Income before income taxes from continuing operations	17,882	159	106,912	4,412
Income tax provision (benefit)	543	265	661	(3,768)
Net income (loss) from continuing operations	\$ 17,339	\$ (106)	\$ 106,251	\$ 8,180
Discontinued operations:				
Gain from divestiture	—	—	—	886
Loss from discontinued operations before income taxes	(10,123)	(5,115)	(17,922)	(18,658)
Income tax provision (benefit)	268	(64)	(6)	(47)
Net loss from discontinued operations	(10,391)	(5,051)	(17,916)	(17,725)
Net income (loss)	\$ 6,948	\$ (5,157)	\$ 88,335	\$ (9,545)
Basic net income per share - continuing operations	\$ 0.11	\$ —	\$ 0.71	\$ 0.06
Basic net loss per share - discontinued operations	\$ (0.06)	\$ (0.04)	\$ (0.12)	\$ (0.13)
Basic net income (loss) per share	\$ 0.05	\$ (0.04)	\$ 0.59	\$ (0.07)
Diluted net income per share - continuing operations	\$ 0.11	\$ —	\$ 0.70	\$ 0.06
Diluted net loss per share - discontinued operations	\$ (0.07)	\$ (0.04)	\$ (0.12)	\$ (0.13)
Diluted net income (loss) per share	\$ 0.04	\$ (0.04)	\$ 0.58	\$ (0.07)
Weighted average shares:				
Basic	151,018	144,321	148,835	143,477
Diluted	155,035	144,321	152,560	144,760

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

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

<i>(Unaudited in thousands)</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Net income (loss)	\$ 6,948	\$ (5,157)	\$ 88,335	\$ (9,545)
Other comprehensive income, net of taxes:				
Currency translation adjustments, net of tax	(134)	112	407	837
Change in net unrealized gain on investments, net of tax	218	8	107	8
Actuarial loss on post-employment and post-retirement benefit plans, net of tax	(1)	—	(4)	—
Total other comprehensive income	\$ 83	\$ 120	\$ 510	\$ 845
Comprehensive income (loss)	\$ 7,031	\$ (5,037)	\$ 88,845	\$ (8,700)

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>	Nine Months Ended	
	December 29, 2013	December 30, 2012
Cash flows provided by operating activities:		
Net income (loss)	\$ 88,335	\$ (9,545)
Adjustments:		
Depreciation	15,936	14,737
Amortization of intangible assets	12,794	15,144
Goodwill and long-lived asset impairment	4,797	584
Gain from divestitures, net	(78,934)	(886)
Stock-based compensation expense, net of amounts capitalized in inventory	10,846	9,306
Deferred tax benefit	(160)	(4,302)
Tax benefit from share-based payment arrangements	—	(45)
Changes in assets and liabilities (net of amounts acquired):		
Accounts receivable, net	(3,691)	2,143
Inventories	(751)	13,294
Prepayments and other assets	4,786	6,329
Accounts payable	(2,676)	(4,569)
Accrued compensation and related expenses	49	(4,363)
Deferred income on shipments to distributors	(1,165)	(662)
Income taxes payable and receivable	(905)	200
Other accrued liabilities and long-term liabilities	(996)	(1,333)
Net cash provided by operating activities	48,265	36,032
Cash flows used for investing activities:		
Acquisitions, net of cash acquired	—	(68,341)
Cash in escrow related to acquisitions	6,000	(7,816)
Proceeds from divestitures	96,299	5,000
Purchases of property, plant and equipment	(14,489)	(22,011)
Purchases of short-term investments	(307,529)	(139,915)
Proceeds from sales of short-term investments	26,949	32,396
Proceeds from maturities of short-term investments	112,506	130,822
Net cash used for investing activities	(80,264)	(69,865)
Cash flows provided by financing activities:		
Proceeds from issuance of common stock	30,889	10,829
Repurchase of common stock	(20,376)	—
Payment of acquisition related contingent consideration	(5,130)	—
Excess tax benefit from share-based payment arrangements	—	45
Net cash provided by financing activities	5,383	10,874
Effect of exchange rates on cash and cash equivalents	407	837
Net decrease in cash and cash equivalents	(26,209)	(22,122)
Cash and cash equivalents at beginning of period	130,837	134,924
Cash and cash equivalents at end of period	\$ 104,628	\$ 112,802

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 31st. In a 52-week year, each fiscal quarter consists of thirteen weeks. In a 53-week year, the additional week is usually added to the third quarter, making such quarter consist of fourteen weeks. The first, second and third quarters of fiscal 2014 and fiscal 2013 were thirteen 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 31, 2013. 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 statement of the condensed consolidated financial statements, for the interim period.

Recent Accounting Pronouncements.

Accounting Pronouncements Recently Adopted

In July 2012, the Financial Accounting Standards Board (FASB) issued an amendment to its guidance regarding the testing of indefinite-lived intangible assets for impairment. This amended guidance allows an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with the guidance on the impairment of intangible assets other than goodwill. This amended guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance had no impact on the Company's financial statements.

In February 2013, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") to the guidance on Comprehensive Income, to improve the reporting of reclassifications out of accumulated other income. This guidance requires entities to provide information about the amounts reclassified out of accumulated other income by component. The authoritative guidance also requires an entity to present, either on the face of the statement where net income (loss) is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income only if the amount reclassified is required under U.S. GAAP to be reclassified to net income (loss) in its entirety in the same reporting period. For amounts not required to be reclassified under U.S. GAAP, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The Company adopted this guidance in the first quarter of fiscal 2014 and the adoption did not have a significant impact on the Company's condensed consolidated financial statements. See Note 12 for more information.

Accounting Pronouncements Not Yet Effective for Fiscal 2014

In February 2013, the FASB issued guidance for the recognition, measurement, and disclosure of certain obligations resulting from joint and several liability arrangements for which the total amount is fixed. Such obligations may include debt arrangements, legal settlements, and other contractual arrangements. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2013, which is the first quarter of fiscal 2015 for the Company, and should be applied retrospectively to all prior periods presented for those obligations within the scope which existed as of the beginning of the fiscal year of adoption. Early adoption is permitted. The Company is currently evaluating the new guidance.

In March 2013, the FASB issued guidance on the accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The guidance is effective prospectively for fiscal years and interim periods within those fiscal years beginning after December 15, 2013, which is the first quarter of fiscal 2015 for the Company. Early adoption is permitted. The Company is currently evaluating the new guidance.

In July 2013, FASB issued an ASU on Income Taxes, to improve the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance is expected to reduce diversity

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in practice by and is expected to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exists. This guidance is effective for interim and annual periods beginning after December 15, 2013, which is the first quarter of fiscal 2015 for the Company. The Company does not believe that the implementation of this authoritative guidance will have a material impact on its financial position or results of operations as it affects presentation of unrecognized tax benefits.

Note 2. Net Income (Loss) Per Share

Basic net income (loss) 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.

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

	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
<i>(in thousands, except per share amounts)</i>				
Numerator (basic and diluted):				
Net income (loss) from continuing operations	\$ 17,339	\$ (106)	\$ 106,251	\$ 8,180
Denominator:				
Weighted average common shares outstanding, basic	151,018	144,321	148,835	143,477
Dilutive effect of employee stock options and restricted stock units	4,017	—	3,725	1,283
Weighted average common shares outstanding, diluted	155,035	144,321	152,560	144,760
Basic net income per share from continuing operations	\$ 0.11	\$ —	\$ 0.71	\$ 0.06
Diluted net income per share from continuing operations	\$ 0.11	\$ —	\$ 0.70	\$ 0.06

Potential dilutive common shares of 0.7 million and 10.1 million pertaining to employee stock options and restricted stock units were excluded from the calculation of diluted earnings per share for the three months ended December 29, 2013 and December 30, 2012, respectively, because the effect would have been anti-dilutive. Potential dilutive common shares of 3.8 million and 16.3 million pertaining to employee stock options and restricted stock units were excluded from the calculation of diluted earnings per share for the nine months ended December 29, 2013 and December 30, 2012, respectively, because the effect would have been anti-dilutive.

Note 3. Business Combinations*Termination of Proposed Acquisition of PLX Technology, Inc. (PLX)*

On April 30, 2012, IDT and PLX had entered into an Agreement and Plan of Merger with PLX Technology, Inc. (PLX) for the acquisition of PLX by IDT (the Agreement). On December 19, 2012, the United States Federal Trade Commission (FTC) filed an administrative complaint challenging IDT's proposed acquisition of PLX. In response to the FTC's determination to challenge the proposed acquisition of PLX by IDT, effective December 19, 2012, IDT and PLX mutually agreed to terminate the Agreement. Also on December 19, 2012, IDT withdrew its related exchange offer (the Offer) to acquire all of the issued and outstanding shares of common stock, \$0.001 par value, of PLX and instructed Computershare, the exchange agent for the Offer, to promptly return all previously tendered shares.

Acquisition of NXP B.V.'s Data Converter Business

On July 19, 2012, the Company completed an acquisition of certain assets related to technology and products developed for communications analog mixed-signal market applications from NXP B.V.

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The Company acquired the communications analog mixed-signal assets for an aggregate cash purchase price of approximately \$31.2 million, less a \$4.0 million credit from NXP B.V. for certain accrued liabilities assumed by the Company from NXP B.V. resulting in a net aggregate purchase price of \$27.2 million.

The assets acquired and liabilities assumed were recognized in the following manner based on their fair values as at July 19, 2012:

<i>(in thousands)</i>	Fair Value
Inventories	\$ 252
Property, plant and equipment, net	1,125
Funded pension assets *	666
Accrued pension liabilities*	(666)
Other long term liabilities	(435)
Intangible assets (other than goodwill)	12,500
Goodwill	13,720
Total purchase price	\$ 27,162

* See Note 16 for information regarding pension plans adopted.

A summary of the allocation of intangible assets (other than goodwill) is as follows:

<i>(in thousands)</i>	Fair Value
Existing technologies	\$ 7,500
Customer relationships	2,700
In-process research and development	1,900
Non-compete agreements	300
Backlog	100
Total	\$ 12,500

The purchase price in excess of the fair value of the assets and liabilities assumed was recognized as goodwill.

Identifiable Tangible Assets and Liabilities:

Assets and liabilities were reviewed and adjusted, if required, to their estimated fair value.

Inventories – The value allocated to inventories reflects the estimated fair value of the acquired inventory based on the expected sales price of the inventory, less reasonable selling margin.

Funded pension assets and liabilities – The costs of pension benefits and related liabilities for the employees that were transferred to the Company as a result of the acquisition were determined based on actuarial calculations.

Intangible Assets:

Existing technologies consist of NXP's data converter products that have reached technological feasibility and in-process research and development (IPR&D) which consists of projects that have not reached technological feasibility. The Company valued the existing technologies and IPR&D utilizing a multi-period excess earnings method (Excess Earnings Method), which uses the discounted future earnings specifically attributed to these intangible assets, that is, in excess of returns for other assets that contributed to those earnings. The Company utilized discount factors of 26% for the existing technologies and a discount factor of 31% was utilized for IPR&D. The Company valued one year of contractual backlog also using the Excess Earnings Method and a discount rate of 19%. Customer relationship and non-competition agreement values have been estimated utilizing a with and without method (With and Without Method), which uses projected cash flows with and without the intangible asset in place. Cash flow differentials are then discounted to present value to arrive at an estimate of fair value for the asset. The Company utilized discount factors of 29% for estimating the value of these intangible assets.

The financial results of the NXP B.V. data converter business have been included in the Company's Condensed Consolidated Statements of Operations from July 19, 2012, the closing date of the acquisition.

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Pro Forma Financial Information (unaudited):

The following unaudited pro forma financial information presents the combined results of operations of the Company and the NXP B.V. data converter business as if the acquisition had occurred as of the beginning of fiscal 2012. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2012. The unaudited pro forma financial information presented below for the nine months ended December 30, 2012 combines historical IDT and NXP B.V. data converter business results. The pro forma financial information includes the business combination effect of the amortization charges from acquired intangible assets, the amortization of fair market value inventory write-up and acquisition costs.

<i>(Unaudited in thousands, except per share data)</i>	Nine Months Ended	
	December 30, 2012	
Revenues	\$	379,110
Net income (loss)	\$	(9,363)
Basic net income (loss) per share - continuing operations	\$	(0.07)
Diluted net income (loss) per share - continuing operations	\$	(0.07)

Acquisition of Fox Enterprises, Inc.

On April 30, 2012, the Company completed the acquisition of Fox Enterprises, Inc. (Fox), a leading supplier of frequency control products including crystals and crystal oscillators, in an all-cash transaction for approximately \$28.9 million, which included \$25.7 million in cash paid at closing and \$3.2 million which was recorded as a liability representing the fair value of contingent cash consideration of up to \$4.0 million based upon the achievement of future financial milestones, which would be payable after 12 months from the acquisition date. During the three month period ended June 30, 2013, the Company settled the contingent consideration and paid Fox \$3.3 million. The Company believes that the combination of Fox's product portfolio with the Company's CrystalFree™ oscillators makes the Company the industry's one-stop shop for frequency control products. In addition, the Company expects this acquisition will help accelerate the adoption of CrystalFree™ by enabling customers to purchase pMEMS and CMOS solid-state oscillators alongside traditional quartz-based components through the Company's established sales channels.

The Company allocated the purchase price to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price over those fair values was recorded as goodwill. The fair values assigned to tangible and intangible assets acquired were based on management estimates and assumptions.

The Company incurred approximately \$0.2 million of acquisition-related costs in the first quarter of fiscal 2013, and these costs are included in selling, general and administrative expenses on the Condensed Consolidated Statements of Operations.

The aggregate purchase price was allocated as follows:

<i>(in thousands)</i>	Fair Value	
Cash	\$	1,080
Accounts receivable		4,053
Inventories		2,600
Prepaid expenses and other current assets		363
Property, plant and equipment, net		656
Other long-term assets		1,190
Accounts payable and accrued expenses		(3,765)
Other long-term liabilities		(1,516)
Long-term deferred tax liability		(4,549)
Intangible assets (other than goodwill)		12,300
Goodwill		16,509
Total purchase price	\$	28,921

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A summary of the allocation of intangible assets (other than goodwill) is as follows:

<i>(in thousands)</i>	Fair Value
Existing technologies	\$ 7,900
Customer relationships	2,000
Trade names and trademarks	1,500
In-process research and development	900
Total	<u>\$ 12,300</u>

Identifiable Tangible Assets and Liabilities

Assets and liabilities were reviewed and adjusted, if required, to their estimated fair value.

Inventories – The value allocated to inventories reflects the estimated fair value of the acquired inventory based on the expected sales price of the inventory, less reasonable selling margin.

Intangible Assets:

The Company valued the existing technologies utilizing a discounted cash flow (DCF) model, which uses forecasts of future revenues and expenses related to the intangible assets. The Company utilized a discount factor of 15% for the existing technologies and is amortizing the intangible assets over 5 years on a straight-line basis.

Customer relationship values have been estimated utilizing a DCF model, which uses forecasts of future revenues and expenses related to the intangible asset. The Company utilized discount factors of 15% - 20% for this intangible asset and is amortizing this intangible asset over 4 years on a straight-line basis.

Trade names and trademarks values have been estimated utilizing a DCF model, which uses forecasts of future revenues and expenses related to the intangible asset. The Company utilized a discount factor of 20% for this intangible asset and is amortizing this intangible asset over 3 years on a straight-line basis.

In-process research and development (IPR&D):

The Company utilized the DCF method to value the IPR&D, using a discount factor of 21% and will amortize this intangible asset once the projects are complete.

The financial results of Fox Enterprises have been included in the Company's Condensed Consolidated Statements of Operations from April 30, 2012, the closing date of the acquisition. Pro forma earnings information has not been presented because the effect of the acquisition is not material to the Company's historical financial statements.

Acquisition of Alvand Technologies, Inc.

On April 16, 2012, the Company completed the acquisition of Alvand Technologies Inc., a leading analog integrated circuits company specializing in data converters, for total purchase consideration of approximately \$23.3 million, of which \$20.5 million was paid in cash at closing and \$2.8 million was recorded as a liability representing the fair value of contingent cash consideration of up to \$4.0 million based upon the achievement of future product development milestones to be completed within 36 months following the acquisition date. Payments will be made on a proportionate basis upon the completion of each milestone. As of June 30, 2013, the fair value of the contingent consideration was re-measured based on a revised product development forecast for the business. As a result, the fair value of the contingent consideration increased to \$3.4 million. \$0.5 million of the change in the fair value of the contingent consideration was recorded in selling, general and administrative expenses in fiscal 2013 and \$0.1 million in the first quarter of fiscal 2014. During the three months ended September 29, 2013, the Company paid Alvand Technologies \$1.4 million. During the three months ended December 29, 2013, the Company paid Alvand Technologies \$0.4 million, offset by an increased the fair value estimate by \$0.2 million, which decreased the fair value of the remaining contingent consideration to \$1.9 million.

The Company allocated the purchase price to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess purchase price over those fair values was recorded as goodwill. The fair values assigned to tangible and intangible assets acquired were based on management estimates and assumptions.

The Company incurred approximately \$0.1 million of acquisition-related costs in the first quarter of fiscal 2013, which were included in selling, general and administrative expense on the Condensed Consolidated Statements of Operations.

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The aggregate purchase price was allocated as follows:

<i>(in thousands)</i>	Fair Value
Cash	\$ 147
Accounts receivable	211
Prepaid expenses	124
Property, plant and equipment, net	15
Accounts payable and other current liabilities	(707)
Backlog	1,500
Non-competition agreements	2,300
Goodwill	19,712
Total purchase price	\$ 23,302

Amortizable Intangible Assets:

Backlog consists of existing contracts. The Company valued the one-year of contractual backlog by calculating the present value of the projected cash flows that are expected to be generated by the backlog utilizing a discount factor of 15%. The Company valued non-competition agreements estimating cash flows with and without non-competition agreements. The projected cash flows were discounted using a discount factor of 22%.

The financial results of Alvand Technologies have been included in the Company's Condensed Consolidated Statements of Operations from April 16, 2012, the closing date of the acquisition. Pro forma earnings information has not been presented because the effect of the acquisition is not material to the Company's historical financial statements.

Note 4. Discontinued Operations

High-Speed Converter ("HSC") Business

In the third quarter of fiscal 2014, the Company initiated a plan to divest its HSC business. The Company believes that this divestiture will allow it to intensify focus on its analog-intensive mixed-signal, timing and synchronization, and interface and connectivity solutions. The Company intends to fully divest its HSC business within the next twelve months and has classified these assets as held for sale. As of December 29, 2013, the HSC business long-lived assets classified as held for sale was \$9.5 million and consisted of \$2.9 million in fixed assets and \$6.6 million in intangible assets.

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 discontinued operations for the three and nine months ended December 29, 2013 and December 30, 2012 were as follows (in thousands):

	For the Three Months Ended,		For the Nine Months Ended,	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Revenues	\$ 1,811	\$ 870	\$ 2,931	\$ 2,036
Cost of revenues	(1,398)	(997)	(2,379)	(2,150)
Goodwill and long-lived assets impairment	(4,797)	—	(4,979)	—
Operating expenses	(5,739)	(4,988)	(13,495)	(13,413)
Income tax provision (benefit)	268	(64)	(6)	(50)
Net loss from discontinued operations	<u>\$ (10,391)</u>	<u>\$ (5,051)</u>	<u>\$ (17,916)</u>	<u>\$ (13,477)</u>

Video Business

On September 26, 2011, the Company completed the transfer of certain assets related to IDT's Hollywood Quality Video (HQV) and Frame Rate Conversion (FRC) video processing product lines to Qualcomm pursuant to an Asset Purchase Agreement. The sale of these HQV and FRC video processing assets is intended to allow the Company to intensify focus on its analog-intensive mixed-signal, timing, and interface solutions. Upon the closing of the transaction, Qualcomm paid the Company \$58.7 million in cash consideration, of which \$6.0 million had been withheld in an escrow account for a period of two years and was paid to the

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Company during the second quarter of fiscal 2014. In the second quarter of fiscal 2012, the Company recorded a gain of \$45.9 million related to this divestiture. The following table summarizes the components of the gain (in thousands):

Cash proceeds from sale (including amounts held in escrow)	\$	58,744
Less cost basis of assets sold and direct costs related to the sale		
Fixed asset transferred to Qualcomm		(434)
Goodwill allocated		(8,568)
Intangible assets		(1,818)
License write-off		(525)
Transaction and other costs		(1,460)
Gain on divestiture	\$	<u>45,939</u>

On August 1, 2012, the Company completed the transfer of the remaining assets of its video business to Synaptics for \$5.0 million in cash pursuant to an Asset Purchase Agreement. In connection with the divestiture, 47 employees were transferred to Synaptics. In the second quarter of fiscal 2013, the Company recorded a gain of \$0.9 million related to this divestiture. The following table summarizes the components of the gain (in thousands):

Cash proceeds from sale	\$	5,000
Less book value of assets sold and direct costs related to the sale:		
Fixed assets		(1,963)
Goodwill		(700)
Inventories		(1,288)
Transaction and other costs		(163)
Gain on divestiture	\$	<u>886</u>

Prior to the second quarter of fiscal 2012, the video business was part of the Company's Computing and Consumer reportable segment. For financial statement purposes, the results of operations for the video business are presented in the Company's condensed consolidated financial statements as discontinued operations.

The results from discontinued operations for the nine months ended December 30, 2012 are as follows (in thousands):

Revenues	\$	2,429
Cost of revenues		(3,006)
Operating expenses		(4,554)
Gain on divestiture		886
Provision for Income tax		3
Net loss from discontinued operations	\$	<u>(4,248)</u>

Note 5. Other Divestitures (not accounted as discontinued operations)*Sale of Certain Assets of Audio Business*

On December 18, 2013, Integrated Device Technology, Inc. and Integrated Device Technology (Malaysia) Sdn. Bhd., a wholly-owned subsidiary of IDT (collectively "IDT"), completed the sale of certain assets of its Audio business to Stravelis, Inc. for \$0.2 million in cash and up to a maximum potential of \$1.0 million additional consideration contingent upon future revenues. The fair value of the contingent consideration was estimated to be zero based on the estimated probability of attainment of future revenue targets. In addition, the Company recorded a \$0.3 million liability for services to be provided at no charge by IDT for the first year following the acquisition date. The Company recorded a loss of \$3.4 million on divestiture related to this transaction in the third quarter of fiscal 2014.

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The following table summarizes the components of the loss on divestiture (in thousands):

	Amount
Cash proceeds from sale	\$ 200
Maximum potential contingent consideration	1,000
Total consideration	<u>\$ 1,200</u>
Fair value adjustment to contingent consideration	\$ (1,000)
Accrued liability for post sale services	(300)
Fixed assets	(135)
Inventories	(2,750)
Other assets	(304)
Transaction and other costs	(126)
Loss on divestiture	<u>\$ 3,415</u>

Prior to the divestiture, the Audio business operating results were included in the Company's Computing and Consumer reportable segment. The Audio business was part of a larger cash-flow generating product group and did not, on its own, represent a separate operation of the Company and, therefore, this sale did not qualify as discontinued operations.

Sale of Certain Assets of PCI Express ("PCIe") Enterprise Flash Controller Business

On July 12, 2013, Integrated Device Technology, Inc. and Integrated Device Technology (Malaysia) Sdn. Bhd., a wholly-owned subsidiary of IDT (collectively "IDT"), completed the sale of certain assets of its PCI Express ("PCIe") enterprise flash controller business to PMC-Sierra, Inc., a Delaware corporation ("PMC"), for \$96.1 million in cash.

The Company recorded a gain of \$82.3 million on divestiture related to this transaction in the second quarter of fiscal 2014.

The following table summarizes the components of the gain on divestiture (in thousands):

	Amount
Cash proceeds from sale	\$ 96,099
Less book value of assets sold and direct costs related to the sale:	
Fixed assets	(1,312)
Inventories	(876)
Goodwill allocation	(7,323)
Transaction and other costs	(4,239)
Gain on divestiture	<u>\$ 82,349</u>

Pursuant to the terms of the Asset Purchase Agreement (the "Purchase Agreement") by and among IDT and PMC, dated May 29, 2013, IDT sold (i) substantially all of the assets that were used by IDT and its subsidiaries in the business of designing, developing, manufacturing, testing, marketing, supporting, maintaining, distributing, provisioning and selling non-volatile memory (flash) controllers and (ii) all technology and intellectual property rights owned by IDT or any of its subsidiaries and used exclusively in, or developed exclusively for use in, (a) switching circuits having the primary function of flexible routing of data from/to multiple switch interface ports, where all switch interface ports conform to the PCIe protocol, or (b) circuits having the primary function of executing all of the capturing, re-timing, re-generating and re-transmitting PCIe signals to help extend the physical reach of the signals in a system (the "Disposition").

In connection with the closing of the Disposition, a license agreement was entered into by IDT and a subsidiary of PMC simultaneously with the Purchase Agreement, whereby IDT will license certain intellectual property rights and technology to PMC, and PMC will license back to IDT certain of the intellectual property rights and technology acquired by PMC in the Disposition.

In connection with the closing of the Disposition, IDT and PMC also entered into (a) a transition services agreement and (b) a five year supply agreement, whereby IDT will supply wafers for certain products to PMC.

Additional details regarding the Disposition are provided in the related Current Reports on Form 8-K previously furnished by IDT on May 29, 2013 and July 15, 2013.

Prior to the divestiture, the operating results for IDT's PCIe flash controller business were included in the Company's Computing and Consumer reportable segment. The PCIe enterprise flash controller business was part of a larger cash-flow generating product

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group and did not, on its own, represent a separate operation of the Company and, therefore, this sale did not qualify as discontinued operations for reporting purposes.

Note 6. Fair Value Measurement

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 29, 2013:

<i>(in thousands)</i>	Fair Value at Reporting Date Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash Equivalents and Short-Term investments:				
US government treasuries and agencies securities	\$ 120,594	\$ —	\$ —	\$ 120,594
Money market funds	65,587	—	—	65,587
Asset-backed securities	—	16,128	—	16,128
Corporate bonds	—	173,243	—	173,243
International government bonds	—	3,023	—	3,023
Bank deposits	—	17,205	—	17,205
Municipal bonds	—	8,174	—	8,174
Total assets measured at fair value	\$ 186,181	\$ 217,773	\$ —	\$ 403,954
Liabilities:				
Fair value of contingent consideration	—	—	1,880	1,880
Total liabilities measured at fair value	\$ —	\$ —	\$ 1,880	\$ 1,880

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2013:

<i>(in thousands)</i>	Fair Value at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash Equivalents and Short-Term investments:				
US government treasuries and agencies securities	\$ 87,379	\$ —	\$ —	\$ 87,379
Money market funds	79,083	—	—	79,083
Asset-backed securities	—	9,855	—	9,855
Corporate bonds	—	58,716	—	58,716
International government bonds	—	3,066	—	3,066
Bank deposits	—	16,583	—	16,583
Municipal bonds	—	2,094	—	2,094
Total assets measured at fair value	\$ 166,462	\$ 90,314	\$ —	\$ 256,776
Liabilities:				
Fair value of contingent consideration	—	—	6,695	6,695
Total liabilities measured at fair value	\$ —	\$ —	\$ 6,695	\$ 6,695

U.S. government treasuries and U.S. government agency securities as of December 29, 2013 and March 31, 2013 do not include any U.S. government guaranteed bank issued paper. Corporate bonds include bank-issued securities that are guaranteed by the Federal Deposit Insurance Corporation (FDIC).

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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.

In connection with the acquisition of Fox Enterprises and Alvand Technologies (See "Note 3 - Business Combinations"), liabilities were recognized for the Company's estimate of the fair value of contingent consideration on the acquisition dates based on probability-based forecasted revenues, gross profits and attainment of product development milestones. These fair value measurements are based on significant inputs not observed in the market and thus represent a Level 3 measurement, which reflect the Company's own assumptions concerning future revenues, gross profit and product development milestones of the acquired businesses in measuring fair value. During the three months ended June 30, 2013, the Company settled the contingent consideration with Fox and paid \$3.3 million to the former shareholders of Fox. During the three months ended September 29, 2013, the Company paid Alvand Technologies \$1.4 million which decreased the fair value of the remaining contingent consideration to \$2.0 million. During the three months ended December 29, 2013, the Company paid Alvand Technologies \$0.4 million, offset by an increased fair value estimate of \$0.2 million, decreasing the remaining fair value of the contingent consideration to \$1.9 million.

The following table summarizes the change in the fair value of the contingent consideration measured using significant unobservable inputs (Level 3) for the nine months ended December 29, 2013:

<i>(in thousands)</i>	Estimated Fair Value
Balance as of March 31, 2013	\$ 6,695
Payments, net of fair value adjustments	(5,033)
Balance as of December 29, 2013	\$ 1,880

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 nine months ended December 29, 2013 and December 30, 2012.

Note 7. Investments

Available-for-Sale Securities

Available-for-sale investments at December 29, 2013 were as follows:

<i>(in thousands)</i>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	\$ 120,575	\$ 85	\$ (66)	\$ 120,594
Money market funds	65,587	—	—	65,587
Asset-backed securities	16,129	6	(7)	16,128
Corporate bonds	173,092	272	(121)	173,243
International government bonds	3,037	—	(14)	3,023
Bank deposits	17,205	—	—	17,205
Municipal bonds	8,217	9	(52)	8,174
Total available-for-sale investments	403,842	372	(260)	403,954
Less amounts classified as cash equivalents	(70,284)	—	—	(70,284)
Short-term investments	\$ 333,558	\$ 372	\$ (260)	\$ 333,670

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Available-for-sale investments at March 31, 2013 were as follows:

<i>(in thousands)</i>	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government treasuries and agencies securities	\$ 87,356	\$ 24	\$ (1)	\$ 87,379
Money market funds	79,083	—	—	79,083
Asset-backed securities	9,860	2	(7)	9,855
Corporate bonds	58,733	33	(50)	58,716
International government bonds	3,069	1	(4)	3,066
Bank deposits	16,583	—	—	16,583
Municipal bonds	2,089	5	—	2,094
Total available-for-sale investments	256,773	65	(62)	256,776
Less amounts classified as cash equivalents	(90,443)	—	—	(90,443)
Short-term investments	\$ 166,330	\$ 65	\$ (62)	\$ 166,333

The cost and estimated fair value of available-for-sale securities at December 29, 2013, by contractual maturity, were as follows:

<i>(in thousands)</i>	Amortized Cost	Estimated Fair Value
Due in 1 year or less	\$ 96,079	\$ 96,078
Due in 1-2 years	134,004	134,087
Due in 2-5 years	173,759	173,789
Total investments in available-for-sale securities	\$ 403,842	\$ 403,954

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses as of December 29, 2013, 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	\$ 64,794	\$ (121)	\$ —	\$ —	\$ 64,794	\$ (121)
Asset-backed securities	9,806	(7)	—	—	9,806	(7)
U.S. government treasuries and agencies securities	32,500	(66)	—	—	32,500	(66)
Municipal bonds	5,017	(52)	—	—	5,017	(52)
International government bonds	3,023	(14)	—	—	3,023	(14)
Total	\$ 115,140	\$ (260)	\$ —	\$ —	\$ 115,140	\$ (260)

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The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses, as of March 31, 2013, 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	\$ 32,009	\$ (50)	\$ —	\$ —	\$ 32,009	\$ (50)
Asset-backed securities	6,473	(7)	—	—	6,473	(7)
U.S. government treasuries and agencies securities	3,324	(1)	—	—	3,324	(1)
International government bonds	1,007	(4)	—	—	1,007	(4)
Total	\$ 42,813	\$ (62)	\$ —	\$ —	\$ 42,813	\$ (62)

Currently, a significant portion of the Company's available-for-sale investments that it holds are high grade instruments. As of December 29, 2013, 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 are primarily driven by declines in interest rates or as a result of 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 December 29, 2013 and March 31, 2013.

Note 8. Stock-Based Employee Compensation

Equity Incentive Programs

The Company currently issues awards under three 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 one-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 three 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 December 29, 2013, there were 9.6 million shares available for future grant under the 2004 Plan.

Compensation Expense

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

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Cost of revenue	\$ 403	\$ 295	\$ 1,128	\$ 850
Research and development	1,544	1,385	4,241	3,968
Selling, general and administrative	1,252	940	4,969	3,537
Discontinued operations	169	154	507	951
Total stock-based compensation expense	\$ 3,368	\$ 2,774	\$ 10,845	\$ 9,306

The amount of stock-based compensation expense that was capitalized during the periods presented above was immaterial.

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>	Nine Months Ended December 29, 2013	
	Shares	Price
Beginning stock options outstanding	12,817	\$ 7.12
Granted	1,596	7.98
Exercised (1)	(4,078)	5.97
Canceled	(3,035)	8.87
Ending stock options outstanding	7,300	\$ 7.22
Ending stock options exercisable	4,679	\$ 7.34

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

As of December 29, 2013, the unrecognized compensation cost related to nonvested stock options, net of estimated forfeitures, was \$2.3 million and will be recognized over a weighted-average period of 1.2 years.

As of December 29, 2013, stock options vested and expected to vest totaled approximately 6.8 million with a weighted-average exercise price of \$7.23 and a weighted-average remaining contractual life of 3.4 years. The aggregate intrinsic value as of December 29, 2013 was approximately \$20.8 million.

As of December 29, 2013, fully vested stock options totaled approximately 4.7 million with a weighted-average exercise price of \$7.34 and a weighted-average remaining contractual life of 2.6 years. The aggregate intrinsic value as of December 29, 2013 was approximately \$14.2 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 December 29, 2013, 2.9 million restricted stock unit awards were outstanding under the 2004 Plan.

The following table summarizes the Company's restricted stock unit activity for each category for the nine months ended December 29, 2013:

<i>(shares in thousands)</i>	Nine Months Ended December 29, 2013	
	Shares	Weighted-average grant date fair value per share
Beginning RSUs outstanding	2,591	\$ 6.26
Granted	1,975	7.91
Released	(866)	6.16
Forfeited	(771)	6.92
Ending RSUs outstanding	2,929	\$ 7.23

As of December 29, 2013, restricted stock units vested and expected to vest totaled approximately 2.4 million with a weighted-average remaining contract life of 1.4 years. The aggregate intrinsic value was approximately \$24.0 million.

As of December 29, 2013, the unrecognized compensation cost related to restricted stock units granted under the Company's equity incentive plans was approximately \$9.3 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.6 years.

Performance-Based Stock Units

Under the 2004, 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 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.

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The following table summarizes the Company's performance stock unit activity for each category for the nine months ended December 29, 2013:

<i>(shares in thousands)</i>	Nine Months Ended December 29, 2013	
	Shares	Weighted-average grant date fair value per share
Beginning PSUs outstanding	744	\$ 7.50
Granted	491	8.46
Forfeited	(378)	8.07
Ending PSUs outstanding	857	\$ 7.79

As of December 29, 2013, performance stock units vested and expected to vest totaled approximately 0.7 million with a weighted-average remaining contract life of 1.5 years. The aggregate intrinsic value was approximately \$6.6 million.

As of December 29, 2013, the unrecognized compensation cost related to performance stock units granted under the Company's equity incentive plans was approximately \$3.0 million, net of estimated forfeitures, and is expected to be recognized over a weighted-average period of 1.5 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 9,000,000 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. On September 13, 2012, the Company's stockholders approved an additional 5,000,000 shares at the 2012 Annual meeting of Stockholders. On July 12, 2013, the Company filed an S-8 with the SEC to add the shares to the 2009 ESPP. The number of shares of common stock reserved for issuance thereunder increased from 9,000,000 shares to 14,000,000 shares.

Activity under the Company's ESPP for the nine months ended December 29, 2013 is summarized in the following table:

<i>(in thousands, except per share amounts)</i>		
Number of shares issued		952
Average issuance price	\$	6.86
Number of shares available at December 29, 2013		5,274

Note 9. Stockholders' Equity

Stock Repurchase Program. On October 22, 2013, the Company's Board increased the Company's share repurchase authorization to \$150 million. In the nine months ended December 29, 2013, the Company repurchased 2.0 million shares for \$20.4 million dollars. As of December 29, 2013, approximately \$129.6 million was available for future purchases under the share repurchase program. In the year ended December 30, 2012, the Company did not repurchase any shares. Share repurchases were recorded as treasury stock and resulted in a reduction of stockholders' equity.

Note 10. Balance Sheet Detail

<i>(in thousands)</i>	December 29, 2013	March 31, 2013
<i>Inventories, net</i>		
Raw materials	\$ 6,619	\$ 7,008
Work-in-process	21,723	24,123
Finished goods	24,990	25,424
Total inventories, net	<u>\$ 53,332</u>	<u>\$ 56,555</u>
<i>Property, plant and equipment, net</i>		
Land	\$ 11,771	\$ 11,832
Machinery and equipment	290,839	296,174
Building and leasehold improvements	48,758	48,991
Total property, plant and equipment, gross	351,368	356,997
Less: accumulated depreciation	(279,652)	(282,009)
Total property, plant and equipment, net (1)	<u>\$ 71,716</u>	<u>\$ 74,988</u>
<i>Other accrued liabilities</i>		
Short-term portion of supplier obligations (2)	\$ 817	\$ 407
Other (3)	9,829	14,245
Total other accrued liabilities	<u>\$ 10,646</u>	<u>\$ 14,652</u>
<i>Other long-term obligations</i>		
Deferred compensation related liabilities	\$ 14,514	\$ 14,615
Other	5,025	7,407
Total other long-term liabilities	<u>\$ 19,539</u>	<u>\$ 22,022</u>

(1) As of December 29, 2013, includes \$2.9 million in net fixed assets held for sale associated with the divestiture of IDT's HSC business. See Note 4 for additional information on this event. As of December 30, 2012, includes \$1.3 million in fixed assets held for sale associated with the sale of certain assets of IDT's PCI Express enterprise flash controller business which was completed on July 12, 2013. See Note 5 for additional information on this event.

(2) Supplier obligations represent payments due under various software design tool and technology license agreements.

(3) Other current liabilities consist primarily of acquisition related accrued contingent liabilities, accrued royalties and outside commissions, accrued severance costs and other accrued unbilled expenses.

Note 11. Deferred Income on Shipments to Distributors

Included in the caption "Deferred income on shipments to distributors" on the Condensed Consolidated Balance Sheets are amounts related to shipments to certain distributors for which revenue is not recognized until our product has been sold by the distributor to an end customer. The components of deferred income on shipments to distributors as of December 29, 2013 and March 31, 2013 are as follows:

<i>(in thousands)</i>	December 29, 2013	March 31, 2013
Gross deferred revenue	\$ 16,334	\$ 17,581
Gross deferred costs	(2,960)	(3,042)
Deferred income on shipments to distributors	<u>\$ 13,374</u>	<u>\$ 14,539</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

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issued in connection with the sell through of the Company's products to end customers. Historically, this amount represents on average approximately 28% 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 12. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (AOCI) by component, net of tax, for the nine months ended December 29, 2013 consisted of the following:

<i>(in thousands)</i>	Cumulative translation adjustments	Unrealized gain on available-for-sale investments	Pension adjustments	Total
Balance as of March 31, 2013	\$ 1,563	\$ —	\$ (77)	\$ 1,486
Other comprehensive income (loss) before reclassifications	407	130	—	537
Amounts reclassified out of AOCI	—	(23)	(4)	(27)
Net current-period other comprehensive income (loss)	407	107	(4)	510
Balance as of December 29, 2013	<u>\$ 1,970</u>	<u>\$ 107</u>	<u>\$ (81)</u>	<u>\$ 1,996</u>

Comprehensive income components consisted of:

<i>(in thousands)</i>	Nine Months Ended December 29, 2013	Location
Unrealized holding gains (losses) on available-for-sale investments	\$ (23)	interest and other, net
Amortization of pension benefits prior service credits	(4)	operating expense
Total amounts reclassified out of accumulated other comprehensive income (loss)	<u>\$ (27)</u>	

Note 13. Goodwill and Intangible Assets, Net

Goodwill activity for the nine months ended December 29, 2013 is as follows:

<i>(in thousands)</i>	Reportable Segment		
	Communications	Computing and Consumer	Total
Balance as of March 31, 2013	\$ 124,205	\$ 20,719	\$ 144,924
Impairment losses	(2,161)	—	(2,161)
Dispositions	—	(7,323)	(7,323)
Additions	204	—	204
Balance as of December 29, 2013	\$ 122,248	\$ 13,396	\$ 135,644

During the quarter ended December 29, 2013, the Company recorded a \$2.2 million goodwill impairment loss associated with its HSC business which was classified as a discontinued operation during the quarter. The impairment loss was included in loss from discontinued operations.

During the quarter ended September 29, 2013, the Company allocated \$7.3 million in goodwill to the sale of certain assets of IDT's PCI Express enterprise flash controller business which was completed on July 12, 2013. See Note 5 for additional information on this event.

Goodwill balances as of December 29, 2013 and March 31, 2013 are net of \$922.6 million and \$920.4 million, respectively, in accumulated impairment losses.

Intangible asset balances as of December 29, 2013 and March 31, 2013 are summarized as follows:

<i>(in thousands)</i>	December 29, 2013			
	Gross Assets	Impairment	Accumulated Amortization	Net Assets (1)
Purchased intangible assets:				
Existing technology	\$ 241,197	(1,915)	\$ (211,843)	\$ 27,439
Trademarks	4,411	—	(2,705)	1,706
Customer relationships	131,931	(395)	(130,758)	778
Backlog	1,600	—	(1,600)	—
Non-compete agreements	2,600	(325)	(1,458)	817
Total amortizable purchased intangible assets	381,739	(2,635)	(348,364)	30,740
IPR&D *	2,433	—	—	2,433
Total purchased intangible assets	\$ 384,172	(2,635)	\$ (348,364)	\$ 33,173

(1) Includes \$6.6 million in HSC assets held for sale consisting of \$4.8 million existing technology, \$1.0 million customer relationships and \$0.8 million non-compete agreements.

March 31, 2013

<i>(in thousands)</i>	Gross Assets	Impairment	Accumulated Amortization	Net Assets
Purchased intangible assets:				
Existing technology	\$ 241,197	—	\$ (203,129)	\$ 38,068
Trademarks	4,411	—	(2,018)	2,393
Customer relationships	131,931	—	(128,107)	3,824
Backlog	1,600	—	(1,509)	91
Non-compete agreements	2,600	—	(807)	1,793
Total amortizable purchased intangible assets	381,739	—	(335,570)	46,169
IPR&D *	2,433	—	—	2,433
Total purchased intangible assets	\$ 384,172	—	\$ (335,570)	\$ 48,602

* IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When the IPR&D project is complete, it is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life. If an IPR&D project is abandoned, the Company will record a charge for the carrying value of the related intangible asset to its Consolidated Statements of Operations in the period it is abandoned.

Amortization expense for the three months ended December 29, 2013 and December 30, 2012 was \$4.2 million and \$4.7 million, respectively. Amortization expense for the nine months ended December 29, 2013 and December 30, 2012 was \$12.8 million and \$15.1 million, respectively.

The intangible assets are being amortized over estimated useful lives of twelve months to seven years.

Based on the intangible assets recorded at December 29, 2013, 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
2014 (Remaining 3 months)	\$ 3,322
2015	9,657
2016	6,087
2017	4,712
2018 and thereafter	328
Total amortizable purchased intangible assets	24,106
IPR&D	2,433
Total purchased intangible assets	\$ 26,539

Note 14. Restructuring

The following table shows the provision of the restructuring charges and the liability remaining as of December 29, 2013:

<i>(in thousands)</i>	Total
Balance as of March 31, 2013	\$ 1,662
Provision	5,237
Cash payments	(6,110)
Balance as of December 29, 2013	\$ 789

During the first quarter of fiscal 2014, the Company recorded restructuring charges of \$0.4 million and reduced headcount by 15 employees. During the second quarter of fiscal 2014, the Company recorded additional restructuring charges of \$4.5 million and further reduced headcount by 90 employees. During the second quarter of fiscal 2014, the Company paid \$0.8 million related to these actions. During the third quarter of fiscal 2014, the Company accrued an additional \$0.3 million in restructuring charges and paid \$3.8 million related to the actions initiated in the previous quarters of fiscal 2014. As of December 29, 2013, the total

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accrued balance for employee severance costs related to these restructuring actions was \$0.8 million. The Company expects to complete these restructuring actions by the first quarter of fiscal 2015.

During fiscal 2013, the Company recorded restructuring charges of \$4.3 million for multiple reduction in workforce actions. The Company reduced its total headcount by approximately 132 employees with reductions affecting all functional areas and various locations. During fiscal 2013, the Company paid \$3.2 million in severance costs associated with these actions. During the three months ended June 30, 2013, the Company paid out \$1.1 million and completed these actions.

In connection with the Company's divestiture of its smart metering business, during fiscal 2013, the Company recorded \$0.4 million in restructuring expenses for employee severance costs. During the three months ended June 30, 2013, the Company paid \$0.4 million and completed this action.

Note 15. 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 specific identification method. Historical profit and loss impact related to warranty returns activity has been minimal. The total warranty accrual was \$0.6 million and \$0.2 million as of December 29, 2013 and March 31, 2013, respectively.

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, 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 with regard to the Company that IDT "...generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." The Complaint further alleges that the 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. In March 2012, the Company was served with and filed an answer to the Complaint, denying the various allegations in the Complaint. In April 2012, the Company filed an amended answer to the Complaint, including a counterclaim against the plaintiff. On August 15, 2012, the plaintiff voluntarily dismissed its Complaint against the Company without prejudice. Moyer Products, Inc., another defendant, has counter-claimed against Maxim and cross-claimed against Defendants, including the Company, and thus the Company remains a 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, and included the Company 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. The Company will continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer upon completion of the Property investigation and corrective action selection. Because the case is at an early stage and no specific monetary demands have been made, it is not possible for us to estimate the potential loss or range of potential losses.

The Company is also party to various other legal proceedings and claims arising in the normal course of business. As of September 29, 2013, the Company has not recorded any accrual for contingent liabilities associated with its legal proceedings based on the belief that liabilities, while possible, are not probable. Further, probable losses or ranges of possible losses in these matters 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 16. 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 \$1.6 million and \$1.9 million in matching contributions under the plan during the nine months ended December 29, 2013 and December 30, 2012, 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 December 29, 2013 and March 31, 2013, obligations under the plan totaled approximately \$14.5 million and \$14.6 million, respectively. 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 December 29, 2013 and March 31, 2013, the deferred compensation plan assets were approximately \$16.0 million and \$17.0 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 both December 29, 2013 and March 31, 2013, the deferred compensation plan assets under this plan were approximately \$0.7 million. As of both December 29, 2013 and March 31, 2013, the deferred compensation plan liabilities under this plan were approximately \$1.6 million.

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 December 29, 2013, the net liability for all of these international benefit plans totaled \$1.5 million.

Note 17. Income Taxes

During three months ended December 29, 2013, the Company recorded an income tax provision of \$543 thousand and an income tax provision of \$661 thousand in nine months ended December 29, 2013 from continuing operations. The Company recorded an income tax provision of \$265 thousand and an income tax provision of \$3.8 million in three and nine months ended December 30, 2012 respectively from continuing operations.

The income tax provision recorded in the nine months ended December 29, 2013 was primarily due to the tax on foreign earnings and federal and state tax on U.S. earnings, the reversal of uncertain tax positions resulting from statute lapse, and a discrete tax provision related to its fiscal 2013 income tax return filing. The income tax provision nine months ended December 30, 2012 primarily due to the recognition of a deferred tax asset offset by the recognition of a deferred tax liability due to the acquisition of Fox Enterprises. The increase in the deferred tax liability was a part of the purchase accounting step-up adjustment that was recorded against goodwill while the increase in the deferred tax asset was recorded as a tax benefit.

As of December 29, 2013, the Company was subject to examination in the U.S. federal tax jurisdiction for the fiscal years, 2010-2013. In May 2013, the Internal Revenue Service (IRS) commenced a tax audit for fiscal years beginning 2011 through 2012. 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.

As of December 29, 2013, the Company was subject to examination in various state and foreign jurisdictions for tax years 2007 forward, none of which were individually material.

Note 18. Segment Information

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

Our 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 MEMS Oscillator 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.

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The tables below provide information about these segments:

<i>Revenues by segment</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
<i>(in thousands)</i>				
Communications	\$ 75,227	\$ 64,722	\$ 215,260	\$ 195,919
Computing and Consumer	49,401	49,555	150,879	180,754
Total revenues	\$ 124,628	\$ 114,277	\$ 366,139	\$ 376,673

<i>Income (loss) by segment from continuing operations</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
<i>(in thousands)</i>				
Communications	\$ 29,087	\$ 20,337	\$ 73,103	\$ 60,280
Computing and Consumer	(1,688)	(9,842)	(15,083)	(17,875)
Unallocated expenses:				
Amortization of intangible assets	(3,322)	(3,361)	(9,965)	(12,242)
Inventory fair market value adjustment	—	—	—	(458)
Gain (loss) from divestitures, net	(3,415)	—	78,934	—
Assets impairment and recoveries	265	(527)	(3,779)	(409)
Amortization of stock-based compensation	(3,169)	(2,636)	(10,309)	(9,241)
Severance, retention and facility closure costs	(406)	(921)	(6,100)	(3,920)
Acquisition-related costs and other	(21)	(2,460)	(729)	(10,129)
Consulting expenses related to stockholder activities	—	—	—	(2,614)
Deferred compensation plan expense (benefit)	70	(87)	65	(431)
Proceeds from life insurance policies	—	—	—	2,313
Interest income and other, net	481	(344)	775	(862)
Income from continuing operations, before income taxes	\$ 17,882	\$ 159	\$ 106,912	\$ 4,412

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.

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

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Asia Pacific	\$ 82,428	\$ 71,657	\$ 233,138	\$ 243,430
Americas (1)	17,087	18,488	54,296	57,532
Japan	11,072	9,982	31,211	32,326
Europe	14,041	14,150	47,494	43,385
Total revenues	\$ 124,628	\$ 114,277	\$ 366,139	\$ 376,673

- (1) The revenues from the customers in the U.S. were \$16.9 million and \$17.6 million in the three months ended December 29, 2013 and December 30, 2012, respectively. The revenues from the customers in the U.S. were \$50.2 million and \$54.1 million in the nine months ended December 29, 2013 and December 30, 2012, respectively.

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The Company utilizes global and regional distributors around the world, who buy product directly from the Company on behalf of their customers. One distributor, Avnet represented approximately 13% of the Company's revenues for the nine month period ended December 29, 2013. Two distributors, Maxtek and its affiliates and Uniquist represented approximately 14% and 11%, respectively, of the Company's revenues for the nine month period ended December 30, 2012.

At December 29, 2013, four distributors represented approximately 15%, 11%, 11% and 10% of the Company's gross accounts receivable. At March 31, 2013, three distributors represented approximately 15%, 13% and 11% 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, Asia Pacific and Europe. The Company's property, plant and equipment, net, are summarized below by geographic area:

<i>(in thousands)</i>	December 29, 2013	March 31, 2013
United States	\$ 40,638	\$ 44,651
Canada	4,909	5,188
Malaysia	20,528	21,379
All other countries	5,641	3,770
Total property, plant and equipment, net	<u>\$ 71,716</u>	<u>\$ 74,988</u>

Note 19. Derivative Financial Instruments

As of December 29, 2013 and March 31, 2013, 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.

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 31, 2013 filed with the SEC. Operating results for the three and nine months ended December 29, 2013 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 31, 2013. We believe

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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 nine months ended December 29, 2013 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 31, 2013.

Business overview

We design, develop, manufacture and market a broad range of low-power, high-performance mixed signal semiconductor solutions for the advanced communications, computing and consumer industries. Currently, we offer communications solutions for customers within the enterprise, data center and wireless markets. Our computing products are designed specifically for storage and server applications and personal computers, while our consumer products focus on solutions for gaming consoles, set-top boxes, digital TV and smart phones.

We seek to differentiate our products from our competitors' products through the following capabilities:

- Focus on market leadership in timing, serial switching and memory interfaces and substantiate the foundation by adding new technologies, including analog, power management and systems expertise;
- Investments in applications expertise, system-level knowledge and whole product solution elements that solve difficult technology challenges for our customers and enable them to reduce their overall bill-of-materials (BOM), increase system performance and lower power consumption while accelerating their time-to-market;
- Application of our diverse skill, expertise and technology to help our customers achieve maximum benefit from evolving technology standards relevant in the market;
- Dependability and reliability of an experienced, high-volume vendor with a long-term view;
- Combination of our digital design silicon heritage and the latest in analog, mixed-signal capabilities to provide highly integrated Application Specific Standard Products (ASSPs); and
- Customizable model and design services to offer user-configured, application-optimized, quick turn benefits 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 31, 2013.

Recent developments

Termination of Proposed Acquisition of PLX Technology, Inc. (PLX)

On April 30, 2012, IDT and PLX had entered into an Agreement and Plan of Merger with PLX Technology, Inc. (PLX) for the acquisition of PLX by IDT (the Agreement). On December 19, 2012, the United States Federal Trade Commission (FTC) filed an administrative complaint challenging IDT's proposed acquisition of PLX. In response to the FTC's determination to challenge the proposed acquisition of PLX by IDT, effective December 19, 2012, IDT and PLX mutually agreed to terminate the Agreement. Also on December 19, 2012, IDT withdrew its related exchange offer (the Offer) to acquire all of the issued and outstanding shares of common stock, \$0.001 par value, of PLX and instructed Computershare, the exchange agent for the Offer, to promptly return all previously tendered shares.

Associated with the proposed acquisition of PLX, during the first quarter of fiscal 2013, IDT incurred approximately \$4.1 million in acquisition related costs, which were included in selling, general and administrative (SG&A) expense on the Condensed Consolidated Statements of Operations.

Acquisition of NXP B.V.'s Data Converter Business

On July 19, 2012, IDT completed an acquisition of certain assets related to technology and products developed for communications analog mixed-signal market applications from NXP B.V.

We acquired the communications analog mixed-signal assets for an aggregate cash purchase price of approximately \$31.2 million, less a \$4.0 million credit from NXP B.V. for certain accrued liabilities assumed from NXP B.V. resulting in a net aggregate purchase price of \$27.2 million. During the first quarter of fiscal 2013, we incurred approximately \$2.1 million in acquisition related costs, which were included in SG&A expense in the Condensed Consolidated Statements of Operations.

Acquisition of Fox Enterprises, Inc.

On April 30, 2012, IDT completed the acquisition of Fox Enterprises, Inc. (Fox), a leading supplier of frequency control products including crystals and crystal oscillators, in an all-cash transaction for approximately \$28.9 million, which included \$25.7 million in cash paid at closing and \$3.2 million which was recorded as a liability representing the fair value of contingent cash consideration of up to \$4.0 million based upon the achievement of future financial milestones, which would be payable after 12 months from the acquisition date. During the three month period ended June 30, 2013, we settled the contingent consideration and paid Fox \$3.3 million. We believe that the combination of Fox's product portfolio with our CrystalFree™ oscillators makes IDT the industry's

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one-stop shop for frequency control products. In addition, we expect that this acquisition will help accelerate the adoption of CrystalFree™ by enabling customers to purchase pMEMS and CMOS solid-state oscillators alongside traditional quartz-based components through our established sales channels.

Acquisition of Alvand Technologies, Inc.

On April 16, 2012, IDT completed the acquisition of Alvand Technologies Inc., a leading analog integrated circuits company specializing in data converters, for total purchase consideration of approximately \$23.3 million, of which \$20.5 million was paid in cash at closing and \$2.8 million was recorded as a liability representing the fair value of contingent cash consideration of up to \$4.0 million based upon the achievement of future product development milestones to be completed within 36 months following the acquisition date. Payments will be made on a proportionate basis upon the completion of each milestone. As of June 30, 2013, the fair value of the contingent consideration was re-measured based on a revised product development forecast for the business. As a result, the fair value of the contingent consideration increased to \$3.4 million. \$0.5 million of the change in the fair value of the contingent consideration was recorded in selling, general and administrative expenses in fiscal 2013 and \$0.1 million in the first quarter of fiscal 2014. During the three months ended September 29, 2013, the Company paid Alvand Technologies \$1.4 million which decreased the fair value of the remaining contingent consideration to \$1.9 million.

Discontinued operations

Divestiture of High-Speed Converter ("HSC") Business. In the third quarter of fiscal 2014, the Company initiated a plan to divest its HSC business. The Company believes that this divestiture will allow it to intensify focus on its analog-intensive mixed-signal, timing and synchronization, and interface and connectivity solutions. The Company intends to fully divest its HSC business within the next twelve months and has classified these assets as held for sale. As of December 29, 2013, the HSC business assets classified as held for sale consisted of \$2.9 million in fixed assets and \$6.6 million in intangible assets.

The HSC business was included in the Company's Communications reportable segment. For financial statement 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.

Divestiture of Video Business. On September 26, 2011, we completed the transfer of certain assets related to IDT's Hollywood Quality Video (HQV) and Frame Rate Conversion (FRC) video processing product lines to Qualcomm pursuant to an Asset Purchase Agreement. The sale of these HQV and FRC video processing assets was intended to allow us to intensify focus on our analog-intensive mixed-signal, timing, and interface and solutions. Upon the closing of the transaction, Qualcomm paid the Company \$58.7 million in cash consideration, of which \$6.0 million had been withheld in an escrow account for a period of two years and was paid to the Company during the second quarter of fiscal 2014. In the second quarter of fiscal 2012, the Company recorded a gain of \$45.9 million related to this divestiture. The Company's HQV and FRC product lines represented a significant portion of the Company's video business assets.

On August 1, 2012, we completed the transfer of the remaining assets of our video business to Synaptics for \$5.0 million in cash pursuant to an Asset Purchase Agreement. In connection with the divestiture, 47 employees were transferred to Synaptics. In the second quarter of fiscal 2013, we recorded a gain of \$0.9 million related to this divestiture.

Divestitures Not Accounted as Discontinued Operations

Sale of Audio Business. On December 18, 2013, Integrated Device Technology, Inc. and Integrated Device Technology (Malaysia) Sdn. Bhd., a wholly-owned subsidiary of IDT (collectively "IDT"), completed the sale of certain assets of its Audio business to Stravelis, Inc. for \$200 thousand in cash and up to \$1.0 million additional consideration contingent upon future revenues. The Company recorded a loss of \$3.4 million on divestiture related to this transaction in the third quarter of fiscal 2014. Prior to the divestiture, the operating results for IDT's Audio business were included in the Company's Computing and Consumer reportable segment.

Sale of Smart Meter Business. On March 7, 2013, we completed the sale of our smart metering business and related assets to Atmel Corporation for \$10.3 million in cash, of which \$1.0 million will be withheld in an escrow account for a period of one year. In the fourth quarter of fiscal 2013, we recorded a gain of \$8.0 million related to this divestiture. Prior to the divestiture, the smart meter business was part of a larger cash-flow generating product group and did not, on its own, represent a separate operation of the Company and, therefore, this sale did not qualify as discontinued operations.

Sale of PCIe Enterprise Flash Controller Business. On July 12, 2013, we completed the sale of certain assets of our PCIe enterprise flash controller business to PMC-Sierra, Inc. for \$96.1 million in cash. Prior to the divestiture, the operating results for IDT's PCIe flash controller business was included in our Computing and Consumer reportable segment. Related to this transaction, we recorded a gain of \$82.3 million on divestiture in the second quarter of fiscal 2014. See Note 5 of Notes to Condensed Consolidated Financial Statements.

[Table of Contents](#)**Overview**

The following table and discussion provides an overview of our operating results from continuing operations for the three and nine months ended December 29, 2013 and December 30, 2012:

<i>(in thousands, except for percentage)</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Revenues	\$ 124,628	\$ 114,277	\$ 366,139	\$ 376,673
Gross profit	\$ 74,939	\$ 63,074	\$ 211,822	\$ 210,201
As a % of revenues	60%	55 %	58%	56%
Operating income	\$ 20,189	\$ 503	\$ 26,057	\$ 2,962
As a % of revenues	16%	— %	7%	1%
Net income (loss) from continuing operations	\$ 17,339	\$ (106)	\$ 106,251	\$ 8,180
As a % of revenues	14%	— %	29%	2%

Our revenues increased by \$10.4 million, or 9%, to \$124.6 million in the quarter ended December 29, 2013 compared to the quarter ended December 30, 2012. The increase was primarily due to increased unit shipments in our Communications segment as we continued to experience increased demand for our Rapid I/O switching solutions products. Gross profit percentage improved primarily due to an improved shipment mix of higher margin products combined with lower charges for excess inventory reserves. Net income from continuing operations was \$17.3 million in the third quarter of fiscal 2014 as compared to a net loss of \$0.1 million in the third quarter of fiscal 2013. This increase in net income was primarily due to increased revenues and gross margin combined with decreased operating expenses.

Results of Continuing Operations**Revenues**

Revenues by segment: <i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Communications	\$ 75,227	\$ 64,722	\$ 215,260	\$ 195,919
Computing and Consumer	49,401	49,555	150,879	180,754
Total revenues	\$ 124,628	\$ 114,277	\$ 366,139	\$ 376,673

Product groups representing greater than 10% of net revenues:

<i>As a percentage of net revenues</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Communications:				
Communications timing products	23%	25%	24%	24%
Serial RapidIO products	17%	9%	15%	9%
All others less than 10% individually	20%	23%	20%	19%
Total communications	60%	57%	59%	52%
Computing and Consumer:				
Consumer and computing timing products	18%	18%	18%	20%
Memory interface products	16%	12%	16%	17%
All others less than 10% individually	6%	13%	7%	11%
Total computing and consumer	40%	43%	41%	48%
Total	100%	100%	100%	100%

Communications Segment

Revenues in our Communications segment increased \$10.5 million, or 16%, to \$75.2 million in the quarter ended December 29, 2013 as compared to the quarter ended December 30, 2012. This increase was primarily due to a \$11.2 million increase in shipments of our Rapid I/O switching solutions products combined with \$0.8 million increase in Radio Frequency product revenues, offset in part by lower revenue from legacy products.

Revenues in our Communications segment increased \$19.3 million, or 10%, to \$215.3 million in the nine months ended December 29, 2013 as compared to the nine months ended December 30, 2012. This increase was primarily due to a \$24.4 million increase in shipments of our Rapid I/O switching solutions products combined with \$1.7 million increase in Radio Frequency product revenues, offset in part by lower revenue from legacy products.

Computing and Consumer Segment

Revenues in our Computing and Consumer segment decreased \$0.2 million, to \$49.4 million in the quarter ended December 29, 2013 as compared to the quarter ended December 30, 2012. We experienced a general decrease in overall demand for most product lines within this market segment when compared to the third quarter of fiscal 2013. These decreases were offset in part by a \$6.2 million increase in DDR3 product shipments.

Revenues in our Computing and Consumer segment decreased \$29.9 million, or 17%, to \$150.9 million in the nine months ended December 29, 2013 as compared to the nine months ended December 30, 2012. We experienced a general decrease in overall demand for most product lines within this market segment when compared to fiscal 2013.

Revenues by Region

Revenues in the quarter ended December 29, 2013 increased primarily in APAC (Asia Pacific region excluding Japan), which was offset by decreases in Europe as compared to the quarter ended December 30, 2012. Revenues in APAC, the Americas,

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Japan and Europe accounted for 66%, 14%, 9% and 11%, respectively, of consolidated revenues in the quarter ended December 29, 2013 compared to 63%, 16%, 9% and 12% of our consolidated revenues in the quarter ended December 30, 2012. The Asia Pacific region continues to be our strongest region, as many of our largest customers utilize manufacturers in that region.

For the nine months ended December 29, 2013, revenue decreased in APAC (excluding Japan), Europe and the Americas as compared to the nine months ended December 30, 2012. For the nine months ended December 29, 2013, revenues in APAC region, Americas, Japan and Europe accounted for 64%, 15%, 8% and 13% of consolidated revenues as compared to 65%, 15%, 9% and 11%, respectively, for the first nine months of fiscal 2013.

Gross Profit

	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Gross Profit (in thousands)	\$ 74,939	\$ 63,074	\$ 211,822	\$ 210,201
Gross Profit Percentage	60.1%	55.2%	57.9%	55.8%

Gross profit increased \$11.9 million in the quarter ended December 29, 2013 compared to the quarter ended December 30, 2012 as a result of increased revenues combined with a higher gross margin percentage. Gross profit as a percentage of revenues increased 4.9% in the quarter ended December 29, 2013 compared to the quarter ended December 30, 2012. Gross profit percentage improved primarily due to an improved shipment mix of higher margin products combined with decreased charges for excess inventory reserves. As of December 29, 2013, the balance of inventory buffer stock which was built in anticipation of the transition of wafer fabrication activities to third party foundries, which was completed in the fourth quarter of fiscal 2012, totaled approximately \$2.6 million.

Gross profit increased \$1.6 million in the nine months ended December 29, 2013 compared to the nine months ended December 30, 2012 due to a higher gross margin percentage, offset in part by decreased revenues. Gross profit as a percentage of revenues increased 2.1% in the nine months ended December 29, 2013 compared to the nine months ended December 30, 2012, primarily due to an improved shipment mix of higher margin products combined with decreased amortization of intangible assets.

Operating Expenses

The following table presents our operating expenses for the three and nine months ended December 29, 2013 and December 30, 2012:

	Three Months Ended				Nine Months Ended			
	December 29, 2013		December 30, 2012		December 29, 2013		December 30, 2012	
<i>(in thousands, except for percentages)</i>	Dollar Amount	% of Net Revenues	Dollar Amount	% of Net Revenues	Dollar Amount	% of Net Revenues	Dollar Amount	% of Net Revenues
Research and development	\$ 31,063	25%	\$ 36,700	32%	\$ 107,939	29%	\$ 117,375	31%
Selling, general and administrative	\$ 23,687	19%	\$ 25,871	23%	\$ 77,826	21%	\$ 89,864	24%

Research and Development (R&D)

R&D expense decreased \$5.6 million, or 15.4%, to \$31.1 million in the quarter ended December 29, 2013 compared to the quarter ended December 30, 2012. The decrease was primarily due to a \$7.2 million decrease in R&D labor and benefits related costs driven by lower headcount, combined with a \$1.4 million decrease in R&D materials and outside services which were offset in part by a \$2.3 million increase in accrued employee bonus expense.

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R&D expense decreased \$9.4 million, or 8%, to \$107.9 million in the nine months ended December 29, 2013 compared to the nine months ended December 30, 2012. The decrease was primarily due to \$8.8 million decrease in R&D labor and benefits related costs driven by lower headcount, combined with a \$3.3 million decrease in R&D materials and outside services which were offset in part by a \$2.1 million increase in accrued employee bonus expense.

Selling, General and Administrative (SG&A)

SG&A expense decreased \$2.2 million, or 9%, to \$23.7 million in the quarter ended December 29, 2013 as compared to the quarter ended December 30, 2012. The decrease was primarily the result of an approximately \$2.4 million decrease in acquisition related legal, consulting, and other fees related to the proposed acquisition of PLX. In addition, SG&A headcount related expenses decreased by \$1.4 million which was offset by a \$1.2 million increase in accrued employee bonus expense.

SG&A expense decreased \$12.0 million, or 13%, to \$77.8 million in the nine months ended December 29, 2013 as compared to the nine months ended December 30, 2012. The decrease was primarily the result of an approximately \$8.3 million decrease in acquisition related legal, consulting, and other fees incurred in connection with the proposed acquisition of PLX, Fox Enterprises and a \$2.6 million reduction in consulting fees incurred during the first half of fiscal 2013 in response to activities and inquiries of Starboard Value LP. In addition, SG&A headcount related expenses decreased by \$3.8 million which was offset by a \$1.4 million increase in accrued employee bonus expense.

Interest Income and Other, Net

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

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	December 29, 2013	December 30, 2012	December 29, 2013	December 30, 2012
Interest income	\$ 419	\$ 117	\$ 501	\$ 203
Interest expense	(5)	(418)	(12)	(814)
Other income (expense), net	694	(43)	1,432	2,061
Interest income and other, net	\$ 1,108	\$ (344)	\$ 1,921	\$ 1,450

Interest income is derived from earnings on our cash and short-term investments. Interest expense is primarily due to charges associated with the credit facility with Bank of America which was terminated in the fourth quarter of fiscal 2013. Other income (expense), 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 decrease in other income in the nine months ended December 29, 2013 as compared to the same period in the prior year was primarily attributable to death benefit proceeds received in fiscal 2013 under life insurance policies purchased with the intention of funding deferred compensation plan liabilities.

Income Tax Expense (Benefit)

During three months ended December 29, 2013, the Company recorded an income tax expense of \$543 thousand and an income tax expense of \$661 thousand in nine months ended December 29, 2013 from continuing operations. The Company recorded an income tax provision of \$265 thousand and an income tax provision of \$3.8 million in three and nine months ended December 30, 2012 respectively from continuing operations.

The income tax provision recorded in the nine months ended December 29, 2013 was primarily due to the tax on foreign earnings and federal and state tax on U.S. earnings, the reversal of uncertain tax positions resulting from statute lapse, and a discrete tax provision related to its fiscal 2013 income tax return filing. The income tax provision nine months ended December 30, 2012 primarily due to the recognition of a deferred tax asset offset by the recognition of a deferred tax liability due to the acquisition of Fox Enterprises. The increase in the deferred tax liability was a part of the purchase accounting step-up adjustment that was recorded against goodwill while the increase in the deferred tax asset was recorded as a tax benefit.

Liquidity and Capital Resources

Our cash and cash equivalents and short-term investments were \$438.3 million at December 29, 2013, an increase of \$141.1 million compared to March 31, 2013.

We had no outstanding debt at December 29, 2013 and March 31, 2013.

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Cash Flows from Operating Activities

Net cash provided by operating activities totaled \$48.3 million in the nine months ended December 29, 2013 compared to \$36.0 million in the nine months ended December 30, 2012. Cash provided by operating activities in the nine months ended December 29, 2013 consisted of our net income of \$88.3 million, adjusted to add back depreciation, amortization, and other non-cash items which totaled \$44.2 million less net gain on divestitures of \$78.9 million; and cash used by working capital requirements. In the nine months ended December 29, 2013, excluding the effects of non-cash activities, cash used by working capital requirements was \$5.3 million and consisted primarily of a \$3.7 million increase in accounts receivable due to an increase in revenues as compared to the fourth quarter of fiscal 2013, a \$2.7 million decrease in accounts payables, a \$1.2 million decrease in deferred income, a \$1.0 million decrease in accrued liabilities, a \$0.9 million decrease in income taxes payable, and a \$0.8 million increase in inventories. These working capital uses were offset in part by cash provided from a \$4.8 million decrease in prepaid and other assets.

In the nine months ended December 30, 2012, net cash provided by operating activities totaled \$36.0 and consisted of our net loss of \$9.5 million, as adjusted to add back depreciation, amortization, and other non-cash items totaling \$34.5 million; and cash provided by working capital requirements primarily related to increases and decreases in assets and liabilities. In the nine months ended December 30, 2012, excluding the effects of acquisitions, inventory decreased by \$13.3 million primarily due to shipments exceeding inventory build and \$1.3 million in inventory sold to Synaptics. Prepaid and other assets decreased by \$6.3 million. Accounts payable and accrued liabilities decreased by \$8.9 million primarily due to reduced outside subcontract manufacturing activities combined with the payout of retention bonus accrued in association with the sale of our video business.

Cash Flows Used in Investing Activities

Net cash used by investing activities in the nine months ended December 29, 2013 was \$80.3 million compared to cash used of \$69.9 million in the nine months ended December 30, 2012. Net cash used by investing activities in the nine months ended December 29, 2013 was primarily due to the use of \$168.1 million for the net purchase of short-term investments and \$14.5 million of expenditures to purchase capital equipment offset by \$96.1 million of proceeds from divestiture of PCIe Enterprise Flash Controller Business and \$6.0 million of proceeds from HQV and FRC divestitures received from an escrow account during the second quarter of fiscal 2014.

In the nine months ended December 30, 2012, net cash used by investing activities was \$69.9 million and was primarily due to \$68.3 million paid for the acquisitions of Fox Enterprises, Alvand Technologies and NXP B.V. data converter business, \$7.8 million paid to escrow in association with the acquisitions, \$22.0 million of expenditures to purchase capital equipment partially offset by net proceeds of \$23.3 million from the net sale of short-term investments and \$5.0 million of proceeds from sale of video processing business assets to Synaptics.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$5.4 million in the nine months ended December 29, 2013 as compared to net cash provided by financing activities of \$10.9 million in the nine months ended December 30, 2012. Cash provided by financing activities in the nine months ended December 29, 2013, was primarily due to proceeds of approximately \$30.9 million from the exercise of employee stock options and the issuance of stock under our employee stock purchase plan which was offset in part by \$20.4 million in stock buy back purchases and a \$5.1 million payout of the contingent consideration associated with the acquisition of Fox Enterprises, Inc. and Alvand Technologies, Inc.

In the nine months ended December 30, 2012, net cash provided by financing activities was \$10.9 million and was primarily due to proceeds of approximately \$10.8 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 \$20 million to \$30 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 December 29, 2013, we had cash, cash equivalents and investments of approximately \$301.2 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 December 29, 2013, 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 \$333.7 million and \$166.3 million as of December 29, 2013 and March 31, 2013, 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 December 29, 2013 and March 31, 2013, the Company's cash, cash equivalents and investment portfolio was concentrated in securities with same day liquidity and at the end of the second quarter of fiscal 2014, 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 December 29, 2013. We do not currently use derivative financial instruments in our investment portfolio.

At December 29, 2013 and March 31, 2013, 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 December 29, 2013. We performed a sensitivity analysis as of December 29, 2013 and March 31, 2013 and determined that, without hedging the exposure, a 10% change in the value of the U.S. dollar would result in an approximate 0.4% impact on gross profit margin percentage, as we operate a manufacturing testing facility in Malaysia, and an approximate 1.4% impact to operating expenses (as a percentage of revenue), as we operate sales offices in Japan and throughout Europe and design centers in the U.S., China, and Canada. At December 29, 2013 and March 31, 2013, we had no outstanding foreign exchange contracts.

We did not have any currency exposure related to any outstanding capital purchases as of December 29, 2013 and March 31, 2013.

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 December 29, 2013, 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, alleging various environmental violations of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Hazardous Substance Account Act (HSAA), the Resource Conservation and Recovery Act (RCRA), and other public and private nuisance claims (the Complaint). The Complaint alleges with regard to the Company that IDT "...generated, transported, and/or arranged for the transport and/or disposal of hazardous waste to the Property." The Complaint further alleges that the 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. In March 2012, the Company was

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served with and filed an answer to the Complaint, denying the various allegations in the Complaint, and in April 2012, the Company filed an amended answer to the Complaint, including a counterclaim against the Plaintiff. On August 15, 2012, the plaintiff voluntarily dismissed its Complaint against the Company without prejudice. Moyer Products, Inc., another defendant, has cross-claimed against Defendants, including the Company, and thus the Company remains a defendant in this action. In September 2012, the Department of Toxic Substances Control (DTSC) notified the Company that it identified the Company, along with more than fifty other companies, as “a generator of hazardous waste” that was sent to the Property. DTSC proposed that the Company, along with the other respondent parties, enter into a Corrective Action Consent Agreement to conduct the Property investigation and corrective actions. The Company continues to participate in discussions with the DTSC regarding its proposal, but will at the same time continue to vigorously defend itself against the allegations in the Complaint and evaluate settlement options with Moyer Products, when Moyer Products is available to discuss such options. Because the case is at an early stage and no specific monetary demands have been made, it is not possible for us to estimate the potential loss or range of potential losses.

The Company is also party to various other legal proceedings and claims arising in the normal course of business. As of December 29, 2013, the Company has not recorded any accrual for contingent liabilities associated with its legal proceedings based on the belief that liabilities, while possible, are not probable. Further, probable ranges of losses in these matters 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. If any of the possible adverse events described below actually occurs, we may be unable to conduct our business as currently planned and our financial condition and operating results could be harmed. In addition, the trading price of our common stock could decline due to the occurrence of any of these risks, and you may lose all or part of your investment. The risks described below are not the only risks facing us. Additional risks not currently known to us or that we currently believe are immaterial may also impair our business, results of operations, and financial condition.

Our operating results can fluctuate dramatically.

Our operating results have fluctuated in the past and are likely to vary in the future. 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;
- reduced control over our manufacturing and product delivery as a result of our increasing 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 and economic 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 conditions may adversely affect our business and results of operations.

Adverse changes in global economic business conditions may negatively affect customer demand for our products. While the global economy has partially recovered from the economic downturn that began in 2008, continuing concerns about the impact of geopolitical issues, the availability and cost of credit, the debt crises in Europe, low business and consumer confidence, high unemployment and high energy costs, have contributed to substantial volatility in global capital markets and uncertain demand for the semiconductor industry and our products since fiscal year 2010. If the currently improving economic conditions are not sustained or begin to deteriorate again, or if we are unable to timely adapt to changes in macroeconomic conditions, our business, financial condition and results of operations may be adversely affected. In addition, the results of our operations would likely be adversely affected in the event of widespread financial and business disruption on account of a default by the U.S. on U.S. government obligations and/or a prolonged failure to maintain significant U.S. government operations.

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

The semiconductor industry is highly cyclical. The semiconductor industry 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 has experienced periods of increased demand, during which we may experience internal and external manufacturing constraints. We may experience substantial changes in future operating results due to the cyclical nature of the semiconductor industry.

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 are reliant 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 increased reliance on subcontractors and third-party foundries for our current products increases certain risks because we will have less control over manufacturing quality and delivery schedules, maintenance of sufficient capacity to meet our orders and generally, and maintaining 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

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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 rationalize our operating expenses to improve our results of operations.

We cannot assure you that we will successfully implement our business strategy or that implementing our strategy will sustain or improve our results of operations. In particular, we cannot assure you that we will 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.

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. Each of these factors is subject to one or more of the risk factors set forth in this report. Several risks that could affect our ability to implement our business strategy are beyond our control. In addition, circumstances beyond our control and changes in our business or industry may require us to change our business strategy.

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 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 customer's and their customer's 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 original equipment manufacturers (OEMs) have outsourced their manufacturing to a concentrated group of global electronics manufacturing service (EMSs) providers 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. For example, sales to three distributors represented 10% or more of the Company's net

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revenues for fiscal 2013. In addition, at March 31, 2013, four distributors represented 10% or more of the Company's gross accounts receivable. 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 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.

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, Singapore, 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 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 the Company 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

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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 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.

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. Under current Malaysia law, we are not subject to tax on our operational and investment income. 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.

In addition, we were granted a tax holiday in Malaysia during fiscal 2009. The tax holiday was contingent upon us continuing to meet specified investment criteria in fixed assets, and to operate as an APAC regional headquarters center. In the fourth quarter of fiscal 2011, we agreed with the Malaysia Industrial Development Board (MIDA) to cancel this tax holiday and entered into a new tax holiday which is a full tax exemption on statutory income for a period of 10 years commencing April 4, 2011. We are required to meet several requirements as to financial targets, investment, headcount and activities in Malaysia to retain this status. Our inability to renew this tax holiday 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. Our effective tax rate could be adversely affected by changes in the mix of earnings between countries with differing statutory tax rates, in the valuation of deferred tax assets, in tax laws 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.

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 involved in various legal proceedings, such as those described in Part II, Item 1, "Legal Proceedings." The costs associated with legal proceedings are typically high, relatively unpredictable, and are not completely within our control. While we do our best to forecast and control such costs, 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

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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 affect 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 Nine	Fiscal
	Months of Fiscal	2013
	2014	
APAC	64%	64%
Americas	15%	16%
Japan	8%	8%
Europe	13%	12%
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 December 29, 2013,

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we had cash, cash equivalents and investments of approximately \$301 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 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. Additionally, for cases in which we are required under equity method accounting to recognize a proportionate share of another company's income or loss, such income or loss may impact our earnings. Gains or losses from equity securities could vary from expectations depending on gains or losses realized on the sale or exchange of securities, gains or losses from equity method investments, and impairment charges for equity and other investments.

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 \$33.2 million of intangible assets on our balance sheet as of December 29, 2013. 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 2014, 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.

We have limited experience with government contracting, which entails differentiated business risks.

We may from time-to-time derive revenue from contracts and subcontracts with agencies of, or prime or secondary contractors to, the U.S. government, including U.S. military agencies. Consequently, we are subject to certain business risks that are particular to companies that contract with U.S. government agencies. These risks include the ability of the U.S. government or related contractors to unilaterally:

- terminate contracts at its convenience;
- terminate, modify or reduce the value of existing contracts, if budgetary constraints or needs change;
- cancel multi-year contracts and related orders, if funds become unavailable;
- adjust contract costs and fees on the basis of audits performed by U.S. government agencies;
- control and potentially prohibit the export of our products;
- require that we continue to supply products despite the expiration of a contract under certain circumstances;
- require that we fill certain types of rated orders for the U.S. government prior to filling any orders for other customers; and
- suspend us from receiving new contracts pending resolution of any alleged violations of procurement laws or regulations.

In addition, because we may enter into defense industry contracts with respect to products that are sold both within and outside of the United States, we are subject to the following additional risks in connection with government contracts:

- the need to bid on programs prior to completing the necessary design, which may result in unforeseen technological difficulties, delays and/or cost overruns;
- the difficulty in forecasting long-term costs and schedules and the potential obsolescence of products related to long-term fixed price contracts; and
- the need to transfer and obtain security clearances and export licenses, as appropriate.

The revenue from, and activity with, contracts and subcontracts with agencies of, or prime contractors to, the U.S. government, has declined subsequent to the disposition of our military business in November 2009.

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 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.

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New regulations related to “conflict minerals” may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements will require companies to disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these new requirements could adversely affect the sourcing, availability and pricing of such minerals if they are found to be used in the manufacture of our products. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, and may face difficulties in satisfying customers who require that all of the components of our products are certified as free of any conflict minerals. The first report is due on May 31, 2014 for the 2013 calendar year.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Stock Repurchase Program. On October 22, 2013, the Company's Board increased the Company's share repurchase authorization to \$150 million. In the nine months ended December 29, 2013 the company repurchased 2.0 million shares for 20.4 million dollars. As of December 29, 2013, approximately \$129.6 million was available for future purchases under the share repurchase program. In the year ended December 30, 2012, the Company did not repurchase any shares. Share repurchases were recorded as treasury stock and resulted in a reduction of stockholders' equity.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

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*	Separation Agreement, dated August 26, 2013, by and between Theodore L. Tewksbury, III, and Integrated Device Technology, Inc. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 27, 2013.
10.2*	Offer Letter between the Company and Jeffrey S. McCreary, entered into on September 12, 2013. Incorporated by reference to Exhibit 10.2 to Form 10-Q filed on November 6, 2013.
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 exhibit is a management contract or compensatory plan or arrangement.

** 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

February 7, 2014

By: /s/ GREGORY L. WATERS
Gregory L. Waters
President and Chief Executive Officer

February 7, 2014

/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, 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(s) 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(s) 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.

By: /s/ GREGORY L. WATERS

Gregory L. Waters
President and Chief Executive Officer

Date: February 7, 2014

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(s) 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(s) 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: February 7, 2014

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) 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 December 29, 2013 (the "Report") fully complies with the requirements of Section 13(a) 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: February 7, 2014

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) 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 December 29, 2013 (the "Report") fully complies with the requirements of Section 13(a) 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: February 7, 2014

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.

