

M/A-COM Technology Solutions Holdings, Inc.

Form 10-K

November 28, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended September 28, 2012

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-35451

**M/A-COM Technology Solutions Holdings, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

27-0306875  
(I.R.S. Employer  
Identification No.)

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100 Chelmsford Street, Lowell, Massachusetts  
(Address of principal executive offices)

01851  
(Zip Code)

Registrant's telephone number, including area code: (978) 656-2500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a 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 aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of March 30, 2012 was approximately \$408.5 million based on the closing price of the registrant's common stock as of such date as reported on the NASDAQ Global Select Market. For purposes of the foregoing calculations only, shares of common stock held by each executive officer and director of the registrant and by persons who owned more than 5% of the outstanding common stock as of March 30, 2012 have been excluded, as such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of November 15, 2012 was 45,604,516.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates certain information by reference from the registrant's definitive proxy statement for the 2013 annual meeting of stockholders, which will be filed no later than 120 days after the close of the registrant's fiscal year ended September 28, 2012.

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M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED SEPTEMBER 28, 2012

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**CAUTIONARY STATEMENT**

This Annual Report on Form 10-K (Annual 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 and Exchange Act of 1934, as amended, including statements regarding our business outlook, strategy, plans, expectations, estimates and objectives for future operations, and our future results of operations and financial position. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as anticipates, believes, could, continue, estimates, expects, intends, may, plans, potential, predicts, projects, seeks, should, target, expressions or variations or the negatives of those terms, but are not the exclusive means of identifying forward-looking statements in this Annual Report.

Although forward-looking statements in this Annual Report reflect the good faith judgment of our management based on what we know at the time they are made, such statements involve inherent risks and uncertainties and actual results and outcomes may differ materially and adversely from the results and outcomes expressed or implied by our forward-looking statements. A number of important factors could cause actual results to differ materially and adversely from those in the forward-looking statements. We urge you to consider the risks and uncertainties in Item 1A Risk Factors and elsewhere in this Annual Report and the other documents filed by us with the Securities and Exchange Commission (SEC). Except as required by law, we have no plans, and undertake no obligation, to revise or update our forward-looking statements to reflect any event or circumstance that may arise after the date of this report. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

In this document, the words Company, we, our, us and similar terms refer only to M/A-COM Technology Solutions Holdings, Inc. and its consolidated subsidiaries, and not any other person or entity.

M/A-COM and The First Name in Microwave are trademarks of M/A-COM Technology Solutions Holdings, Inc. All other brands and names listed are trademarks of their respective owners.

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**PART I**

**ITEM 1. BUSINESS**

**Overview**

We are a leading provider of high-performance analog semiconductor solutions for use in wireless and wireline applications across the radio frequency (RF), microwave and millimeterwave spectrum. We leverage our system-level expertise to design and manufacture differentiated, high-value products for customers who demand high performance, quality, and reliability. We offer over 2,700 standard and custom devices, which include integrated circuits (IC)s, multi-chip modules, power pallets and transistors, diodes, switches and switch limiters, passive and active components and complete subsystems, across 38 product lines serving over 6,000 end customers in three primary markets. Our semiconductor products are electronic components that our customers incorporate into their larger electronic systems, such as point-to-point wireless backhaul radios, radar, automobile navigation systems, digital cable television (CATV) set-top boxes, magnetic resonance imaging systems and unmanned aerial vehicles. Our primary markets are Networks, which includes CATV, cellular backhaul, cellular infrastructure and fiber optic applications; Aerospace and Defense (A&D); and Multi-market, which includes automotive, industrial, medical, mobile communications and scientific applications.

We build upon a 60-year heritage of delivering innovative solutions dating back to the founding of Microwave Associates, Inc. We utilize our system-level knowledge and our extensive capabilities in high-frequency modeling, IC design, integration, packaging and manufacturing of semiconductors to address our customers' needs. Our specialized engineers and technologists located across six global design centers collaborate with our customers during the early stage of their system development process to incorporate our standard products and identify custom products we can develop to enhance their overall system performance. We intend to continue to expand our revenue opportunities through our market-facing strategy of aligning our solutions with our customers' needs and collaborating with them during the product definition stage of their systems to design in our standard products and identify custom products we can develop to enhance their overall system. We believe this approach will allow us to sell more complete semiconductor solutions that integrate more functions and incorporate more highly-valued content into our products. We believe the combination of our market-facing strategy and our engineering expertise enables us to identify profitable growth opportunities and rapidly develop and deliver new products and solutions. We have a comprehensive new product opportunity assessment process with 115 products in development as of November 13, 2012 that we believe will enhance our revenue growth and improve our gross margin over the long term through a richer product mix. Many of our products have long lifecycles ranging from 5 to 10 years, and some of our products have been shipping for over 20 years. We believe these factors create a competitive advantage. Our goal is to leverage this advantage into strengthened customer relationships and sole source design wins, where a customer allows us to be its only supplier of a particular component used in its system.

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

We serve our broad and diverse customer base through a multi-channel sales strategy utilizing our direct sales force, a global network of independent sales representatives and distributors. Our direct sales force and

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application engineers are focused on securing design wins by supporting industry-leading original equipment manufacturer (OEM) customers. Our distributors and our more recently implemented e-commerce channel are focused on increasing our design wins with smaller or emerging customers early in their new product development efforts.

### **Our Markets & Products**

The growth of advanced electronic systems using RF, microwave and millimeterwave technologies has created demand for high-performance analog semiconductor components, modules and solutions. The terms RF, microwave and millimeterwave are used to refer to electromagnetic waves in a particular frequency range produced by applying an alternating current to an antenna or conductor. A wide variety of advanced electronic systems rely on electromagnetic waves for high-speed data transmission or reception. We offer high-performance analog semiconductor products for both wireless and wireline applications across the frequency spectrum from RF to millimeterwave. We regularly develop high-value products to serve our customers in three primary markets: Networks, A&D and Multi-market, which represented 27.6%, 31.4% and 41.0%, respectively, of our revenue in fiscal year 2012.

The market demand for RF, microwave and millimeterwave semiconductors is driven by the growth of mobile Internet devices, cloud computing and streaming video that strain existing network capacity, as well as the growth in advanced information-centric military applications. In addition, the increasing need for real-time information, sensing and imaging functions in automotive, industrial, medical, scientific and test and measurement applications is driving demand in these markets.

*Networks.* Growth in the Networks market is driven by the proliferation of wireless and wired devices from smartphones and tablets to set-top boxes, as well as the data rich applications and services they enable such as mobile Internet, cloud computing, video-on-demand, social media, global positioning functionality and location based services. Growth in Global Internet Protocol traffic drives demand for communications infrastructure equipment consisting of amplifiers, filters, receivers, switches, synthesizers, transformers, upconverters, and other components to expand and upgrade cellular backhaul, cellular infrastructure, CATV, broadband, and fiber optic networks. Semiconductor products and solutions must continually deliver higher throughput performance and functionality as the demands of end users increase.

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

*Aerospace & Defense.* In the A&D market, military applications require more advanced electronic systems, such as radar warning receivers, communications data links and tactical radios, UAVs, RF jammers, electronic countermeasures and smart munitions. Military applications are becoming more sophisticated, favoring higher performance semiconductor ICs based on GaAs and Gallium Nitride (GaN) technology due to their high power density, improved power efficiency and broadband capability. Radar systems for mapping and targeting missions are undergoing a major transition from existing mechanically-scanned radar products to a new generation of active electronically-scanned array (AESA) based products. Consisting of hundreds or thousands of transmit/receive modules commonly based on GaAs and increasingly on GaN technology, AESAs deliver greater speed,

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range, resolution and reliability over mechanically-scanned radar products that utilize a single transmitter and receiver with mechanical steering. Military communications employing wireless infrastructure and tactical radios in the field remain critical for allowing geographically dispersed users to exchange information quickly and efficiently. UAVs and their underlying semiconductor content require innovative designs to meet rigorous specifications for high performance, small size, and low power consumption.

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

*Multi-market.* The Multi-market category encompasses various applications including automotive, industrial, medical, mobile communications, test and measurement and scientific applications, where RF, microwave and millimeterwave semiconductor solutions are gaining prevalence. Semiconductor content in automobiles is projected to grow in order to offer connectivity, safety, performance and navigation features. In addition, evolving medical technology has increased the need for high-performance semiconductor solutions in medical imaging and patient monitoring to provide enhanced analysis and functionality.

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



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To address our target markets, we offer a broad range of standard and custom ICs, modules and complete subsystems across 38 product lines. Our product portfolio currently consists of more than 2,700 products including the following key product platforms: power pallets and transistors, integrated circuits (IC)s, diodes, switches and switch limiters, passive and active components, multi-chip modules, and complete subsystems. Many of our product platforms are leveraged across multiple markets and applications. For example, we reuse our application expertise of our power transistor technology for A&D radar systems and scientific laboratory equipment. Our diode technology is used in switch filter banks of military tactical radios as well as medical imaging MRI systems. The table below presents the major product families, major applications and major end customers in our primary target markets.

<b>TARGET MARKET</b>	<b>MAJOR PRODUCT FAMILIES</b>	<b>MAJOR APPLICATIONS</b>	<b>MAJOR OEM CUSTOMERS</b>
Networks	Active Splitters Amplifiers Attenuators Filters/Diplexers Modulator Driver Amplifiers Switches Transformers/Baluns Transimpedance Amplifiers Upconverters/Downconverters Voltage Controlled Oscillators	Point-to-Point Wireless Backhaul 2G/3G/4G Wireless Base Stations Set Top Boxes CATV Infrastructure GPON/Fiber-to-the-x 40/100G Fiber Optics	Alcatel-Lucent Cisco Ericsson Huawei Samsung
Aerospace and Defense	Amplifiers Attenuators Components Diodes Power Transistors & Modules Mixers Phase Shifters Switch Limiters Voltage Control Oscillators	Air Traffic Control Radar Weather Radar Public Safety Radios Tactical & Manpack Radios Satellite Communications Military Communications	CIENJ Harris Corporation Iridium Motorola Solutions Selex
Multi-Market	Amplifiers Attenuators Couplers Diodes GPS Module Logic Drivers Mixers Power Detectors Power Transistors Switches Transceivers	Global Positioning System Industrial Medical Scientific Test & Measurement	Agilent Autoliv Ford SAE Magnetics Samsung

Many of our products have long lifecycles ranging from 5 to 10 years, and some of our products have been shipping for over 20 years. We believe these factors create a competitive advantage. Our goal is to leverage this advantage into strengthened customer relationships and sole source design wins, where a customer allows us to be its only supplier of a particular component used in its system.

**Research and Development**

Our research and development efforts are directed toward the rapid development of new and innovative products and solutions, process technologies and packaging techniques. The interaction of semiconductor process technology, circuit design technology and packaging technology defines the performance parameters of our products. We believe our core competency is the ability to model, design, integrate, package, and manufacture

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differentiated solutions. We leverage this core competency to solve difficult and complex challenges that our customers face during their system design phases. We believe our integrated and customized solutions offer customers high performance, quality, reliability and faster time to market.

*Circuit design and device modeling expertise.* Our engineers are experts in the design of circuits capable of reliable, high-performance RF, microwave and millimeterwave signal conditioning. Our staff has decades of experience in solving complex design challenges in applications involving high frequency, high power, and environmentally-rugged operating conditions. We also developed proprietary device and electro-magnetic modeling techniques that our engineers use to generate predictive models prior to fabrication. Our predictive modeling expertise allows us to achieve faster design cycle times resulting in shorter time to market for our products.

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

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

We continue to invest in proprietary processes to enable us to develop and manufacture high-value solutions. For example, we have developed innovative, patented technologies such as HMIC, which provides high integration, high power and low loss switching capabilities for our primary markets. This technology replaces mechanical switches for very high power applications such as wireless basestations.

Our engineers' system-level design expertise allows us to offer differentiated solutions that leverage multiple process technologies and are integrated into a single, higher-level assembly thereby delivering our customers solutions with enhanced functionality.

Our new product introductions in fiscal year 2012 included:

highly-integrated, packaged 42 gigahertz (GHz) chipset for point-to-point wireless backhaul radio applications, including an integrated upconverter and receiver, driver and power amplifiers, a VCO and a multiplier;

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

amplifiers, filters, and transformers for CATV applications such as data over cable service interface specification (DOCSIS) 3.0 and multimedia over coax alliance (MoCA) 2.0;

low phase noise VCOs for the wireless backhaul market and military communications applications;

GaN power transistors and pallets for radar, avionic and military communication applications;

complementary metal oxide semiconductor (CMOS) drivers for logic control of multi-function Transmit/Receive Modules, and for high power, high voltage PIN diodes; and

a family of small, easy to use and broadband temperature compensated directional power detectors.

Research and development expenses were \$35.8 million, \$36.1 million and \$25.8 million for fiscal years 2012, 2011 and 2010, respectively. As of November 13, 2012, we had 115 new products in development. Our typical design cycle times range from eight weeks to 18 months. We anticipate that we will continue to make significant research and development expenditures in order to drive future new product introductions

and maintain our competitive position.

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### **Sales and Marketing**

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

Our products are principally sold in the U.S., Asia and Western Europe, which is also where our direct sales force, engineering staff, independent sales representatives and distributors are concentrated. Sales to our distributors accounted for 21.3%, 25.8% and 30.0% of our revenue in fiscal years 2012, 2011 and 2010, respectively. Our agreements with our distributors typically provide for an initial term of one or more years with the opportunity for subsequent renewals and also provide that either party may terminate the agreement for convenience with a minimum period of prior notice to the other party, typically between 30 and 90 days.

Our sales efforts are focused on customer needs in our three primary markets rather than on particular product lines, facilitating product cross-selling across end markets and within key accounts. Through our website, customers can order online, request samples, as well as access our product selection guide, detailed product brochures and data sheets, application notes, suggested design block diagrams and test fixture information, technical articles and information regarding quality and reliability.

### **Customers**

Our diversified customer base of over 6,000 customers includes systems manufacturers, OEMs, contract manufacturers and distributors. For fiscal years 2012, 2011 and 2010, our only direct customer individually accounting for more than 10% of our revenue was Ford Motor Company (Ford) at 15.8%, 11.6% and 10.9%, respectively. In addition, our principal distributor, Richardson Electronics, an Arrow Electronics Company (Richardson) individually accounted for 17.6%, 21.3% and 23.4%, respectively, of our revenue in fiscal years 2012, 2011 and 2010, respectively. Our top 25 direct customers accounted for 54.5%, 56.2% and 50.9% of our revenue in fiscal years 2012, 2011 and 2010, respectively. Sales to our distributors accounted for 21.3%, 25.8% and 30.0% of our revenue in fiscal years 2012, 2011 and 2010, respectively.

### **Competition**

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

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

the breadth and diversity of product offerings;

the ability to provide a reliable supply of products in sufficient quantities and in a timely manner;

the ability of engineering talent to drive innovation and new product development;

the quality of customer service and technical support; and

financial and operational stability and reputation.

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We believe that we compete favorably with respect to these factors. We compete primarily with other suppliers of high-performance analog semiconductor solutions for use in wireless and wireline RF, microwave

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and millimeterwave applications. We expect competition in our markets to intensify, as new competitors enter the RF, microwave and millimeterwave markets, existing competitors merge or form alliances, and new technologies emerge. We believe in the future we will see increasing competition from companies utilizing alternative technologies, such as high-volume manufacturers using low-cost silicon process technology. Some of our competitors are also our customers, and in certain product categories we compete with semiconductor manufacturers from which we also obtain foundry services, including Sumitomo Electric Device Innovations, Inc. and RF Micro Devices, Inc. (RFMD).

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

## **Geographic Information**

For information regarding revenue and long-lived assets by geographic region, see our consolidated financial statements appearing elsewhere in this Annual Report. Risks attendant to our foreign operations are discussed in this Annual Report under Item 1A. Risk Factors.

## **Backlog and Inventory**

Our sales are made primarily on a purchase order basis, rather than pursuant to long-term contracts where the customer commits to buy any minimum amount of product over an extended period. On occasion, we ship finished goods inventory to certain customer or third-party hub locations, but do not recognize revenue associated with such shipments until these customers consume the inventory from the hub. Due to these arrangements and industry practice, which allows customers to cancel orders with limited advance notice prior to shipment, and with little or no penalty, we believe that backlog as of any particular date may not be a reliable indicator of our future revenue levels. We also frequently ship products from inventory shortly after receipt of an order, which we refer to as turns business.

## **Intellectual Property**

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

As of September 28, 2012, we had 80 U.S. and 15 foreign patents and 13 U.S. and two foreign pending patent applications covering elements of circuit design, manufacturing and wafer fabrication. We do not currently know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. The expiration dates of our patents range from 2013 to 2031. We do not regard any of the patents scheduled to expire in the next 12 months as material to our overall intellectual property portfolio. Notwithstanding our active pursuit of patent protection when available, we believe that our future success will be determined by the innovation, technical expertise and management abilities of our engineers and management more than by patent ownership.

The semiconductor industry is characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by the vigorous pursuit, protection and enforcement of intellectual property rights. Many of our customer agreements require us to indemnify our customers for third-party intellectual property infringement claims, which may in the future require that we defend those claims and might require that we pay damages in the case of adverse rulings. Claims of this sort could harm our relationships with our customers and might deter future customers from doing business with us. With respect to any intellectual property rights claims against us or our customers or distributors, we may be required to cease manufacture of

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the infringing product, pay damages, expend resources to develop non-infringing technology, seek a license, which may not be available on commercially reasonable terms or at all, or relinquish patents or other intellectual property rights.

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

In any particular situation, we may choose to leverage our internal proprietary process technologies or other technologies from external fabs. We believe this ability to leverage our existing internal capabilities and external outsourcing helps us to provide optimized solutions for our customers.

All of our internal wafer fabrication, and a majority of our internal assembly and test operations, are conducted at our Lowell, Massachusetts headquarters. We believe having a U.S.-based four-inch wafer fab is a competitive advantage for us over fabless competitors, in that we have greater control over quality, a secure source of supply and a domestic source for U.S. A&D customers for whom this may be an important sourcing advantage. We also believe that our domestic fab allows us to better control quality and develop products faster with shorter fabrication lead times than we otherwise could at external foundries. We also perform internal assembly and test functions at our Long Beach, California and Hsinchu, Taiwan locations.

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

We utilize external foundries to supply us with semiconductor wafers manufactured in process technologies which we have chosen not to develop internally, and to provide us additional manufacturing capacity on some internally fabricated process technologies. We also use third-party contract manufacturers for assembly, packaging and test functions, and in some cases for fully-outsourced turnkey manufacturing of our products.

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

While we attempt to maintain alternative sources for our principal raw materials to reduce the risk of supply interruptions or price increases, some of the raw materials and components are not readily available from alternate suppliers due to their unique nature, design or the length of time necessary for re-design or qualification. We routinely utilize single sources of supply for various materials based on availability, performance, efficiency or cost considerations. For example, wafers procured from merchant foundries for a particular process technology are generally sourced through one foundry only, on which we rely for all of our wafers in that process. Our reliance on external suppliers puts us at risk of supply chain disruption if the supplier does not have sufficient raw material inventory to meet our manufacturing needs, goes out of business, changes or discontinues the process in which components or wafers are manufactured, or declines to continue supplying us for competitive or other reasons, as discussed in more detail in Item 1A. Risk Factors herein. Where practical, we attempt to mitigate these risks by qualifying multiple sources of supply, redesigning products for alternative components and purchasing incremental inventory of raw materials and components in order to protect us against supply problems.

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### **Quality Assurance**

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

### **Environmental Regulation**

Our operations involve the use of hazardous substances and are regulated under international, federal, state and local laws governing health and safety and the environment. These regulations include limitations on discharge of pollutants to air, water, and soil; remediation requirements; product chemical content limitations; manufacturing chemical use and handling restrictions; pollution control requirements; waste minimization considerations; and treatment, transport, storage and disposal of solid and hazardous wastes. We are also subject to regulation by the U.S. Occupational Safety and Health Administration and similar health and safety laws in other jurisdictions. While we are committed to compliance with applicable regulations, the risk of environmental liabilities can never be completely eliminated, and there can be no assurance that the application of environmental and health and safety laws to our business will not require us to incur material future expenditures.

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

### **Export Regulations**

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

### **Employees**

As of September 28, 2012, we employed 669 persons worldwide and none of our domestic employees were represented by a collective bargaining agreement; however, a number of our employees working in our European operations were covered by collective bargaining agreements. We consider our relations with employees to be good, and we have not experienced a work stoppage due to labor issues.

### **General Development**

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



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

On March 30, 2009, we acquired 100% of the outstanding stock of M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited and the related M/A-COM brand from Cobham (M/A-COM Acquisition) for \$22.1 million in cash net of purchase price adjustments, the issuance of \$35.0 million in short- and long-term debt payable to the seller and contingent consideration of up to \$30.0 million based on our achievement of revenue targets in the 12-month periods ended September 30, 2010, 2011 and 2012. We paid Cobham contingent consideration of \$8.8 million for the period ended September 30, 2010 in November 2010, \$15.0 million for the period ended September 30, 2011 in November 2011, and we expect to pay \$6 million for the final period ended September 30, 2012 in November 2012.

On May 28, 2010, we acquired Mimix Holdings, Inc. (Mimix), a supplier of high-performance GaAs semiconductors, for \$1.2 million in cash and 17.5 million shares of our Series A-2 convertible preferred stock (Mimix Merger). We acquired Mimix for its complementary products and technologies in our core markets, which enabled us to strengthen customer relationships.

On April 25, 2011, we acquired Optomai, Inc. (Optomai), a fabless semiconductor company that develops high-performance ICs and modules for next generation fiber optic networks, for \$1.8 million in cash and contingent consideration of up to \$16.0 million based on our achievement of certain revenue, product release and contribution margin targets based on sales of products utilizing Optomai intellectual property in the 12-month periods ending March 30, 2012 and March 29, 2013. We did not make any payment related to the first earn-out period that expired on March 31, 2012, and we do not expect to make a payment related to the second earn-out period that expires on March 31, 2013. We acquired Optomai for technologies that have accelerated our entrance into the fiber optics market.

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

We intend to continue to pursue acquisitions of technologies, design teams, products and companies that complement our strengths and help us execute our strategies. Our acquisition strategy is designed to accelerate our revenue growth, expand our technology portfolio, grow our addressable market and create shareholder value. We believe our management team has a proven track record in identifying, acquiring and successfully integrating companies and technologies in the high-performance analog semiconductor industry.

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### **ITEM 1A. RISK FACTORS.**

*Our business involves a high degree of risk. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently consider immaterial also may adversely affect our Company.*

#### **Risks Relating to Our Business**

*Our revenue growth is substantially dependent on our successful development and release of new products.*

Maintaining or growing our revenue will depend on our ability to timely develop new products for existing and new markets that meet customers performance, reliability and price requirements. The development of new products is a highly complex process, and we have in the past and may in the future experience delays and failures in completing the development and introduction of new products. Our successful product development depends on a number of factors, including the following:

accurate prediction of market requirements, changes in technology and evolving standards;

the availability of qualified product designers and process technologies needed to solve difficult design challenges in a cost-effective, reliable manner;

our ability to design products that meet customers' cost, size and performance requirements;

our ability to manufacture new products according to customer needs with acceptable manufacturing yields;

our ability to offer new products at competitive prices;

acceptance by customers of our new product designs;

identification of and entry into new markets for our products;

acceptance of our customers' products by the market and the lifecycle of such products;

our ability to deliver products in a timely manner within our customers' product planning and deployment cycle; and

our ability to maintain and increase our level of product content in our customers' systems.

A new product design effort may last 12 to 18 months or longer, and requires material investments in engineering hours and materials, as well as sales and marketing expenses, which will not be recouped if the product launch is unsuccessful. We may not be able to design and introduce new products in a timely or cost-efficient manner, and our new products may fail to meet the requirements of the market or our customers, or may be adopted by customers slower than we expect. In that case, we may not reach our expected level of production orders and may lose market share, which could adversely affect our ability to sustain our revenue growth or maintain our current revenue levels.

*Various factors may reduce our gross margin, which could negatively affect our business, financial condition and results of operations.*

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If we are unable to utilize our design, fabrication, assembly and test facilities at a high level, the significant fixed costs associated with these facilities may not be fully absorbed, resulting in higher average unit costs and lower gross margin. Our various products have different gross margin and increased sales of lower-margin products, such as our products targeted at automotive and other consumer markets, in a given period relative to other products may cause us to report lower overall gross margin. In our fourth fiscal quarter of 2012 and at other times in the past, we have experienced periods where our gross margin declined due to, among other things, reduced factory utilization resulting from reduced customer demand, reduced selling prices and a change in

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product mix towards lower-margin products. Future market conditions may adversely affect our revenue and utilization rates and consequently our future gross margin, and this, in turn, could have an adverse impact on our business, financial condition and results of operations. In addition, increased raw material costs, changes in manufacturing yields, more complex engineering requirements and other factors may lead to lower margins for us in the future. As a result of these or other factors, we may be unable to maintain or increase our gross margin in future periods and our gross margin may fluctuate from period to period.

***Our operating results may fluctuate significantly from period to period. We may not meet investors' quarterly or annual financial expectations and, as a result, our stock price may decline.***

Our quarterly and annual operating results and related expectations may vary significantly in the future based upon a number of factors, many of which are beyond our control. Factors that could cause operating results and related expectations to fluctuate include:

general economic growth or decline in the U.S. or foreign markets;

the reduction or cancellation of orders by customers, whether as a result of a loss of market share by us or our customers, changes in the design of customers' products, or slowing demand for our products or customers' products;

the amount of new customer orders we both book and ship in any particular fiscal quarter, which accounts for a significant amount of our net revenue in any particular quarter, and which can often be weighted toward the latter part of each fiscal quarter, making the timing of recognition of the associated revenue difficult to forecast with fidelity and susceptible to slippage between quarters;

the relative linearity of our shipments within any particular fiscal quarter, in that a less linear shipment pattern within a given fiscal quarter tends to result in lower gross margin in that quarter, and a shipment pattern weighted toward the latter part of a fiscal quarter tends to reduce our cash flows from operations in that quarter, as collections of related receivables do not occur until later fiscal periods;

the gain or loss of a key customer or significant changes in the financial condition of one or more key customers;

fluctuations in manufacturing output, yields, capacity levels, quality control or other potential problems or delays we or our subcontractors may experience in the fabrication, assembly, testing or delivery of our products;

fluctuations in demand relating to the A&D market due to changes in government programs, budgets or procurement;

the market acceptance of our products and particularly the timing and success of new product and technology introductions by us, customers or competitors;

the amount, timing and relative success of our investments in research and development, which impacts our ability to develop, introduce and market new products and solutions on a timely basis;

period-to-period changes in the mix of products we sell, which can result in lower gross margin;

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availability, quality and cost of semiconductor wafers and other raw materials, equipment, components and internal or outsourced manufacturing, packaging and test capacity, particularly where we have only one qualified source of supply;

seasonal and other changes in customer purchasing cycles and component inventory levels;

the effects of competitive pricing pressures, including decreases in average selling prices of our products;

impairment charges associated with intangible assets, including goodwill and acquisition-related intangible assets;

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loss of key personnel or the shortage of available skilled workers;

factors that could cause our reported domestic and foreign income taxes and income tax rate to increase in future periods, such as limits on our ability to utilize net operating losses or tax credits and the geographic distribution of our income, which may change from period to period; and

the effects of war, natural disasters, acts of terrorism, macroeconomic uncertainty or decline or geopolitical unrest.

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially and adversely affect our quarterly and annual operating results and related expectations for future periods. In addition, if our operating results in any period do not meet our publicly stated guidance, if any, or the expectations of investors or securities analysts, our stock price may decline. Similarly, any publicly stated guidance we provide in the future may itself fail to meet the expectations of investors or securities analysts, and our stock price may decline as a result.

***If our primary markets decline or fail to grow, our revenue and profitability may suffer.***

Our future growth depends to a significant extent on the continued growth in usage of advanced electronic systems in our primary markets: Networks, A&D and Multi-market. The rate and extent to which these markets grow, if at all, is uncertain. These markets may fail to grow or decline for many reasons, including insufficient consumer demand, lack of access to capital, sequestration or other changes in the U.S. defense budget and procurement processes, changes in regulatory environments, macro economic factors and changes in network specifications. If demand for electronic systems in which our products are incorporated declines, fails to grow, or grows more slowly than we anticipate, purchases of our products may be reduced, which may adversely affect our business, financial condition and results of operations. In particular, our sales to Ford, which accounted for 15.8% of our revenue for fiscal year 2012, are dependent upon the health of the automotive market, Ford's ability to maintain or grow its market share, and Ford's continuing to design our products into its auto platforms as they evolve.

***We typically depend on orders from a limited number of customers for a significant percentage of our revenue.***

In fiscal years 2012, 2011 and 2010, sales to our distributor Richardson, and to Ford each accounted for more than 10% of our revenue. Sales to our top 10 direct and distribution customers accounted for 55%, 61% and 58%, respectively, of our revenue. While the composition of our top 10 customers varies from year to year, we expect that sales to a limited number of customers will continue to account for a significant percentage of our revenue for the foreseeable future. The purchasing arrangements with our customers are typically conducted on a purchase order basis that does not require our customers to purchase any minimum amount of our products over a period of time. As a result, it is possible that any of our major customers could terminate their purchasing arrangements with us or significantly reduce or delay the amount of our products that they order, purchase products from our competitors or develop their own products internally. The loss of, or a reduction in, orders from any major customer could cause a decline in revenue and adversely affect our results of operations.

***Our investment in research and development may not be successful, which may impact our profitability.***

The semiconductor industry requires substantial investment in research and development in order to develop and bring to market new and enhanced technologies and products. Research and development expenses were \$35.8 million, \$36.1 million and \$25.8 million for our fiscal years 2012, 2011 and 2010, respectively. In each of the last three fiscal years, we increased our research and development expenditures as part of our strategy toward the development of innovative products and solutions to fuel our growth and profitability. We cannot assure you if or when the products and solutions where we have focused our research and development expenditures will become commercially successful. In addition, we may not have sufficient resources to maintain the level of

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investment in research and development required to remain competitive or succeed in our strategy. For example, development of certain process technologies requires significant expenditures that may not generate any return on investment, or may generate a return on investment that is inadequate.

*We may incur significant risk and expense in attempting to win new business, and such efforts may never generate revenue.*

To obtain new business, we often need to win a competitive selection process to develop semiconductors for use in our customers' systems, known in the industry as a design win. These competitive selection processes can be lengthy and can require us to incur significant design and development expenditures and dedicate scarce engineering resources in pursuit of a single customer opportunity. We may not win the competitive selection process and may never generate any revenue despite incurring significant design and development expenditures and selling, general and administrative expenses. Failure to obtain a design win sometimes prevents us from supplying components for an entire generation of a customer's system. This can result in lost revenue and could weaken our position in future competitive selection processes.

Even when we achieve a design win, success is not assured. Customer qualification and design cycles can be lengthy, and it may take a year or more following a successful design win and product qualification for one of our products to be purchased in volume by the customer. We may experience difficulties manufacturing the part in volume, such as low yields, supply chain delays or shortages, or quality issues. Further, while the customer has successfully qualified our part for use in its system when it awards a design win to us, it may not have qualified all of the other components being sourced for its system, or qualified its system as a whole with its end customers. Any difficulties our customer may experience in completing those qualifications may delay or prevent us from translating the design win into revenue. Any of these events, or any cancellation of a customer's program or failure of our customer to successfully market its own product after our design win could materially and adversely affect our business, financial condition and results of operations, as we may have incurred significant expense and generated no revenue.

*We are subject to order and shipment uncertainties. Our profitability will decline if we fail to accurately forecast customer demand when managing inventory.*

We generally sell our products on the basis of purchase orders rather than long-term purchase commitments from our customers. Our customers can typically cancel purchase orders or defer product shipments for some period without incurring liability to us. We typically plan production and inventory levels based on internal forecasts of customer demand, which can be highly unpredictable and can fluctuate substantially, leading to excess inventory write-downs and resulting negative impacts on gross margin and net income. We have limited visibility into our customers' inventories, future customer demand and the product mix that our customers will require, which could adversely affect our production forecasts and operating margins. In a number of markets we serve, and in our A&D market in particular, large dollar value customer orders scheduled for delivery in the current fiscal quarter may be canceled or rescheduled by the customer for delivery in a future fiscal quarter on short notice, which could cause our reported revenue to vary materially from our prior expectations. In addition, the rapid pace of innovation in our industry could render significant portions of our inventory obsolete. If we overestimate our customers' requirements, we may have excess inventory, which could lead to obsolete inventory and unexpected costs. Conversely, if we underestimate our customers' requirements, we may have inadequate inventory, which could lead to foregone revenue opportunities, loss of potential market share and damage to customer relationships as product deliveries may not be made on a timely basis, disrupting our customers' production schedules. Some of our larger customers also require us to build and maintain minimum inventories and keep them available for purchase at specified locations based on non-binding demand estimates that are subject to change, which exposes us to increased inventory risk and makes it more difficult to manage our working capital. If demand from such customers decreases, we may be left with excess or obsolete inventory we are unable to sell. In response to anticipated long lead times to obtain inventory and materials from outside suppliers and foundries, we periodically order materials and build a stock of finished goods inventory in advance.

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of customer demand. This advance ordering of raw material and building of finished goods inventory has in the past and may in the future result in excess inventory levels or unanticipated inventory write-downs if expected orders fail to materialize, or other factors make our products less saleable. In addition, any significant future cancellation or deferral of product orders could adversely affect our revenue and margins, increase inventory write-downs due to obsolete inventory, and adversely affect our operating results and stock price.

***Because we have a limited history of operations as a standalone company, it may be difficult to evaluate our current business and prospects.***

While many of the products and technologies now comprising our business had a long history of operations as part of the larger organizations of prior owners, our standalone business began in March 2009. This short operating history as a standalone company, rather than as a small subset of a much larger corporate parent, combined with the rapidly evolving nature of our industry and fluctuations in the overall worldwide economy since March 2009, may make it difficult to evaluate our current business and future prospects.

***The average selling prices of our products may decrease over time, which could have a material adverse effect on our revenue and gross margin.***

It is common in our industry for the average selling price of a given product to decrease over time as production volumes increase, competing products are developed, technology, industry standards and customer platforms evolve, or new technologies featuring higher performance or lower cost emerge. To combat the negative effects that erosion of average selling prices have had in the past and may in the future have on our revenue and gross margin, we attempt to actively manage the prices of our existing products and regularly introduce new process technologies and products in the market that exhibit higher performance, new features that are in demand, or lower manufacturing cost. Despite this strategy, we may experience price erosion in select product platforms or generally in future periods. Failure to maintain our current prices or to successfully execute on our new product development strategy will cause our revenue and gross margin to decline, which could decrease the value of your investment in our common stock.

***We face intense competition in our industry, and our inability to compete successfully could negatively affect our operating results.***

The semiconductor industry is highly competitive. While we compete with a wide variety of companies, we compete with Hittite Microwave Corporation across all three of our primary markets. Our other significant competitors include, among others, Aeroflex, Inc., Avago, Microsemi, RFMD, Skyworks Solutions, Inc. and TriQuint.

We believe future competition could also come from companies developing new alternative technologies, component suppliers based in countries with lower production costs and IC manufacturers achieving higher levels of integration that exceed the functionality offered by our products. Our customers and suppliers could also develop products that compete with or replace our products. A decision by any of our large customers to design and manufacture ICs internally could have an adverse effect on our operating results. Increased competition could mean lower prices for our products, reduced demand for our products and a corresponding reduction in our ability to recover development, engineering and manufacturing costs.

Many of our existing and potential competitors have entrenched market positions, historical affiliations with original equipment manufacturers, considerable internal manufacturing capacity, established intellectual property rights and substantial technological capabilities. Many of them may also have greater financial, technical, manufacturing or marketing resources than we do. Prospective customers may decide not to buy from us due to concerns about our relative size, financial stability or other factors. Our failure to successfully compete could result in lower revenue, decreased profitability and a lower stock price.



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### ***We operate in the semiconductor industry, which is cyclical and subject to significant downturns.***

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, price erosion, product obsolescence, evolving standards, short product lifecycles and significant fluctuations in supply and demand. The industry has historically experienced significant fluctuations in demand and product obsolescence, resulting in product overcapacity, high inventory levels and accelerated erosion of average selling prices. Downturns in many sectors of the electronic systems industry have in the past contributed to extended periods of weak demand for semiconductor products. We have experienced adverse effects on our profitability and cash flows during such downturns in the past, and our business may be similarly harmed by any downturns in the future, particularly if we are unable to effectively respond to reduced demand in a particular market.

### ***We expect to make future acquisitions, dispositions and investments, which involve numerous risks.***

We have an active corporate development program and routinely evaluate potential acquisitions of, and investments with or other strategic alliances involving, complementary technologies, design teams, products and companies. We also may evaluate the merits of a potential divestment of one or more of our existing business lines. We expect to pursue such transactions if appropriate opportunities arise. However, we may not be able to identify suitable transactions in the future, or if we do identify such transactions, we may not be able to complete them on commercially acceptable terms, or at all. We also face intense competition for acquisitions from other acquirers in our industry. These competing acquirers may have significantly greater financial and other resources than us, which may prevent us from successfully pursuing a transaction. In the event we pursue acquisitions, we will face numerous risks including:

difficulties in integrating the personnel, culture, operations, technology or products and service offerings of the acquired company;

diversion of management's attention from normal daily operations of our business;

difficulties in entering markets where competitors have stronger market positions;

difficulties in improving and integrating the financial reporting capabilities and operating systems of any acquired operations, particularly foreign and formerly private operations, as needed to maintain effective internal control over financial reporting and disclosure controls and procedures;

the loss of any key personnel of the acquired company as well as their know-how, relationships and expertise, which is common following an acquisition;

maintaining customer, supplier or other favorable business relationships of acquired operations;

generating insufficient revenue from completed acquisitions to offset increased expenses associated with any abandoned or completed acquisitions;

acquiring material or unknown leasehold, environmental, regulatory, infringement, contractual or other liabilities associated with any acquired operations;

litigation frequently associated with merger and acquisition transactions; and

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additional expense associated with amortization or depreciation of acquired tangible and intangible assets.

Our past acquisitions of Mimix and Optomai required significant management time and attention relating to the transaction and subsequent integration. If we fail to properly integrate these acquired companies with ours, we may not receive the expected benefits of the acquisitions. Even if a proposed acquisition is successfully realized and integrated, we may not receive the expected benefits of the transaction.

Past transactions, whether completed or abandoned by us, have resulted, and in the future may result, in significant costs, expenses, liabilities and charges to earnings. The accounting treatment for any acquisition may

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result in significant amortizable intangible assets which, when amortized, will negatively affect our consolidated results of operations. The accounting treatment for any acquisition may result in significant goodwill, which, if impaired, will negatively affect our consolidated results of operations. Furthermore, we may incur indebtedness or issue equity securities to pay for acquisitions. The incurrence of indebtedness could limit our operating flexibility and be detrimental to our profitability, and the issuance of equity securities would be dilutive to our existing stockholders. Any or all of the above factors may differ from the investment community's expectations in a given quarter, which could negatively affect our stock price. In addition, as a result of the foregoing, we may not be able to successfully execute acquisitions in the future to the same extent as we have in the past, if at all.

In the event we make future investments, the investments may decline in value or fail to deliver any strategic benefits we anticipate from them, and we may lose all or part of our investment. In the event we undertake divestments, we may suffer from associated management distraction, damaged customer relationships, failure to realize the perceived strategic or financial merits of the divestment, or we may incur material indemnity liabilities to the purchaser.

***We depend on third parties for products and services required for our business, which may limit our ability to meet customer demand, assure product quality and control costs.***

We purchase numerous raw materials, such as ceramic packages, precious metals, semiconductor wafers and dies, from a limited number of external suppliers. We also currently use several external manufacturing suppliers for assembly and testing of our products, and in some cases for fully-outsourced turnkey manufacturing of our products. We currently expect to increase our use of outsourced manufacturing in the future as a strategy for lowering our fixed operating costs. The ability and willingness of our external suppliers to perform is largely outside of our control. The use of external suppliers involves a number of risks, including the possibility of material disruptions in the supply of key components, the lack of control over delivery schedules, capacity constraints, manufacturing yields, quality and fabrication costs, and misappropriation of our intellectual property. For example, a defective batch of a chemical etchant received from a supplier caused scrap loss in our internal manufacturing facility in March 2011, which reduced manufacturing yields and gross profit by \$0.7 million for fiscal year 2011. If these vendors' processes vary in reliability or quality, they could negatively affect our products and, therefore, our customer relations and results of operations. We generally purchase raw materials on a purchase order basis and we do not have significant long-term supply commitments from our vendors. Where we do have long-term supply commitments, they may result in our being obligated to purchase more material than we need, materially and negatively impacting our operating results. In terms of relative bargaining power, many of our suppliers are larger than we are, with greater resources, and many of their other customers are larger and have greater resources than we do. If these vendors experience shortages or fail to accurately predict customer demand, they may have insufficient capacity to meet our demand, creating a capacity constraint on our business. They may also choose to supply others in preference to us in times of capacity constraint or otherwise, particularly where the other customers purchase in higher volume. Third-party supplier capacity constraints have in the past and may in the future prevent us from supplying customer demand that we otherwise could have fulfilled at attractive prices. If we have a firm commitment to supply our customer but are unable to do so based on inability or unwillingness of one of our suppliers to provide related materials or services, we may be liable for resulting damages and expense incurred by our customer.

Based on superior performance features, cost parameters or other factors, we utilize sole source suppliers for certain semiconductor packages and other materials, and it is not uncommon for one of our outside semiconductor foundries to be our sole supplier for the particular semiconductor fabrication process technologies manufactured at that supplier's facility. Such supplier concentrations involve the risk of a potential future business interruption if the supplier becomes unable or unwilling to supply us at any point. While in some cases alternate suppliers may exist, because there are limited numbers of third-party wafer fabs that use the process technologies we select for our products and that have sufficient capacity to meet our needs, it may not be possible or may be expensive to find an alternative source of supply. Even if we are able to find an alternative source,

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moving production to an alternative external fab requires an extensive qualification or re-qualification process that could prevent or delay product shipments or disrupt customer's production schedules, which could harm our business. In addition, some of our external foundry suppliers compete against us in the market in addition to being our supplier. The loss of a supplier can also significantly harm our business and operating results. A supplier may discontinue supplying us if its business is not sufficiently profitable, for competitive reasons or otherwise. We have in the past and may in the future have our supply relationship discontinued by an external foundry, causing us to experience supply chain disruption, customer dissatisfaction, loss of business and increased cost.

***If we lose key personnel or fail to attract and retain key personnel, we may be unable to pursue business opportunities or develop our products.***

We believe our continued ability to recruit, hire, retain and motivate highly-skilled engineering, operations, sales, administrative and managerial personnel is key to our future success. Competition for these employees is intense, particularly with respect to qualified engineers. Our failure to retain our present employees and hire additional qualified personnel in a timely manner and on reasonable terms could harm our competitiveness and results of operations. In addition, from time to time we may recruit and hire employees from our competitors, customers, suppliers and distributors, which could result in liability to us and has in the past and could in the future damage our business relationship with these parties. None of our senior management team is contractually bound to remain with us for a specified period, and we generally do not maintain key person life insurance covering our senior management. The loss of any member of our senior management team could strengthen a competitor or harm our ability to implement our business strategy.

***Sources for certain components and materials are limited, which could result in interruptions, delays or reductions in product shipments.***

Our industry may be affected from time to time by limited supplies of certain key components and materials. We have in the past and may in the future experience delays or reductions in supply shipments, which could reduce our revenue and profitability. If key components or materials are unavailable, our costs could increase and our revenue could decline.

In particular, our manufacturing headquarters, design facilities, assembly and test facilities and supply chain, and those of our contract manufacturers, are subject to risk of catastrophic loss due to fire, flood, or other natural or man-made disasters, such as the earthquake and tsunami that devastated parts of Japan in 2011. Majority of our semiconductor products are fabricated in our Lowell, Massachusetts headquarters, where our only internal wafer fab is located. The majority of the internal and outsourced assembly and test facilities we utilize are located in the Pacific Rim, and some of our internal design, assembly and test facilities are located in California, regions with above average seismic and severe weather activity. In addition, our research and development personnel are concentrated in a few locations, primarily our headquarters and our Santa Clara, California, Sydney, Australia, Belfast, Northern Ireland and Cork, Ireland locations, with the expertise of the personnel at each such location generally focused on one or two specific areas. Any catastrophic loss or significant damage to any of these facilities would likely disrupt our operations, delay production, shipments and revenue and result in significant expenses to repair or replace the facility, and in some instances, could significantly curtail our research and development efforts in a particular product area or primary market, which could have a material adverse effect on our operations. For example, in October 2011, heavy monsoon rains in Thailand caused widespread flooding affecting major cities and industrial parks where there is a concentration of semiconductor manufacturing, assembly and test sites. One of our contract manufacturing suppliers located in Thailand was affected by the flooding and, as a result of the flooding of our affected contract manufacturer, \$2.7 million of orders that were scheduled for shipment to our customers in the three months ended December 30, 2011 were delayed into the second quarter of fiscal year 2012 or were canceled. In particular, any catastrophic loss at our headquarters facility would materially and adversely affect our business and financial results, revenue and profitability.

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***Our failure to continue to keep pace with new or improved semiconductor process technologies could impair our competitive position.***

Semiconductor manufacturers constantly seek to develop new and improved semiconductor process technologies. Our future success depends in part upon our ability to continue to gain access to these semiconductor process technologies, internally or externally, in order to adapt to emerging customer requirements and competitive market conditions. We may be unable to internally develop such technologies successfully, and may be unable to gain access to them from merchant foundries or other sources on commercially reasonable terms, or at all. If we fail for any reason to remain abreast of new and improved semiconductor process technologies as they emerge, we may lose market share and our revenue and gross margin may decline, which could adversely affect our operating results.

***Minor deviations in the manufacturing process can cause substantial manufacturing yield loss or even cause halts in production, which could have a material adverse effect on our revenue and gross margin.***

Our products involve complexities in both the design and the semiconductor process technology employed in their fabrication. In many cases, the products are also assembled in customized packages or feature high levels of integration. Our products must meet exacting customer specifications for quality, performance and reliability. Our manufacturing yield, or the percentage of units of a given product in a given period that is usable relative to all such units produced, is a combination of yields including wafer fabrication, assembly, and test yields. Due to the complexity of our products, we periodically experience difficulties in achieving acceptable yields as even minor deviations in the manufacturing process can cause substantial manufacturing yield loss or even cause halts in production. Our customers may also test our components once they have been assembled into their products. The number of usable products that result from our production process can fluctuate as a result of many factors, including the following:

design errors;

defects in photomasks, which are used to print circuits on wafers;

minute impurities in materials used;

contamination of the manufacturing environment;

equipment failure or variations in the manufacturing processes;

losses from broken wafers or other human error;

defects in packaging; and

issues and errors in testing.

Typically, for a given level of sales, when our yields improve, our gross margin improves. When our yields decrease, our unit costs are typically higher, our gross margin is lower and our profitability is adversely affected, any or all of which can harm our results of operations and lower our stock price.

***We depend on third-party sales representatives and distributors for a material portion of our revenues.***

We sell many of our products to customers through independent sales representatives and distributors, as well as through our direct sales force. We are unable to predict the extent to which our independent sales representatives and distributors will be successful in marketing and selling our products. Moreover, many of our independent sales representatives and distributors also market and sell competing products. Our

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relationships with our representatives and distributors typically may be terminated by either party at any time, and do not require them to buy any of our products. Sales to distributors accounted for 21.3% of our revenue in fiscal year 2012, and sales to our largest distributor, Richardson, represented 17.6% of our revenue in the same period. If our distributors cease doing business with us or fail to successfully market and sell our products, our ability to sustain and grow our revenue could be materially adversely affected.

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*Our internal and external manufacturing, assembly and test model subjects us to various manufacturing and supply risks.*

We operate a semiconductor wafer processing and manufacturing facility at our headquarters in Lowell, Massachusetts. This facility is also our primary internal design, assembly and test facility. We maintain other internal assembly and test operation facilities as well, including leased sites in Long Beach, California and Hsinchu, Taiwan. We also use multiple external foundries for outsourced semiconductor wafer supply, as well as multiple domestic and Asian assembly and test suppliers to assemble and test our products. A number of factors will affect the future success of these internal manufacturing facilities and outsourced supply and service arrangements, including the following:

the level of demand for our products;

our ability to expand and contract our facilities and purchase commitments in a timely and cost-effective manner in response to changes in demand for our products;

our ability to generate revenue in amounts that cover the significant fixed costs of operating our facilities;

our ability to qualify our facilities for new products in a timely manner;

the availability of raw materials, including GaAs substrates and high purity source materials such as gallium, aluminum, arsenic, indium and silicon;

our manufacturing cycle times and yields;

the political and economic risks associated with our reliance on outsourced Asian assembly and test suppliers;

the location of our facilities and those of our outsourced suppliers;

natural disasters impacting our facilities and those of our outsourced suppliers;

our ability to hire, train, manage and retain qualified production personnel;

our compliance with applicable environmental and other laws and regulations; and

our ability to avoid prolonged periods of downtime or high levels of scrap in our and our suppliers' facilities for any reason.

***We may experience difficulties in managing any future growth.***

To successfully conduct business in a rapidly evolving market, we must effectively plan and manage any current and future growth. Our ability to do so will be dependent on a number of factors, including:

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maintaining access to sufficient manufacturing capacity to meet customer demands;

arranging for sufficient supply of key raw materials and services to avoid shortages or supply bottlenecks;

building out our administrative infrastructure at the proper pace to support any current and future sales growth while maintaining operating efficiencies;

adhering to our high quality and process execution standards, particularly as we hire and train new employees and during periods of high volume;

managing the various components of our working capital effectively;

upgrading our operational and financial systems, procedures and controls, including improvement of our accounting and internal management systems; and

maintaining high levels of customer satisfaction.



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If we do not effectively manage any future growth, we may not be able to take advantage of attractive market opportunities, our operations may be impacted and we may experience delays in delivering products to our customers or damaged customer relationships, and achieve lower than anticipated revenue and decreased profitability.

*We may not realize the expected benefits of our recent restructuring activities and other initiatives designed to reduce costs and increase revenue across our operations.*

We have pursued a number of restructuring initiatives designed to reduce costs and increase revenue across our operations. These initiatives included reductions in our number of manufacturing facilities and significant workforce reductions in certain areas as we realigned our business. Additional initiatives included establishing certain operations closer in location to our global customers and evaluating functions that may be more efficiently performed through outsourcing arrangements. These initiatives have been substantial in scope and disruptive to some of our historical operations. We may not realize the expected benefits of these new initiatives. As a result of these initiatives, we have incurred restructuring or other charges and we may in the future experience disruptions in our operations, loss of personnel and difficulties in delivering products in a timely fashion. In fiscal years 2012, 2011 and 2010, we incurred restructuring charges of \$1.9 million, \$1.5 million and \$2.2 million, respectively, consisting primarily of employee severance and related costs resulting from reductions in our workforce.

*Our business could be harmed if systems manufacturers choose not to use components made of compound semiconductor materials we utilize.*

Silicon semiconductor technologies are the dominant process technologies for the manufacture of ICs in high-volume, commercial markets and the performance of silicon ICs continues to improve. While we use silicon for some applications, we also often use compound semiconductor technologies such as GaAs, indium phosphide (InP) or gallium nitride (GaN) to deliver reliable operation at higher power, higher frequency or smaller form factor than a silicon solution has historically allowed. While these compound semiconductor materials offer high-performance features, it is generally more difficult to design and manufacture products with reliability and in volume using them. GaN and InP, in particular, are newer process technologies that do not have as extensive a track record of reliable performance in the field as many of the competing process technologies. Compound semiconductor technology tends to be more expensive than silicon technology due to its above-described challenges and the generally lower volumes at which parts in those processes tend to be manufactured relative to silicon parts for high-volume consumer applications.

System designers in some markets may be reluctant to adopt our non-silicon products or may be likely to adopt silicon products in lieu of our products if silicon products meeting their demanding performance requirements are available, because of:

their unfamiliarity with designing systems using our products;

their concerns related to manufacturing costs and yields;

their unfamiliarity with our design and manufacturing processes; or

uncertainties about the relative cost effectiveness of our products compared to high-performance silicon components.

We cannot be certain that additional systems manufacturers will design our compound semiconductor products into their systems or that the companies that have utilized our products will continue to do so in the future. Improvements in the performance of available silicon process technologies and solutions could result in a loss of market share on our part. If our products fail to achieve or maintain market acceptance for any of the above reasons, our results of operations will suffer.

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### ***Earn-out arrangements from our acquisitions may negatively affect our future cash flows.***

In connection with the M/A-COM Acquisition, we agreed to pay Cobham up to \$30.0 million in the aggregate in the form of an earn-out based on our achievement of revenue targets in the 12-month periods ending September 30, 2010, 2011 and 2012, payable within 60 days of the end of the respective periods. The 2010 earn-out payment made to Cobham based on our performance was \$8.8 million. The 2011 earn-out payment due to Cobham of \$15.0 million was paid in November 2011. We expect to pay Cobham \$6 million for the final period ended September 30, 2012 in November 2012.

We also entered into an earn-out arrangement in connection with our purchase of Optomai in April 2011. We agreed to pay the stockholders and option holders of Optomai up to \$16.0 million in the aggregate in the form of an earn-out based on our achievement of certain revenue, product release and contribution margin targets based on sales of products utilizing Optomai intellectual property in the 12-month periods ended March 30, 2012 and ending March 29, 2013. The maximum aggregate earn-out payable by us pursuant to this earn-out arrangement is \$1.0 million in the first annual earn-out period, and \$16.0 million (less any earn-out paid in the first annual earn-out period) in the second annual earn-out period. We concluded we were not obligated to make any payment related to the first Optomai earn-out period that expired on March 30, 2012.

Any payment of these earn-outs will reduce the cash we otherwise would have available for general corporate purposes. If an earn-out payment is required in connection with our sale to a future acquirer, it will reduce the proceeds otherwise available for distribution to stockholders in connection with the closing of such sale.

### ***We may incur material costs and our business may be interrupted in connection with consolidation and outsourcing initiatives.***

We have a number of ongoing strategic initiatives aimed at reducing our long-term operating cost model, including the outsourcing of various manufacturing functions to third party suppliers and consolidation of our operations within existing facilities. While the goal of these actions is to reduce recurring fixed cost, there are associated restructuring charges and execution risks associated with these initiatives. Exiting a leased site may involve contractual or negotiated exit payments with the landlord, temporary holding over at an increased lease rate, costs to perform restoration work required by the lease, or associated environmental liability, any of which may be material in amount. For example, we paid \$2.5 million in exit costs in connection with our exit from a former leased site in Santa Clara, California in September 2010. Consolidation of operations and outsourcing may involve substantial capital expenses and the transfer of manufacturing processes and personnel from one site to another, with resultant startup issues at the receiving site and need for re-qualification of the transitioned operations with major customers and for ISO or other certifications. We may experience shortages of affected products, delays and higher than expected expenses. Affected employees may be distracted by the transition or may seek other employment, which could cause our overall operational efficiency to suffer.

### ***We are subject to risks from our international sales and operations.***

We have operations in Europe, Asia and Australia, and customers around the world. As a result, we are subject to regulatory, geopolitical and other risks associated with doing business outside the U.S. Global operations involve inherent risks, including currency controls, currency exchange rate fluctuations, tariffs, required import and export licenses, associated delays and other related international trade restrictions and regulations.

The legal system in many of the regions where we conduct business can lack transparency in certain respects relative to that of the U.S. and can accord local government authorities a higher degree of control and discretion over business than is customary in the U.S. This makes the process of obtaining necessary regulatory approvals and maintaining compliance inherently more difficult and unpredictable. In addition, the protection

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accorded to proprietary technology and know-how under these legal systems may not be as strong as in the U.S., and, as a result, we may lose valuable trade secrets and competitive advantage. The cost of doing business in European jurisdictions can also be higher than in the U.S. due to exchange rates, local collective bargaining regimes and local legal requirements and norms regarding employee benefits and employer-employee relations, in particular.

Sales to customers located outside the U.S. accounted for 47.2%, 46.4% and 39.7% of our revenue for the fiscal years 2012, 2011 and 2010, respectively. We expect that revenue from international sales will continue to be a significant part of our total revenue. Because the majority of our foreign sales are denominated in U.S. dollars, our products become less price-competitive in countries with currencies that are low or are declining in value against the U.S. dollar. Also, we cannot be sure that our international customers will continue to accept orders denominated in U.S. dollars. If they do not, our reported revenue and earnings will become more directly subject to foreign exchange fluctuations. Some of our customer purchase orders and agreements are governed by foreign laws, which may differ significantly from U.S. laws. We may be limited in our ability to enforce our rights under such agreements and to collect amounts owed to us.

The majority of our assembly, packaging and test vendors are located in Asia. We generally do business with our foreign assemblers in U.S. dollars. Our manufacturing costs could increase in countries with currencies that are increasing in value against the U.S. dollar. Also, our international manufacturing suppliers may not continue to accept orders denominated in U.S. dollars. If they do not, our costs will become more directly subject to foreign exchange fluctuations. From time to time we may attempt to hedge our exposure to foreign currency risk by buying currency contracts or otherwise, and any such efforts involve expense and associated risk that the currencies involved may not behave as we expect, and we may lose money on such hedging strategies or not properly hedge our risk.

In addition, if terrorist activity, armed conflict, civil, economic or military unrest, or political instability occurs in the U.S. or other locations, such events may disrupt our manufacturing, assembly, logistics, security and communications, and could also result in reduced demand for our products. We have in the past and may again in the future experience difficulties relating to employees traveling in and out of countries facing civil unrest or political instability and with obtaining travel visas for our employees. Major health pandemics could also adversely affect our business and our customer order patterns. We could also be affected if labor issues disrupt our transportation arrangements or those of our customers or suppliers. There can be no assurance that we can mitigate all identified risks with reasonable effort. The occurrence of any of these events could have a material adverse effect on our operating results.

### ***Our business could be adversely affected if we experience product returns, product liability and defects claims.***

Our products are complex and frequently operate in high-performance, challenging environments. We may not be able to anticipate all of the possible performance or reliability problems that could arise with our products after they are released to the market. If such problems occur or become significant, we may experience reduced revenue and increased costs related to product recalls, inventory write-offs, warranty or damage claims, delays in, cancellations of, or returns of product orders, and other expenses. The many materials and vendors used in the manufacture of our products increase the risk that some defects may escape detection in our manufacturing process and subsequently affect our customers, even in the case of long-standing product designs. Our use of newly-developed or less mature semiconductor process technologies, such as GaN and InP, which have a less extensive track record of reliability in the field than other more mature process technologies, also increases the risk of performance and reliability problems. These matters have arisen in our operations from time to time in the past, have resulted in significant net costs to us per occurrence, and will likely occur again in the future. The occurrence of defects could result in product returns and liability claims, reduced product shipments, the loss of customers, the loss of or delay in market acceptance of our products, harm to our reputation, diversion of management's time and resources, lower revenue, higher expenses and reduced profitability. Any warranty or other rights we may have against our suppliers for quality issues caused by them may be more limited than those

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our customers have against us, based on our relative size, bargaining power, or otherwise. In addition, even if we ultimately prevail, such claims could result in costly litigation, divert management's time and resources, and damage our customer relationships.

We also face exposure to potential liability resulting from the fact that some of our customers integrate our products into consumer products such as automobiles or mobile communication devices, which are then sold to consumers in the marketplace. We may be named in product liability claims even if there is no evidence that our products caused a loss. Product liability claims could result in significant expenses in connection with the defense of such claims and possible damages. In addition, we may be required to participate in a recall if our products prove to be defective. Any product recall or product liability claim brought against us, particularly in high-volume consumer markets, could have a material negative impact on our reputation, business, financial condition or results of operations.

***The outcome of litigation in which we have been named as a defendant is unpredictable and an adverse decision in any such matter could subject us to damage awards and lower the market price of our stock.***

We are a defendant in a litigation matter with GigOptix, Inc. described in Part I. Item 3, "Legal Proceedings" of this report. This and any other future litigation may divert financial and management resources that would otherwise be used to benefit our operations. Although we intend to contest the lawsuit vigorously, we cannot assure you that the results of the litigation will be favorable to us. The injunctive relief requested by GigOptix in this litigation, if awarded by the court, could adversely impact the revenue we derive from our fiber optic product line. An adverse resolution of the lawsuit or others in the future, including the results of any amicable settlement, could subject us to material damage awards or settlement payments or otherwise harm our business.

***Our financial results may be adversely affected by increased tax rates and exposure to additional tax liabilities.***

Our effective tax rate is highly dependent upon the geographic composition of our worldwide earnings and tax regulations governing each region, each of which can change from period to period. We are subject to income taxes in both the U.S. and various foreign jurisdictions, and significant judgment is required to determine our worldwide tax liabilities. Our effective tax rate as well as the actual tax ultimately payable could be adversely affected by changes in the amount of our earnings attributable to countries with differing statutory tax rates, changes in the valuation of our deferred tax assets, changes in tax laws or tax rates (particularly in the U.S. or Ireland), increases in non-deductible expenses, the availability of tax credits, material audit assessments or repatriation of non-U.S. earnings, each of which could materially affect our profitability. Any significant increase in our effective tax rates could materially reduce our net income in future periods and decrease the value of your investment in our common stock.

Changes in tax laws are introduced from time to time to reform U.S. taxation of international business activities. Depending on the final form of legislation enacted, if any, these consequences may be significant for us due to the large scale of our international business activities. If any of these proposals are enacted into legislation, they could have material adverse consequences on the amount of tax we pay and thereby on our financial position and results of operations.

***We may incur liability for claims of intellectual property infringement relating to our products.***

The semiconductor industry is generally subject to frequent litigation regarding patents and other intellectual property rights. Other companies in the industry have numerous patents that protect their intellectual property rights in these areas, and have made in the past and may make in the future claims that we have infringed or misappropriated their intellectual property rights. One currently pending suit of this type is discussed in Part II. Item 1, "Legal Proceedings" of this report. Our customers may assert claims against us for

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indemnification if they receive claims alleging that their or our products infringe others' intellectual property rights, and have in the past and may in the future choose not to purchase our products based on their concerns over such a pending claim. In the event of an adverse result of any intellectual property rights litigation, including the GigOptix litigation described in this report, we could be required to pay substantial damages for infringement, expend significant resources to develop non-infringing technology, incur material liability for royalty payments or fees to obtain licenses to the technology covered by the litigation, or be subjected to an injunction, which could prevent us from selling our products and materially and adversely affect our revenue and results of operations. We cannot be sure that we will be successful in any such non-infringing development or that any such license would be available on commercially reasonable terms, if at all. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, lost sales or damaged customer relationships, and diversion of management's attention and resources.

***Our limited ability to protect our proprietary information and technology may adversely affect our ability to compete.***

Our future success and ability to compete is dependent in part upon our protection of our proprietary information and technology through patent filings and otherwise. We cannot be certain that any patents we apply for will be issued or that any claims allowed from pending applications will be of sufficient scope or strength to provide meaningful protection or commercial advantage. Our competitors may also be able to design around our patents. The laws of some countries in which our products are or may be developed, manufactured or sold, may not protect our products or intellectual property rights to the same extent as U.S. laws, increasing the possibility of piracy of our technology and products. Although we intend to vigorously defend our intellectual property rights, we may not be able to prevent misappropriation of our technology.

In addition, we rely on trade secrets, technical know-how and other unpatented proprietary information relating to our product development and manufacturing activities. We try to protect this information by entering into confidentiality agreements with employees and other parties. We cannot be sure that these agreements will be adequate and will not be breached, that we would have adequate remedies for any breach or that our trade secrets and proprietary know-how will not otherwise become known or independently discovered by others.

Additionally, our competitors may independently develop technologies that are substantially equivalent or superior to our technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain or use our products or technology. Patent litigation is expensive, and our ability to enforce our patents and other intellectual property is limited by our financial resources and is subject to general litigation risks. If we seek to enforce our rights, we may be subject to claims that the intellectual property rights are invalid, are otherwise not enforceable or are licensed to the party against whom we assert a claim. In addition, our assertion of intellectual property rights could result in the other party seeking to assert alleged intellectual property rights of its own against us, which is a frequent occurrence in such litigations.

***If we fail to comply with export control regulations we could be subject to substantial fines or other sanctions, including loss of export privileges.***

Certain of our products are subject to the Export Administration Regulations, administered by the Department of Commerce, Bureau of Industry Security, which require that we obtain an export license before we can export products or technology to specified countries. Other products are subject to the International Traffic in Arms Regulations, which restrict the export of information and material that may be used for military or intelligence applications by a foreign person. We are also subject to U.S. import regulations and the import and export regimes of other countries in which we operate. Failure to comply with these laws could result in sanctions by the government, including substantial monetary penalties, denial of export privileges and debarment from government contracts. Export and import regulations may create delays in the introduction of our products in international markets or prevent the export or import of our products to certain countries or customers altogether. Any change in export or import regulations or related legislation, shift in approach by regulators to

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the enforcement or scope of existing regulations, changes in the interpretation of existing regulations by regulators or change in the countries, persons or technologies targeted by such regulations, could harm our business by resulting in decreased use of our products by, or our decreased ability to export or sell our products to, existing or potential customers with international operations. In addition, our sale of our products to or through third-party distributors, resellers and sales representatives creates the risk that any violation of these laws they may engage in may cause disruption in our markets or otherwise bring liability on us.

### ***We face risks associated with government contracting.***

Some of our revenue is derived from contracts with agencies of the U.S. government or subcontracts with its prime contractors. Under some of our government subcontracts, we are required to maintain secure facilities and to obtain security clearances for personnel involved in performance of the contract, in compliance with applicable federal standards. If we were unable to comply with these requirements, or if personnel critical to our performance of these contracts were to lose their security clearances, we might be unable to perform these contracts or compete for other projects of this nature, which could adversely affect our revenue.

### ***We may need to modify our activities or incur substantial costs to comply with environmental laws, and if we fail to comply with environmental laws we could be subject to substantial fines or be required to change our operations.***

We are subject to a variety of international, federal, state and local governmental regulations directed at preventing or mitigating climate change and other environmental harms, as well as to the storage, discharge, handling, generation, disposal and labeling of toxic or other hazardous substances used to manufacture our products. If we fail to comply with these regulations, substantial fines could be imposed on us, and we could be required to suspend production, alter manufacturing processes, cease operations, or remediate polluted land, air or groundwater, any of which could have a negative effect on our sales, income and business operations. Failure to comply with environmental regulations could subject us to civil or criminal sanctions and property damage or personal injury claims. Compliance with current or future environmental laws and regulations could restrict our ability to expand our facilities or build new facilities, or require us to acquire additional expensive equipment, modify our manufacturing processes, or incur other substantial expenses which could harm our business, financial condition and results of operations. In addition, under some of these laws and regulations, we could be held financially responsible for remedial measures if our properties or those nearby are contaminated, even if we did not cause the contamination. We have incurred in the past and may in the future incur environmental liability based on the actions of prior owners, lessees or neighbors of sites we have leased or may lease in the future, or sites we become associated with due to acquisitions. We cannot predict:

changes in environmental or health and safety laws or regulations;

the manner in which environmental or health and safety laws or regulations will be enforced, administered or interpreted;

our ability to enforce and collect under any indemnity agreements and insurance policies relating to environmental liabilities; or

the cost of compliance with future environmental or health and safety laws or regulations or the costs associated with any future environmental claims, including the cost of clean-up of currently unknown environmental conditions.

In addition to the costs of complying with environmental, health and safety requirements, we may in the future incur costs defending against environmental litigation brought by government agencies and private parties. We may be defendants in lawsuits brought by parties in the future alleging environmental damage, personal injury or property damage. A significant judgment or fine levied against us, or agreed settlement payment, could materially harm our business, financial condition and results of operations.

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***Environmental regulations such as the WEEE and RoHS directives limit our flexibility and may require us to incur material expense.***

Various countries require companies selling a broad range of electrical equipment to conform to regulations such as the Waste Electrical and Electronic Equipment (WEEE) and the European Directive 2002/95/EC on restriction of hazardous substances (RoHS). New environmental standards such as these could require us to redesign our products in order to comply with the standards, require the development of compliance administration systems or otherwise limit our flexibility in running our business or require us to incur substantial compliance costs. For example, RoHS requires that certain substances be removed from most electronic components. The WEEE directive makes producers of electrical and electronic equipment financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. We have already invested significant resources into complying with these regimes, and further investments may be required. Alternative designs implemented in response to regulation may be more costly to produce, resulting in an adverse effect on our gross profit margin. If we cannot develop compliant products in a timely fashion or properly administer our compliance programs, our revenue may also decline due to lower sales, which would adversely affect our operating results. Further, if we were found to be non-compliant with any rule or regulation, we could be subject to fines, penalties and/or restrictions imposed by government agencies that could adversely affect our operating results.

***Customer demands and new regulations related to conflict minerals may force us to incur additional expenses and liabilities.***

In August 2012, the SEC adopted its final rule to implement Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding disclosure and reporting requirements for companies who use conflict minerals mined from the Democratic Republic of Congo and adjoining countries in their products. In the semiconductor industry, these minerals are most commonly found in metals used in the manufacture of semiconductor devices and related assemblies. These new requirements could adversely affect our ability to source related minerals and metals and increase our related cost. We will face difficulties and increased expense associated with complying with the disclosure requirements, such as costs related to determining the source of any conflict minerals used in our products. Also, since our supply chain is complex, and some suppliers may be unwilling to share related confidential information regarding the source of their products, we may face reputational challenges if we are unable to sufficiently verify the origins of the subject minerals and metals. Moreover, we may encounter challenges to satisfy any related requirements of our customers, which may be different from or more onerous than the requirements of the related SEC rule. If we cannot satisfy these customers, they may choose a competitor's products or may choose to disqualify us as a supplier, and we may have to write off inventory in the event that it becomes unsalable as a result of these regulations.

***Our revolving credit facility could result in outstanding debt with a claim to our assets that is senior to that of our stockholders, and may have other adverse effects on our results of operations.***

As of September 28, 2012, we have a revolving credit facility with JPMorgan Chase Bank, N.A. and a syndicate of other lenders with a potential future borrowing availability of up to \$125.0 million, subject to compliance with financial and other covenants. In November 2012, the revolving credit facility was increased to \$150.0 million. The facility is secured by a first priority lien on substantially all of our assets. The amount of our indebtedness could have important consequences, including the following:

our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may be limited;

no proceeds will be available for distribution to our stockholders in a sale or liquidation until any balance on the line is repaid in full;

we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions;

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cash flow from operations will be allocated to the payment of the principal of, and interest on, any outstanding indebtedness; and

we cannot assure you that our business will generate sufficient cash flow from operations or other sources to enable us to meet our payment obligations under the facility and to fund other liquidity needs.

Our revolving credit facility also contains certain restrictive covenants that may limit or eliminate our ability to incur additional debt, sell, lease or transfer our assets, pay dividends, make capital expenditures, investments and loans, make acquisitions, guarantee debt or obligations, create liens, enter into transactions with our affiliates, enter into new lines of business and enter into certain merger, consolidation or other reorganizations transactions. These restrictions could limit our ability to withstand downturns in our business or the economy in general or to take advantage of business opportunities that may arise, any of which could place us at a competitive disadvantage relative to our competitors that are not subject to such restrictions. If we breach a loan covenant, the lenders could either refuse to lend funds to us or accelerate the repayment of any outstanding borrowings under the revolving credit facility. In addition, the lenders could either refuse to lend funds to us or accelerate the repayment of any outstanding borrowings under the revolving credit facility if a person acquires more than 35% of our outstanding equity securities. We might not have sufficient assets to repay such indebtedness upon a default. If we are unable to repay the indebtedness, the lenders could initiate a bankruptcy proceeding against us or collection proceedings with respect to our assets securing the facility, which could materially decrease the value of our common stock.

***We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our obligations.***

As a holding company, we derive substantially all of our cash flow from our subsidiaries. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments or distributions to meet our operating needs. Legal and contractual restrictions in any existing and future outstanding indebtedness we or our subsidiaries incur may limit our ability to obtain cash from our subsidiaries. The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could limit or impair their ability to pay dividends or other distributions to us.

***Variability in self-insurance liability estimates could impact our results of operations.***

We self-insure for employee health insurance and workers' compensation insurance coverage up to a predetermined level, beyond which we maintain stop-loss insurance from a third-party insurer. Our aggregate exposure varies from year to year based upon the number of participants in our insurance plans. We estimate our self-insurance liabilities using an analysis provided by our claims administrator and our historical claims experience. Our accruals for insurance reserves reflect these estimates and other management judgments, which are subject to a high degree of variability. If the number or severity of claims for which we self-insure increases, it could cause a material and adverse change to our reserves for self-insurance liabilities, as well as to our earnings.

***We may be subject to liabilities based on alleged links between the semiconductor manufacturing process and certain illnesses and birth defects.***

In recent years, there has been increased media scrutiny and associated reports regarding a potential link between working in semiconductor manufacturing clean room environments and birth defects and certain illnesses, primarily cancer. Regulatory agencies and industry associations have begun to study the issue to determine if any actual correlation exists. Because we utilize clean rooms, we may become subject to liability claims alleging personal injury. In addition, these reports may also affect our ability to recruit and retain employees. A significant judgment against us or material defense costs could harm our reputation, business, financial condition and results of operations.



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*We rely on third parties to provide corporate infrastructure services necessary for the operation of our business. Any failure of one or more of our vendors to provide these services could have a material adverse effect on our business.*

We rely on third-party vendors to provide critical corporate infrastructure services, including, among other things, certain services related to information technology, network development and monitoring, and human resources. We depend on these vendors to ensure that our corporate infrastructure will consistently meet our business requirements. The ability of these third-party vendors to successfully provide reliable, high quality services is subject to technical and operational uncertainties that are beyond our control. While we may be entitled to damages if our vendors fail to perform under their agreements with us, our agreements with these vendors limit the amount of damages we may receive. In addition, we do not know whether we will be able to collect on any award of damages or that any such damages would be sufficient to cover the actual costs we would incur as a result of any vendor's failure to perform under its agreement with us. Any failure of our corporate infrastructure could have a material adverse effect on our business, financial condition and results of operations. Upon expiration or termination of any of our agreements with third-party vendors, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

### **Risks Relating to Ownership of our Common Stock**

*The market price of our common stock may be volatile, which could result in substantial losses for investors.*

You should consider an investment in our common stock risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. In addition to the risks described in this report, other factors that may cause the market price of our common stock to fluctuate include:

changes in general economic, industry and market conditions;

domestic and international economic factors unrelated to our performance;

actual or anticipated fluctuations in our quarterly operating results;

changes in or failure to meet publicly disclosed expectations as to our future financial performance, as was the case in August 2012 when the trading price of our common stock declined approximately 21% on the day following our public announcement of lower than expected revenue, gross margin and business outlook figures;

changes in securities analysts' estimates of our financial performance or lack of research and reports by industry analysts;

changes in market valuations or earnings of similar companies;

addition or loss of significant customers;

announcements by us or our competitors, customers or suppliers of significant products, contracts, acquisitions, strategic partnerships or other events;

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developments or disputes concerning patents or proprietary rights, including any injunction issued or material sums paid for damage awards, settlement payments, license fees, attorney's fees or other litigation expenses associated with intellectual property lawsuits we may initiate, or in which we may be named as defendants;

failure to complete significant sales;

developments concerning current or future strategic alliances or acquisitions;

any future sales of our common stock or other securities; and

additions or departures of directors, executives or key personnel.

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Furthermore, the stock markets recently have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

***If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.***

The trading market for our common stock will depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our common stock or change their opinion of our common stock, our stock price would likely decline. If one or more of these analysts cease their coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

***Our common stock price may decline if a substantial number of shares are sold in the market by our stockholders.***

Future sales of substantial amounts of shares of our common stock by our existing stockholders in the public market, or the perception that these sales could occur, may cause the market price of our common stock to decline. Increased sales of our common stock in the market for any reason could exert significant downward pressure on our stock price. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price we deem appropriate.

***Some of our stockholders can exert control over us, and they may not make decisions that reflect our interests or those of other stockholders.***

Our largest stockholders control a significant amount of our outstanding common stock. As of September 28, 2012, John and Susan Ocampo beneficially owned 55.4% of our common stock and certain investment funds affiliated with Summit Partners, L.P. owned 20.8% of our common stock, each on an as-converted basis. As a result, these stockholders will be able to exert a significant degree of influence over our management and affairs and control over matters requiring stockholder approval, including the election of our directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of us and might affect the market price of our securities. In addition, the interests of these stockholders may not always coincide with your interests or the interests of other stockholders.

***We may engage in future capital-raising transactions that dilute our stockholders or cause us to incur debt.***

We may issue additional equity, debt or convertible securities to raise capital in the future. If we do, existing stockholders may experience significant further dilution. In addition, new investors may demand rights, preferences or privileges that differ from, or are senior to, those of our existing stockholders. Our incurrence of indebtedness could limit our operating flexibility and be detrimental to our results of operations.

***We will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our operating results.***

Having become a public company in 2012, we will incur significant legal, accounting and other expenses in future years that we did not incur as a private company, including costs associated with public company reporting

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requirements. We also have incurred and will incur costs associated with applicable corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act, as well as related rules and regulations implemented by the SEC and NASDAQ. In addition, our management team will have to adapt to the requirements of being a public company. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage than used to be available. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers.

***We are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish a report by our management on our internal control over financial reporting and evaluate the effectiveness of our internal control over financial reporting as of the end of each fiscal quarter. Such a report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. We have not completed the system and process documentation and evaluation needed to comply with these requirements. If our management identifies one or more material weaknesses in our internal control over financial reporting during this process, we will be unable to assert such internal control is effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price. We cannot assure you that we will not have deficiencies or weaknesses in our internal control over financial reporting in the future.

In addition, having become a public company in 2012, we are implementing additional financial and management controls, reporting systems and procedures in order to ensure the accuracy and completeness of our financial reports even before we are subject to the management report requirements under Section 404 of the Sarbanes-Oxley Act. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired, which could lead to inaccurate financial reports, which in turn could adversely affect our stock price.

We may also rely on external consultants to supplement our internal controls. For example, we partly rely on external consultants to supplement our internal control over financial reporting in connection with our accounting for income taxes and other complex accounting and financial matters, some of which require significant technical accounting expertise or require significant judgment. Use of external consultants involves additional risk that our external consultants may not perform as expected, or that coordination between our internal and external resources may not be adequate, resulting in one or more procedures not being performed or reviewed as planned, or one or more errors not being identified and corrected. If we do not effectively manage our external consultants or if they fail to perform as expected or fail to provide an adequate level of expertise in certain areas, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired and the accuracy and completeness of our financial reports could be compromised, which could adversely affect our stock price.

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***Anti-takeover provisions in our charter documents and Delaware law could prevent or delay a change in control of our company that stockholders may consider beneficial and may adversely affect the price of our stock.***

Provisions of our fourth amended and restated certificate of incorporation and second amended and restated bylaws may discourage, delay or prevent a merger, acquisition or change of control that a stockholder may consider favorable. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include authorizing the issuance of blank check preferred stock, staggered elections of directors, and establishing advance notice requirements for nominations for election to the board of directors and for proposing matters to be submitted to a stockholder vote. Provisions of Delaware law may also discourage, delay or prevent someone from acquiring or merging with our company or obtaining control of our company. Specifically, Section 203 of the Delaware General Corporate Law may prohibit business combinations with stockholders owning 15% or more of our outstanding voting stock and could reduce our value.

***We do not intend to pay dividends for the foreseeable future.***

We do not intend to pay any cash dividends on our common stock in the foreseeable future. The payment of cash dividends is restricted under the terms of the agreements governing our indebtedness. In addition, because we are a holding company, our ability to pay cash dividends may be limited by restrictions on our ability to obtain sufficient funds through dividends from subsidiaries, including restrictions under the terms of the agreements governing our indebtedness. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

***We are a controlled company within the meaning of the rules of the NASDAQ Stock Market, and, as a result, will qualify for, and may rely on, exemptions from certain corporate governance requirements. Our stockholders will not have the same protections afforded to stockholders of companies that are subject to such requirements.***

John and Susan Ocampo control a majority of the voting power of our outstanding common stock. We are a controlled company within the meaning of the corporate governance standards of the Nasdaq Stock Market. Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

the requirement that a majority of the board of directors consist of independent directors;

the requirement that the listed company have a nominating and governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;

the requirement that the listed company have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

the requirement for an annual performance evaluation of the nominating and governance and compensation committees.

We currently are a controlled company and may utilize any or all of these exemptions. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the Nasdaq Stock Market.

**Table of Contents****ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES.**

For additional information regarding property, plant and equipment by geographic region for each of the last two fiscal years, see Notes to Consolidated Financial Statements in Item 8 of this Annual Report.

Our principal executive offices are located in a leased facility in Lowell, Massachusetts. We also maintain leased facilities for our design centers located in Massachusetts, California, Ireland, the United Kingdom and Australia as well as for our administrative, assembly and test operations located in Taiwan, and our local sales offices in China, India and South Korea. We do not own any real property. We believe that our leased facilities are adequate for our present operations. The following is a list of our main facilities and their primary functions.

Site	Major Activity	Square Footage	Lease Expiration
Lowell, Massachusetts	Administration, Wafer Fabrication, Assembly and Test, Research and Development, Sales and Marketing	157,000	December 2022
Long Beach, California	Administration, Assembly and Test, Research and Development, Sales and Marketing	25,317	January 2018

**ITEM 3. LEGAL PROCEEDINGS.**

From time to time we may be subject to commercial disputes, employment issues, claims by other companies in the industry that we have infringed their intellectual property rights and other similar claims and litigations. Any such claims may lead to future litigation and material damages and defense costs. Other than as set forth below, we are not involved in any material pending legal proceedings.

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

In July 2011, GigOptix sought a temporary restraining order and thereafter an injunction on the same grounds, both of which were denied by the court. In August 2011, GigOptix amended its Complaint for the second time to delete its causes of action for negligent and intentional interference with economic advantage and unfair competition, leaving the following causes of action to be adjudicated: (i) breach of duty of loyalty against the Ex-Employees only, (ii) breach of contract against the Ex-Employees only, (iii) misappropriation of trade secrets against all defendants, and (iv) unfair business practices against all defendants. Each side has served and responded to written discovery requests, produced documents, and conducted witness depositions.

On July 30, 2012, GigOptix filed and served a renewed motion for preliminary injunction, which was argued before the court on September 13, 2012. After considering evidence presented by the parties, including witness and expert testimony and forensic evidence, the court denied GigOptix's renewed motion for preliminary injunction on September 18, 2012. The parties have agreed to participate in a non-binding mediation of their dispute, currently scheduled for December 20, 2012. We intend to continue to defend the lawsuit vigorously.

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**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

Our common stock has been listed on the NASDAQ Global Select Market under the symbol "MTSI" since March 15, 2012. Prior to that time, there was no public market for our common stock. The following table sets forth for the periods indicated the high and low sale prices of our common stock on the NASDAQ Global Select Market. The number of stockholders of record of our common stock as of November 15, 2012 was approximately 36.

The high and low sales prices of our common stock since our IPO in March 2012 follows:

Fiscal Year 2012	High	Low
Second quarter (From March 15, 2012)	\$ 22.43	\$ 19.00
Third quarter	22.25	13.07
Fourth quarter	18.99	10.16

We have not paid cash dividends on our common stock and we do not anticipate paying cash dividends in the foreseeable future.

***Use of Proceeds from Public Offering of Common Stock***

On March 20, 2012, we closed our IPO, in which we issued and sold 5,556,000 shares of common stock at a public offering price of \$19.00 per share. The aggregate offering price for shares sold by us in the offering was approximately \$105.6 million. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-175934), which was declared effective by the SEC on March 14, 2012. Barclays Capital Inc., J.P. Morgan Securities LLC, Jefferies & Company, Inc., Needham & Company, LLC, Raymond James & Associates, Inc., and Stifel, Nicolaus & Company, Incorporated acted as the underwriters. We raised approximately \$93.7 million in net proceeds after deducting underwriting discounts and commissions of approximately \$7.4 million and other offering expenses of approximately \$4.5 million. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries, and the \$60.0 million preference payment made upon closing of our IPO to the former holders of our Class B convertible preferred stock, which included affiliates of one of our directors. There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on March 15, 2012 pursuant to Rule 424(b). We invested the funds received in money market funds.



**Table of Contents*****Stock Price Performance Graph***

The following graph shows a comparison from March 15, 2012 (the date our common stock commenced trading on the NASDAQ) through September 28, 2012 of the total cumulative return of our common stock with the total cumulative return of the NASDAQ Composite Index and the PHLX Semiconductor Index. The amounts represented below assume an investment of \$100 in our common stock at the closing price of \$20.55 on March 15, 2012 and in the NASDAQ Composite Index and the PHLX Semiconductor Index on the closest month end date of February 29, 2012, and assume reinvestment of dividends. The comparisons in the graph are historical and are not intended to forecast or be indicative of possible future performance of our common stock.

	<b>March 15, 2012</b>	<b>March 2012</b>	<b>April 2012</b>	<b>May 2012</b>	<b>June 2012</b>	<b>July 2012</b>	<b>August 2012</b>	<b>September 2012</b>
M/A-COM Technology Solutions Holdings, Inc.	\$ 100.00	\$ 100.92	\$ 96.50	\$ 80.58	\$ 90.02	\$ 86.08	\$ 56.06	\$ 61.80
NASDAQ Composite Index	\$ 100.00	\$ 103.70	\$ 102.68	\$ 96.25	\$ 100.76	\$ 101.19	\$ 104.73	\$ 106.04
PHLX Semiconductor Index	\$ 100.00	\$ 104.48	\$ 103.49	\$ 92.32	\$ 94.85	\$ 95.98	\$ 99.34	\$ 100.80

**Table of Contents***Issuer Purchases of Equity Securities*

<b>Period</b>	<b>Total Number of Shares (or Units) Purchased</b>	<b>Average Price Paid per Share (or Unit)</b>	<b>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</b>
June 30, 2012 – July 27, 2012	319(1)	\$ 16.88		
July 28, 2012 – August 24, 2012	6,855(1)	16.37		
August 25, 2012 – September 28, 2012	1,997(1)	11.64		
<b>Total</b>	<b>9,171</b>	<b>\$ 15.36</b>		

- (1) In 2011, our Board of Directors approved withhold to cover as a tax payment method for vesting of restricted stock awards for our employees. Pursuant to an election for withhold to cover made by our employees in connection with the vesting of such awards, all of which were outside of a publicly-announced repurchase plan, we withheld from such employees the shares noted in the table above to cover tax withholding related to the vesting of their awards. The average prices listed in the above table are averages of the fair market prices at which we valued shares withheld for purposes of calculating the number of shares to be withheld.

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**ITEM 6. SELECTED FINANCIAL DATA.**

You should read the following selected financial data in conjunction with our consolidated financial statements and related notes, as well as Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Annual Report.

We were incorporated in March 2009 and completed the M/A-COM Acquisition on March 30, 2009. We acquired Mimix on May 28, 2010. Because we and Mimix had the same majority owner since our incorporation, we present in this Annual Report combined financial statements in a manner similar to a pooling-of-interests. Because our majority owner acquired control of Mimix before acquiring control of us, we treat Mimix as our accounting acquirer for financial statement presentation purposes. Accordingly, our financial statements are presented as if the Mimix Merger occurred on the date of our incorporation in March 2009, the date in which we came under common control with Mimix, and the financial statements for periods prior to March 30, 2009 reflect only the operations of Mimix. We believe the financial results prior to March 30, 2009 are not comparable to our financial results for subsequent periods because they reflect only the operations of Mimix.

We derived (i) the statements of operations data for the fiscal years 2012, 2011 and 2010, and (ii) the balance sheet data as of September 28, 2012 and September 30, 2011, from our audited consolidated financial statements, which appear elsewhere in this Annual Report. We derived the statements of operations data for the fiscal years 2009 and 2008 and balance sheet data as of October 1, 2010, October 2, 2009 and September 30, 2008 from our audited consolidated financial statements, which do not appear elsewhere in this Annual Report. Beginning with our fiscal year 2009, we adopted a 52-or 53-week fiscal year ending on the Friday closest to September 30.

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The historical results presented below are not necessarily indicative of financial results to be achieved in future periods.

	2012	2011	Fiscal Years 2010		2009	2008
			(in thousands, except per share data)			
<b>Statements of Operations Data:</b>						
Revenue	\$ 302,203	\$ 310,295	\$ 260,297	\$ 102,718	\$ 25,423	
Cost of revenue	167,301	178,435	166,554	77,171	17,228	
Gross profit	134,902	131,860	93,743	25,547	8,195	
Operating expenses:						
Research and development	35,817	36,121	25,795	13,553	6,728	
Selling, general and administrative	44,754	48,103	45,860	25,601	6,047	
Accretion of contingent consideration	(3,922)	210	2,000	2,800		
Restructuring charges	1,862	1,499	2,234	5,100		
Total operating expenses	78,511	85,933	75,889	47,054	12,775	
Income (loss) from operations	56,391	45,927	17,854	(21,507)	(4,580)	
Other (expense) income:						
Gain on bargain purchase				27,073		
Accretion of common stock warrant liability (1)	3,175	(5,080)				
Accretion of Class B conversion liability (2)	(44,119)	(39,737)				
Interest expense	(695)	(1,561)	(2,323)	(1,699)	(1,009)	
Other income related party	185					
Other (expense) income, net	(41,454)	(46,378)	(2,323)	25,374	(1,009)	
Income (loss) before income taxes	14,937	(451)	15,531	3,867	(5,589)	
Income tax (provision) benefit	(15,953)	(1,319)	(8,996)	124		
Income (loss) from continuing operations	(1,016)	(1,770)	6,535	3,991	(5,589)	
Income from discontinued operations		754	494	198		
Net income (loss)	(1,016)	(1,016)	7,029	4,189	(5,589)	
Less: net income attributable to noncontrolling interest in a subsidiary			195	23		
Net income (loss) attributable to controlling interest	(1,016)	(1,016)	6,834	4,166	(5,589)	
Accretion to redemption value of redeemable preferred stock and participating stock dividends (3)	(2,616)	(80,452)	(6,298)	(3,559)	(1,780)	
Net income (loss) attributable to common stockholders	\$ (3,632)	\$ (81,468)	\$ 536	\$ 607	\$ (7,369)	
Basic income (loss) per common share:						
Income (loss) from continuing operations	\$ (0.15)	\$ (54.63)	\$ 0.01	\$ 0.04	\$ (38.68)	
Income from discontinued operations		0.50	0.04	0.01		
Net income (loss) basic	\$ (0.15)	\$ (54.13)	\$ 0.05	\$ 0.05	\$ (38.68)	
Diluted income (loss) per common share:						

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Income (loss) from continuing operations	\$ (0.15)	\$ (54.63)	\$	\$ 0.04	\$ (38.68)
Income from discontinued operations		0.50	0.04	0.01	
Net income (loss) diluted	\$ (0.15)	\$ (54.13)	\$ 0.04	\$ 0.05	\$ (38.68)
Shares used to compute net income (loss) per common share:					
Basic	24,758	1,505	11,880	13,202	191
Diluted	24,758	1,505	12,586	13,342	191

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	September 28, 2012	September 30, 2011	As of October 1, 2010	October 2, 2009	September 30, 2008
<b>Consolidated Balance Sheet Data (in thousands):</b>					
Cash and cash equivalents	\$ 84,528	\$ 45,668	\$ 23,946	\$ 15,358	\$ 3,718
Working capital	157,307	89,426	56,955	46,313	6,184
Total assets	268,073	211,268	164,836	153,315	15,025
Note payable			30,000	30,191	
Class B conversion liability		81,378			
Convertible and redeemable preferred stock		182,018			
Stockholders' equity (deficit)	199,458	(144,837)	44,655	37,215	7,122
Dividends of \$0.63 per share, \$0.81 per share and \$2.44 per share were paid to the record holders as of January 4, 2011 of our Series A-1 convertible preferred stock, Series A-2 convertible preferred stock and common stock, respectively, aggregating \$80 million.					

- (1) Represents changes in the fair value of common stock warrants recorded as liabilities and adjusted each reporting period to fair value.
- (2) Represents changes in the fair value of certain features of our Class B convertible preferred stock that were recorded as liabilities and adjusted each reporting period to fair value. This liability was settled in connection with the IPO in March 2012.
- (3) In fiscal year 2011, includes \$76.2 million of dividends declared and paid in January 2011 to holders of our Series A-1 and A-2 convertible preferred stock.

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially and adversely from those referred to herein due to a number of factors, including but not limited to those described below and in Item 1A Risk Factors and elsewhere in this Annual Report on Form 10-K.*

**OVERVIEW**

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

*History and Basis of Presentation*

M/A-COM Technology Solutions Holdings, Inc. was incorporated in the State of Delaware on March 25, 2009 and on March 30, 2009, acquired 100% of the outstanding stock of M/A-COM Technology Solutions Inc. and M/ACOM Technology Solutions (Cork) Limited and the related M/A-COM brand, which we refer to as the M/A-COM Acquisition. We acquired Mimix Holdings, Inc. (Mimix), a supplier of high-performance GaAs semiconductors, on May 28, 2010 and Optomai, Inc. (Optomai), a developer of ICs and modules for fiber optic networks, on April 25, 2011.

We have a 52-or 53-week fiscal year ending on the Friday closest to September 30.

**Description of Our Revenue, Cost of Revenue and Expenses**

*Revenue.* Substantially all of our revenue is derived from sales of high-performance analog semiconductor solutions for use in wireless and wireline applications across the RF, microwave and millimeterwave spectrum. We design, integrate, manufacture and package differentiated product solutions that we sell to customers through our direct sales organization, our network of independent sales representatives and our distributors.

We believe the primary drivers of our future revenue growth will include:

increasing design wins with new and existing customers, with a focus on early customer engagement;

increasing content of our semiconductor solutions in our customers' systems through cross-selling of our 38 product lines;

introduction of, and the market's reception to, new products that command higher prices because of added features, higher levels of integration and improved performance; and

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growth in the market for high-performance analog semiconductors generally, and in our three primary markets in particular. While sales in any or all of our target markets may slow or decline from period to period, over the long term we generally expect to benefit from strength in these markets. We expect growth in the Networks market to be driven by continued upgrades and expansion of communications equipment to support increasing mobile communications, Internet and video data services. We expect growth in the A&D market to come from increasing electronic content in defense, homeland security and public safety systems, although growth in this market is subject to changes in governmental programs and budget funding, which is difficult to predict. In Multi-market, we expect steady growth over the long-term market for our multi-purpose catalog products, and expect additional growth potential in select areas such as the automotive market, where semiconductor content per automobile is projected to grow.

*Cost of revenue.* Cost of revenue consists primarily of the cost of semiconductor wafers and other materials used in the manufacture of our products, and the cost of assembly and testing of our products, whether performed by our internal manufacturing personnel or outsourced vendors. Cost of revenue also includes costs associated with personnel engaged in our manufacturing operations, such as wages and share-based compensation expense, as well as costs and overhead related to our manufacturing operations, including lease occupancy and utility expense related to our manufacturing operations, depreciation, production computer services and equipment costs, and the cost of our manufacturing quality assurance and supply chain activities. Further, cost of revenue includes the impact of warranty and inventory adjustments, including write-downs for excess and obsolete inventory as well as amortization of intangible assets related to acquired technology.

One of our objectives is to increase our gross margin, which is our gross profit expressed as a percentage of our revenue. We seek to introduce high-performance products that are valued by our customers for their ability to address technically challenging applications, rather than commoditized products used in high-volume applications where cost, rather than performance, is the highest priority. We also strive to continuously reduce our costs and to improve the efficiency of our manufacturing operations.

Our gross margin in any period is significantly affected by industry demand and competitive factors in the markets into which we sell our products. Gross margin is also significantly affected by our product mix, that is, the percentage of our revenue in that period that is attributable to relatively higher or lower-margin products. Additional factors affecting our gross margin include fluctuations in the cost of wafers and materials, including precious metals, utilization of our wafer fabrication operation, or fab, level of usage of outsourced manufacturing, assembly and test services, changes in our manufacturing yields, changes in foreign currencies and numerous other factors, some of which are not under our control. As a result of these or other factors, we may be unable to maintain or increase our gross margin in future periods and our gross margin may fluctuate from period to period.

While our gross margin may fail to grow or may decline from period to period, over the long-term we generally expect continued improvement in our gross margin as we complete our restructuring and other cost savings initiatives, execute on our new product development and sales and marketing strategies and experience higher volumes.

*Research and development.* Research and development (R&D) expense consists primarily of costs relating to our employees engaged in the design and development of our products and technologies, including wages and share-based compensation. R&D expense also includes costs for consultants, facilities, services related to supporting computer design tools used in the engineering and design process, prototype development and project materials. We expense all research and development costs as incurred. We have made a significant investment in R&D since March 2009 and expect to maintain or increase the dollar amount of R&D investment in future periods, although amounts may increase or decrease in any individual period.

*Selling, general and administrative.* Selling, general and administrative (SG&A) expense consists primarily of costs of our executives, sales and marketing, finance, human resources and administrative organizations,



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including wages and share-based compensation. SG&A expense also includes professional fees, sales commissions paid to independent sales representatives, costs of advertising, trade shows, marketing, promotion, travel, occupancy and equipment costs, computer services costs, costs of providing customer samples and amortization of certain intangible assets relating to customer relationships.

*Accretion of contingent consideration.* We have partially funded the acquisition of businesses through contingent earn-out consideration in which we have agreed to pay contingent amounts to the previous owners of acquired businesses based upon those businesses achieving contractual milestones. We record these obligations as liabilities at fair value and any changes in fair value are reflected in our earnings.

*Restructuring charges.* Following the M/A-COM Acquisition in March 2009, we began implementing our strategy to align our operations with the economic environment and our long-term fab-lite strategy, beginning with an initial staff reduction in April 2009. We also implemented restructuring actions in fiscal year 2012 that were designed to further lower our operating costs. Restructuring expense consists of severance and related costs incurred in connection with reductions in staff.

*Other income (expense).* Other income (expense) consists of accretion of our common stock warrant liability, accretion of our Class B conversion liability, which was settled in March 2012, interest expense and income from a related party transaction. In April 2012, we entered into a services agreement with GaAs Labs, which is an affiliate of our directors and majority stockholders John and Susan Ocampo, whereby we provide administrative and business development services to GaAs Labs on a time and materials basis.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements. The preparation of financial statements, in conformity with generally accepted accounting principles in the U.S. (GAAP), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. On an ongoing basis, we re-evaluate our judgments and estimates. We base our estimates and judgments on our historical experience and on other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates, and material effects on our operating results and financial position may result. The accounting policies described below are those which our management believes involve the most significant application of judgment, or involve complex estimation.

*Revenue recognition.* We recognize revenue when: (i) there is persuasive evidence that an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) collectability is reasonably assured. We defer the recognition of revenue, and the related costs, from sales to distributors under agreements providing for rights of return and price protection until such time as our products are sold by the distributors to their customers. We do not provide customers other than distributors the right to return product, with the exception of warranty related matters, which are discussed below. Accordingly, we do not generally maintain a reserve for sales returns.

*Inventory.* Inventory is stated at the lower of cost or market. We use a combination of standard cost and moving weighted-average cost methodologies to determine the cost basis for inventories, approximating a first-in, first-out basis. The standard cost of finished goods and work-in-process inventory is composed of material, labor and manufacturing overhead, which approximates actual cost. In addition to stating inventory at the lower of cost or market, we also evaluate inventory each quarter for excess quantities and obsolescence, establishing reserves when necessary based upon historical experience, assessment of economic conditions and expected demand. Estimating demand is inherently difficult, particularly given the cyclical nature of the semiconductor industry, and can result in excess or obsolete inventory. Once we write down inventory to its

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estimated net realizable value, we establish a new cost basis for that inventory and do not increase its carrying value due to subsequent changes in demand forecasts. Accordingly, if inventory previously written down is subsequently sold, we may realize higher than normal gross margin on these transactions. Neither inventory write-downs nor sales of previously written down inventory had a material impact on our operating results for any period presented in this Annual Report.

*Share-based compensation.* We provide share-based compensation awards to our directors, officers and employees as incentives in the form of options to purchase our common stock (stock options), restricted shares of our common stock (restricted stock) and units representing the right to receive common stock (restricted stock units), typically subject to a time-based or performance-based vesting restriction. We measure compensation cost for such awards based upon fair value on the date of grant, and recognize this cost as expense over the service period the awards are expected to vest, net of estimated forfeitures. The fair value of restricted stock and units is determined based on the excess of the estimated fair value of our common stock on the date of grant over the price paid or payable for the shares, which is generally zero. The fair value of stock options is determined using the Black-Scholes option-pricing model. We recognize the compensation expense associated with share-based awards on a straight-line basis over the requisite service period of the award, which is generally the vesting period. The determination of fair value of share-based awards utilizing the Black-Scholes model is affected by the fair value of our common stock as of the time of grant and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends.

Determining the appropriate fair value model and calculating the fair value of share-based awards requires significant judgment and the use of assumptions which may differ materially from actual results. Actual results, and future changes in estimates, may differ substantially from our current estimates.

*Fair value measurements.* We measure financial assets and liabilities at fair value. Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, we group financial assets and liabilities in a three-tier fair value hierarchy. This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure certain financial assets and liabilities at fair value.

The fair values of the contingent consideration liabilities are estimated based upon a risk-adjusted present value of the probability-weighted expected payments by us. Specifically, we consider base, upside and downside scenarios for the operating metrics upon which the contingent payments are to be based. Probabilities were assigned to each scenario and the probability-weighted payments are discounted to present value using risk-adjusted discount rates.

For periods prior to March 2012, the fair value of the common stock warrants was estimated based upon a present value of the probability-weighted expected investment returns to the holders. The Company weighted various scenarios of possible investment returns to the holders over the terms of the contracts, such as upon a sale of the Company and upon an initial public offering of its common stock, using a range of potential outcomes. Using the scenarios developed, management considered the likely timing and method of exercise of the warrants and investment returns to the holders. Where a settlement was considered likely in the near term, the probable settlement amounts were weighted. Where the time to exercise was expected to be longer, a Black-Scholes option pricing model was used to estimate the fair value of the warrants, giving consideration to remaining contractual life, expected volatility and risk free rates. The probability-weighted expected settlement of the warrant was discounted to the present using a risk adjusted discount rate. Following the completion of the IPO the fair value of the common stock warrants has been estimated using a Black-Scholes option pricing model giving consideration to the quoted market price of the common stock on that date, expected lives of the awards, expected volatility during those lives and risk free rates of interest. The change in approach to estimation results from the Company's IPO in March 2012 and the availability of a quoted market price for the common stock underlying the warrants.

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The fair values of the Class B conversion liabilities were estimated based upon a consideration of the estimated fair value of the underlying common stock into which the Class B convertible preferred stock is convertible, and the expected preferential payments pursuant to the terms of the securities. We estimated the fair value of the common stock by using the same probability-weighted scenarios in estimating the fair value of the warrants. For each potential scenario, the value to the Class B convertible stock was estimated relative to the existing preferences. The amount in excess of the liquidation preferences, if any, was then probability-weighted and discounted to the present using a risk adjusted discount rate. The Class B conversion liabilities were settled upon the closing of the Company's IPO in March 2012.

These estimates include significant judgments about potential future liquidity events and actual results could materially differ and have a material impact upon the values of the recorded liabilities. Any changes in the estimated fair values of the liabilities in the future will be reflected in our earnings and such changes could be material.

*Income taxes.* We periodically assess the likelihood that our deferred tax assets will be recovered from our future income, and, to the extent we believe that it is more likely than not our deferred tax assets will not be recovered, we must establish a valuation allowance against our deferred tax assets. In making this assessment, we consider available positive and negative evidence. Conclusions reached are subject to significant judgments that are dependent upon changes in facts and circumstance.

**RESULTS OF OPERATIONS**

The following table sets forth, for the periods indicated, our statement of operations data (in thousands):

	2012	Fiscal Years 2011	2010
Revenue	\$ 302,203	\$ 310,295	\$ 260,297
Cost of revenue (1)	167,301	178,435	166,554
Gross profit	134,902	131,860	93,743
Operating expenses:			
Research and development (1)	35,817	36,121	25,795
Selling, general and administrative (1)(4)	44,754	48,103	45,860
Accretion of contingent consideration	(3,922)	210	2,000
Restructuring charges	1,862	1,499	2,234
Total operating expenses	78,511	85,933	75,889
Income from operations	56,391	45,927	17,854
Other (expense) income:			
Accretion of common stock warrant liability (2)	3,175	(5,080)	
Accretion of Class B conversion liability (3)	(44,119)	(39,737)	
Interest expense (1)	(695)	(1,561)	(2,323)
Other income related party	185		
Other (expense) income, net	(41,454)	(46,378)	(2,323)
Income (loss) before income taxes	14,937	(451)	15,531
Income tax provision	(15,953)	(1,319)	(8,996)
Income (loss) from continuing operations	(1,016)	(1,770)	6,535
Income from discontinued operations		754	494
Net income (loss)	\$ (1,016)	\$ (1,016)	\$ 7,029



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- (1) Amortization expense related to intangible assets arising from acquisitions and non-cash compensation expense included in our consolidated statements of operations is set forth below (in thousands):

	2012	Fiscal Years 2011	2010
<b>Amortization expense:</b>			
Cost of revenue	\$ 1,988	\$ 1,588	\$ 1,594
Selling, general and administrative	1,317	1,069	1,095
<b>Non-cash compensation expense: (a)</b>			
Cost of revenue	715	335	194
Research and development	979	258	208
Selling, general and administrative	2,068	964	1,143
Amortization of deferred financing costs interest expense	271	765	

- (a) Includes (i) share-based compensation expense and (ii) incentive compensation amounts payable by the previous owner of the M/A-COM Tech Business to certain of our employees in connection with the sale of such business to us and recorded in our financial statements in a manner similar to share-based compensation.

- (2) Represents changes in the fair value of common stock warrants recorded as liabilities and adjusted each reporting period to fair value.
- (3) Represents changes in the fair value of certain features of our Class B convertible preferred stock that were recorded as liabilities and adjusted each reporting period to fair value. The liabilities were settled in connection with the IPO in March 2012.
- (4) Includes Optomai litigation costs of \$0.5 million incurred in the fourth quarter of fiscal year 2012.

The following table sets forth, for the periods indicated, our statement of operations data expressed as a percentage of our revenue:

	2012	Fiscal Years 2011	2010
Revenue	100.0%	100.0%	100.0%
Cost of revenue	55.4	57.5	64.0
Gross profit	44.6	42.5	36.0
<b>Operating expenses:</b>			
Research and development	11.9	11.6	9.9
Selling, general and administrative	14.8	15.5	17.6
Accretion of contingent consideration	(1.3)	0.1	0.8
Restructuring charges	0.6	0.5	0.9
Total operating expenses	26.0	27.7	29.2
Income from operations	18.7	14.8	6.9
<b>Other (expense) income:</b>			
Accretion of common stock warrant liability	1.1	(1.6)	
Accretion of Class B conversion liability	(14.6)	(12.8)	
Interest expense	(0.2)	(0.5)	(0.9)
Other income-related party	0.1		

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Other (expense) income, net	(13.7)	(14.9)	(0.9)
Income (loss) before income taxes	4.9	(0.1)	6.0
Income tax provision	(5.3)	(0.4)	(3.5)
Income (loss) from continuing operations	(0.3)	(0.6)	2.5
Income from discontinued operations		0.2	0.2
Net income (loss)	(0.3)%	(0.3)%	2.7%

**Table of Contents****Comparison of Fiscal Year Ended September 28, 2012 to Fiscal Year Ended September 30, 2011**

*Revenue.* Our revenue decreased \$8.1 million, or 2.6%, to \$302.2 million for fiscal year 2012 from \$310.3 million for fiscal year 2011. The decrease in revenue was primarily due to softer demand in our Networks market, which we believe reflects a slowdown in capital spending by telecommunications operators, driven by a weak macroeconomic environment. This decline was partly offset by growth in sales of Multi-market products targeted to automotive applications and to a lesser degree growth in sales of A&D products targeted to satellite datalink applications.

Revenue from our primary markets, the percentage of change between the years, and revenue by primary markets expressed as a percentage of total revenue were (in thousands, except percentages):

	Fiscal Years		% Change
	2012	2011	
Networks	\$ 83,379	\$ 93,974	(11.3)%
A&D	95,009	94,227	0.8%
Multi-Market	123,815	122,094	1.4%
Total	\$ 302,203	\$ 310,295	
Networks	27.6%	30.3%	
A&D	31.4	30.4	
Multi-Market	41.0	39.3	
Total	100.0%	100.0%	

In fiscal year 2012, our Networks market revenue decreased by \$10.6 million compared to fiscal year 2011. The decrease was attributable primarily to a slowdown in capital spending by telecommunications operators for mobile communications backhaul and cellular infrastructure equipment, partially offset by growth in sales of our CATV, broadband, and optical products.

In fiscal year 2012, our A&D market revenue increased by \$0.8 million compared to fiscal year 2011. We attribute this growth to increased demand for satellite datalink products, partially offset by weaker demand for radar applications and weaker overall market demand for tactical and public safety radios in fiscal year 2012.

In fiscal year 2012, our Multi-market revenues increased by \$1.7 million compared to fiscal year 2011. We attribute this growth primarily to the continued strength of the automobile industry, partially offset by weaker demand for our general purpose products through our distribution channels.

*Gross margin.* Gross margin was 44.6% for fiscal year 2012 compared with 42.5% for fiscal year 2011. The increase in gross margin was primarily due to lower manufacturing expenses of \$13.0 million in fiscal year 2012, partially offset by the impact of lower volume and increased third-party manufacturing costs, pricing and product mix, all as compared to fiscal year 2011. The lower manufacturing expenses in fiscal year 2012 were primarily driven by outsourcing activities, which led to lower manufacturing payroll and spending. Amortization and non-cash compensation expenses included in cost of revenue were \$2.0 million and \$0.7 million, respectively, in fiscal year 2012 as compared to \$1.6 million and \$0.3 million, respectively, in fiscal year 2011.

*Research and development.* R&D expense decreased \$0.3 million, or 0.8%, to \$35.8 million, or 11.9% of our revenue, in fiscal year 2012 compared with \$36.1 million, or 11.6% of our revenue, in fiscal year 2011. The decrease was primarily driven by increases in foreign research funding grants and credits, partially offset by increases in non-cash compensation to existing staff and new product development activities that required

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increases in staff, facility costs, design tools and engineering prototype materials. Non-cash compensation expense included in R&D expense was \$1.0 million in fiscal year 2012 as compared to \$0.3 million in fiscal year 2011.

*Selling, general and administrative.* SG&A expense decreased \$3.3 million, or 7.0%, to \$44.8 million, or 14.8% of our revenue, for fiscal year 2012 compared with \$48.1 million, or 15.5% of our revenue, for fiscal year 2011. The decrease in fiscal year 2012 was primarily related to reductions in professional fees supporting the preparation and audits of historical financial statements, as well as reduced travel and promotional expenses. In addition, the decrease in fiscal 2012 was attributable to reduced payroll expenses resulting from restructuring actions taken during the previous fiscal years and in fiscal year 2012. These decreases were partially offset by increased non-cash compensation to existing staff, increased facility costs as we expanded our physical presence worldwide to facilitate our sales and marketing strategies, increased litigation costs and increased professional fees and related costs incurred as a new public company in fiscal 2012. Amortization and non-cash compensation expenses included in SG&A expense were \$1.3 million and \$2.1 million, respectively, in fiscal year 2012 as compared to \$1.1 million and \$1.0 million, respectively, in fiscal year 2011.

*Accretion of contingent consideration.* Accretion of contingent consideration resulted in a gain of \$3.9 million for fiscal year 2012 compared with expense of \$0.2 million for fiscal year 2011. Accretion of contingent consideration is a result of changes in the fair value of the contingent consideration we expect to pay related to acquisitions. The gain in fiscal year 2012 resulted primarily from changes in our expectations about the potential payments we may make in connection with our April 2011 acquisition of Optomai.

*Restructuring charges.* Restructuring charges were \$1.9 million for fiscal year 2012 compared with \$1.5 million for fiscal year 2011. The restructuring charges in fiscal year 2012 related to a reduction of staffing and represents severance and related benefits that we expect to provide through the second quarter of fiscal year 2013. The restructuring charges in fiscal year 2011 also related to a reduction of staffing and represented severance and related benefits that were paid in fiscal years 2011 and 2012.

*Income from operations.* Income from operations increased \$10.5 million, or 22.8%, to \$56.4 million, or 18.7% of our revenue, for fiscal year 2012 compared with \$45.9 million, or 14.8%, of our revenue for fiscal year 2011. The increase in income from operations was primarily attributable to a gain from the accretion of contingent consideration and improved gross margins and other cost reduction activities that reduced operating expenses in fiscal year 2012 compared to fiscal year 2011, partially offset by increases in non-cash compensation and amortization in fiscal year 2012.

*Accretion of common stock warrant liability.* Common stock warrant gain of \$3.2 million for fiscal year 2012 compares to an expense of \$5.1 million for fiscal year 2011. The changes relate to the changes in the estimated fair value of common stock warrants we issued in December 2010, which we carry as a liability at fair value.

*Accretion of Class B conversion liability.* Class B conversion liability expense was \$44.1 million for fiscal year 2012 compared to \$39.7 million for fiscal year 2011. The changes relate to the changes in the estimated fair value of certain features of our Class B convertible preferred stock (Class B) issued in December 2010, which we carried as a liability at fair value from the issuance date through March 20, 2012, the date we completed the IPO. Upon completion of the IPO, all of our preferred stock, including our Class B, was converted to common stock. In connection with the IPO in March 2012, we paid \$60.0 million to the former holders of our Class B as a preference payment. The conversion of the Class B and the payment of the preference amount settled the Class B conversion liability in full.

*Interest expense.* Interest expense decreased \$0.9 million to \$0.7 million for fiscal year 2012, compared with \$1.6 million for fiscal year 2011. The decrease was a result of repayment of our previously outstanding debt in December 2010. Interest expense includes amortization of deferred financing costs of \$0.3 million and \$0.8 million for fiscal year 2012 and fiscal year 2011, respectively.



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*Other income related party.* In fiscal year 2012, we billed GaAs Labs \$0.2 million for services provided pursuant to our administrative and business development services agreement with GaAs Labs and have recorded the amount as other income.

*Provision for income taxes.* The difference between the U.S. federal statutory income tax rate of 35% and our effective income tax rates for fiscal years 2012 and 2011 was driven primarily by an aggregate of \$40.9 million and \$44.8 million, respectively, of expense related to changes in fair values of our Class B conversion and common stock warrant liabilities, which are not taxable, and, for fiscal year 2012, a \$1.6 million deferred income tax benefit resulting from a change in the deferred income tax liability related to acquired intangible assets. Fiscal year 2011 was also impacted by a benefit of \$16.7 million resulting from a reduction in the valuation allowance against deferred income tax assets.

**Comparison of Fiscal Year Ended September 30, 2011 to the Fiscal Year Ended October 1, 2010**

*Revenue.* Our revenue increased \$50.0 million or 19.2% to \$310.3 million in fiscal year 2011, from \$260.3 million in fiscal year 2010. Our sales growth in fiscal year 2011 was primarily due to increased shipment volumes of our products in each of our primary markets and general economic improvement. The primary driver of our overall revenue growth in fiscal year 2011 was a \$23.9 million increase in Networks market revenues, which we believe was attributable to telecommunications operators upgrading CATV networks and devices and cellular networks to support increasing mobile communications, Internet, and video data services. A&D market revenues also contributed to the overall growth in fiscal year 2011, increasing by \$8.3 million. We attribute this growth to some large radar and datalink customer programs ramping in production during fiscal year 2011, partially offset by weaker overall market demand for tactical and public safety radios. Multi-market revenues were the second largest driver of our overall revenue growth in fiscal year 2011, increasing by \$17.8 million. We attribute this growth primarily to the increasing proliferation of smart phones in the period and improving conditions in the automobile industry, particularly in North America.

Revenue from our primary markets, the percentage of change between the periods, and revenue by primary market expressed as a percentage of total revenue were (in thousands, except percentages):

	Fiscal Years		% Change
	2011	2010	
Networks	\$ 93,974	\$ 70,098	34.1%
A&D	94,227	85,931	9.7%
Multi-market	122,094	104,268	17.1%
Total	\$ 310,295	\$ 260,297	
Networks	30.3%	26.9%	
A&D	30.4	33.0	
Multi-market	39.3	40.1	
Total	100.0%	100.0%	

*Gross margin.* Gross margin was 42.5% in fiscal year 2011, compared with 36.0% in fiscal year 2010. The increase in gross margin was primarily attributable to improved manufacturing utilization and productivity, which accounted for \$5.7 million, or 1.8% of revenue, in fiscal year 2011. In addition, the improvement in gross margin included a reduction of manufacturing payroll and benefits in fiscal year 2011 of \$5.5 million, or 1.8% of revenue, reduced facility costs of \$2.2 million, or 0.7% of revenue, driven by consolidations, and to a lesser degree by increased unit shipments of higher margin products. The increase in gross margin in fiscal year 2011 was partially offset by additional costs of \$0.6 million, or 0.2% of revenue, to qualify outsourced suppliers and exit manufacturing facilities, as well as increased shipping costs of \$0.9 million, or 0.3% of revenue.

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Amortization and non-cash compensation expenses included in cost of revenue represented 0.5% and 0.1%, respectively, of revenue in fiscal year 2011 compared to 0.6% and 0.1%, respectively, in fiscal year 2010.

*Research and development.* R&D expense increased \$10.3 million, or 40.0%, to \$36.1 million, and represented 11.6% of our revenue, in fiscal year 2011, compared with \$25.8 million in fiscal year 2010. The increase was primarily driven by increased new product development activities and related increases in staff, facility costs, computer design tools and engineering materials. Non-cash compensation expense in R&D expense was \$0.3 million in fiscal year 2011 compared to \$0.2 million in fiscal year 2010.

*Selling, general and administrative.* SG&A expense increased \$2.2 million, or 4.9%, to \$48.1 million or 15.5% of our revenue in fiscal year 2011 compared with \$45.9 million or 17.6% of our revenue in fiscal year 2010. The increase was primarily related to an increase in sales and marketing staff to support our revenue growth, professional fees in connection with preparation and audits of historical financial statements, travel expenses incurred in support of our efforts to expand sales at top domestic and foreign customer accounts, and costs to upgrade the software tools used by our worldwide sales and marketing organization. These increases were partially offset by reductions in fees paid under outsourced service arrangements as we built out our internal capabilities to provide for those functions. Amortization and non-cash compensation expenses in SG&A expense were \$1.1 million and \$1.0 million, respectively, in fiscal year 2011 compared to \$1.1 million and \$1.1 million, respectively, in fiscal year 2010.

*Accretion of contingent consideration.* Accretion of contingent consideration expense decreased \$1.8 million to \$0.2 million in fiscal year 2011 compared with \$2.0 million in fiscal year 2010. Our accretion of contingent consideration in fiscal year 2011 was lower as a result of changes in the estimated fair value of the obligation arising in the M/A-COM Acquisition, partially offset by the addition of contingent consideration related to the acquisition of Optomai in April 2011. The estimates of fair value were primarily impacted by changes in interest rates underlying our estimates due to improvement in the credit environment, and a shortening of the discount period as we near the expected payment dates.

*Restructuring charges.* Restructuring charges decreased \$0.7 million to \$1.5 million in fiscal year 2011 compared with \$2.2 million in fiscal year 2010. The decrease in our restructuring charges was primarily attributable to having completed our restructuring activities launched in fiscal year 2009.

*Accretion of common stock warrant liability.* Common stock warrant liability expense of \$5.1 million relates to the change in the estimated fair value of common stock warrants we issued in fiscal year 2011, which we carried as liabilities at fair value.

*Accretion of Class B conversion liability.* Class B convertible preferred stock conversion liability expense of \$39.7 million relates to the change in the estimated fair value of certain features of our Class B convertible preferred stock issued in fiscal year 2011, which we carry as a liability at fair value.

*Interest expense.* Interest expense decreased \$0.8 million or 32.8% to \$1.6 million or 0.5% of our revenue in fiscal year 2011, compared with \$2.3 million or 0.9% of our revenue in fiscal year 2010, as a result of repayment of our debt in fiscal year 2011. Interest expense includes the amortization of deferred financing costs classified as interest expense in the amount of \$0.8 million in fiscal year 2011.

*Provision for income taxes.* Provision for income taxes decreased \$7.7 million to \$1.3 million in fiscal year 2011, compared with \$9.0 million in fiscal year 2010, representing an effective tax rate of (292.5%) and 57.9% in fiscal year 2011 and 2010, respectively. As of October 1, 2010, we evaluated available positive and negative evidence and determined that it was not more likely than not that our deferred tax assets would be realized, and we recorded a full valuation allowance. In arriving at this conclusion, we determined that the cumulative losses incurred by Mimix and us for the years prior to fiscal year 2010 outweighed our short earnings history. The increase in our valuation allowance during fiscal year 2010 was the principal factor resulting in our 57.9% effective tax rate for the fiscal year 2010.

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In fiscal year 2011, we continued to evaluate available positive and negative evidence and concluded it was appropriate to recognize our deferred tax assets in full. The primary factor we considered was our continued generation of book income before nondeductible expenses related to fair value measurements during the fiscal year. We concluded that two consecutive years of income and forecasted income in future years constituted sufficient positive evidence to support a more likely than not assessment of recoverability of the assets. Accordingly, we reduced the valuation allowance by \$16.7 million during fiscal year 2011.

In addition to the reduction of the valuation allowance, our effective tax rate for fiscal year 2011 was significantly impacted by the charges related to changes in fair value of our Class B conversion liability and common stock warrant liability, which totaled \$44.8 million and were not tax deductible. The difference between the statutory tax rate, which would have resulted in a 35% income tax benefit, and our effective tax rate for fiscal year 2011, which resulted in a 292.5% income tax provision, was driven by the non-deductible charge for the Class B conversion and common stock warrant liabilities, partially offset by the reduction of the valuation allowance as well as other permanent differences between financial reporting and income tax filings.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of September 28, 2012, we held \$84.5 million of cash and cash equivalents, all deposited with financial institutions. Cash from operations was \$35.4 million in fiscal 2012, of which the principal components were a net loss of \$1.0 million, plus non-cash expense of \$55.3 million, partially offset by unfavorable changes in operating assets and liabilities of \$18.9 million. The net change in operating assets and liabilities included increases in accounts receivable, inventory and prepaid expenses and other assets of \$8.0 million, \$5.0 million and \$0.2 million, respectively, an unfavorable change in income taxes of \$7.0 million and a decrease in deferred revenue of \$5.1 million, all of which had the effect of reducing cash from operating activities. These uses of cash were partially offset by an increase in accounts payable and accrued expenses and other of \$6.4 million.

Cash used in investing activities was \$15.7 million in fiscal 2012, all of which consisted of purchases of property and capital equipment, including renovation of leased facilities as well as production and manufacturing equipment and tooling as well as engineering equipment and software tools.

Cash from financing activities was \$19.2 million in fiscal 2012. We received \$95.0 million from the issuance of 5.6 million shares of common stock in the IPO, after deducting related costs paid in the period. In connection with the IPO and the related conversion of the Class B to common stock, we made a preference payment to the former Class B stockholders of \$60.0 million. In connection with releases of an escrow related to the acquisition of Mimix in fiscal year 2010, we paid \$0.7 million to the former Mimix stockholders during the period. In November 2011, we paid the second earn-out payment to Cobham totaling \$15.0 million relating to the M/A-COM Acquisition.

In February 2012, we increased the borrowing capacity under our revolving line of credit and, in connection therewith, we paid \$0.2 million of financing fees in the period. Proceeds from stock option exercises and excess tax benefits related to restricted stock awards totaled \$0.7 million during the period. We also repurchased common stock from employees for \$0.7 million in connection with the vesting of restricted stock awards in fiscal year 2012 to cover related tax withholding obligations.

Pursuant to a loan agreement we entered into in September 2011 with JPMorgan Chase Bank, N.A. and a syndicate of other lenders, as augmented in February and November 2012, we have a revolving credit facility with up to \$150.0 million in borrowing availability maturing in September 2016. Borrowings under the revolving credit facility bear a variable interest rate equal to (i) the greater of the lender's prime rate, the federal funds effective rate plus 0.5%, or an adjusted London InterBank Offered Rate (LIBOR) plus 1.0%, in each case plus either an additional 1.25%, 1.50% or 1.75%, subject to certain conditions, or (ii) an adjusted LIBOR rate plus either 2.25%, 2.50% or 2.75%, subject to certain conditions. In addition, we pay a fee related to the unused portion of the credit facility. The revolving credit facility is secured by a first priority lien on substantially all of

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our assets and provides that we must comply with certain financial and non-financial covenants. We were in compliance with all financial and non-financial covenants under the revolving credit facility as of September 28, 2012 and had no outstanding borrowings under the revolving credit facility as of that date.

In connection with the M/A-COM Acquisition, we agreed to pay Cobham up to \$30.0 million in the aggregate in the form of an earn-out based on our achievement of revenue targets in the 12-month periods ended September 30, 2010, 2011 and 2012. Any such earned amounts are payable within 60 days following the applicable period end. In November 2010, we paid the first earn-out payment of \$8.8 million to Cobham related to the initial period ended September 30, 2010. In November 2011, we paid an earn-out payment of \$15.0 million to Cobham related to the second earn-out period ended September 30, 2011. We expect to pay Cobham \$6 million for the final earn-out period ended September 30, 2012 in November 2012.

We also entered into an earn-out arrangement in connection with our purchase of Optomai in April 2011. We agreed to pay the stockholders and option holders of Optomai up to \$16.0 million in the aggregate in the form of an earn-out based on our achievement of certain revenue, product release and contribution margin targets based on sales of products utilizing Optomai intellectual property in the 12-month periods ended March 31, 2012 and ending March 31, 2013. The maximum aggregate earn-out payable by us to the former stockholders and option holders of Optomai is \$1.0 million in the first annual earn-out period and \$16.0 million (less any earn-out paid in the first period) in the second annual earn-out period. We did not make any payment related to the first earn-out period that expired on March 31, 2012 and we do not expect to make a payment related to the second earn-out period that expires on March 31, 2013.

The undistributed earnings of our foreign subsidiaries are permanently reinvested since we do not intend to repatriate such earnings. We believe the decision to permanently reinvest these earnings will not have a significant impact on our liquidity. As of September 28, 2012, cash held by our foreign subsidiaries was \$11.8 million, which, along with cash generated from foreign operations, is expected to be used in the support of international growth and working capital requirements.

We plan to use our available cash and cash equivalents for general corporate purposes, including working capital. We may also use a portion of our cash and cash equivalents for the acquisition of, or investment in, complementary technologies, design teams, products and companies. We believe that our cash and cash equivalents and cash generated from operations will be sufficient to meet our working capital requirements for at least the next 12 months.

**OFF-BALANCE SHEET ARRANGEMENTS**

We have no significant contractual obligations not fully recorded on our consolidated balance sheet or fully disclosed in the notes to our consolidated financial statements. We have no material off-balance sheet arrangements as defined in SEC Regulation S-K Item 303(a)(4)(ii).

**CONTRACTUAL OBLIGATIONS**

The following is a summary of our contractual payment obligations for consolidated debt, purchase agreements, operating leases, other commitments and long-term liabilities as of September 28, 2012 (in thousands):

Obligation	Total	Payments Due By Period			
		Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating Lease Obligations (1)	\$ 8,321	\$ 3,588	\$ 2,756	\$ 1,836	\$ 141
Purchase Commitments (2)	6,315	6,315			
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP (3)	6,580	6,580			
	\$ 21,216	\$ 16,483	\$ 2,756	\$ 1,836	\$ 141

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- (1) We have non-cancelable operating lease agreements for office, research, development, and manufacturing space in the U.S. and foreign locations. We also have operating leases for certain equipment, automobiles and services. These lease agreements expire at various dates through 2022, as amended, and certain agreements contain provisions for extension at substantially the same terms as currently in effect.
- (2) In the normal course of business, we enter into supply arrangements with certain of our suppliers to purchase minimum quantities of inventories.
- (3) Represents the fair value as of September 28, 2012 of contingent consideration payable in connection with acquisitions of businesses, of which \$6 million represents contingent consideration related to the M/A-COM Acquisition that we expect to pay in November 2012.

As of September 28, 2012, the total amount of our net unrecognized tax benefits for uncertain tax positions was \$0.6 million. Although it is reasonably possible that our unrecognized tax benefits for tax positions taken on previously filed tax returns could materially change in the next 12 months, we are unable to make a reasonably reliable estimate as to when cash settlement of these unrecognized tax benefits, if any, will occur with a tax authority, as the timing of examinations and ultimate resolution of those examinations is uncertain.

As of September 28, 2012, we had an estimated \$0.9 million in asset retirement obligations for the restoration of leased facilities upon the termination of the related leases. Although it is reasonably possible that our estimates could materially change in the next 12 months, we are presently unable to reliably estimate when any cash settlement of these obligations may occur.

**OTHER MATTERS**

Inflation did not have a material impact upon our results of operations during the three-year period ended September 28, 2012.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are exposed to market risk in the ordinary course of business, which consists primarily of interest rate risk associated with our cash and cash equivalents, as well as foreign exchange rate risk.

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

Our exposure to interest rate risk also relates to the increase or decrease in the amount of interest expense we must pay on our revolving credit facility. The interest rate on our revolving credit facility is a variable interest rate based on our lender's prime rate or the federal funds effective rate, in each case, plus the applicable lender's margin or an adjusted LIBOR plus the applicable lender's margin, which exposes us to market interest rate risk when we have outstanding borrowings under the revolving credit facility. As of September 28, 2012, we had no outstanding borrowings under the revolving credit facility. We believe that a 10% change in interest rates would not have a material impact on our financial position or results of operations.

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

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

**INDEX TO FINANCIAL STATEMENTS**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

M/A-COM Technology Solutions Holdings, Inc.

Lowell, Massachusetts

We have audited the accompanying consolidated balance sheets of M/A-COM Technology Solutions Holdings, Inc. and subsidiaries (the Company ) as of September 28, 2012 and September 30, 2011 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the three fiscal years in the period ended September 28, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 28, 2012 and September 30, 2011 and the results of their operations and their cash flows for each of the three fiscal years in the period ended September 28, 2012 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company and Mimix Holdings, Inc. ( Mimix ) merged in a common control business combination on May 28, 2010. The accompanying consolidated financial statements have been presented in a manner similar to a pooling-of-interests and includes the results of operations of each entity since March 25, 2009, which was the date of common control and amounts have been retroactively combined using historical amounts. Mimix is deemed to be the predecessor.

*/s/ Deloitte & Touche LLP*

Boston, Massachusetts

November 27, 2012

**Table of Contents****M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS****(In thousands, except per share data)**

	September 28, 2012	September 30, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 84,528	\$ 45,668
Accounts receivable, net	54,184	46,212
Inventories	57,459	52,480
Income taxes receivable	4,939	
Prepaid expenses and other current assets	3,660	3,574
Deferred income taxes	8,264	8,601
<b>Total current assets</b>	<b>213,034</b>	<b>156,535</b>
Property and equipment, net	30,209	25,364
Goodwill	3,990	3,990
Intangible assets, net	18,776	22,081
Other assets	2,064	3,298
<b>Total assets</b>	<b>\$ 268,073</b>	<b>\$ 211,268</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 26,958	\$ 20,549
Accrued liabilities	13,867	16,033
Income taxes payable	330	2,408
Deferred revenue	7,992	13,119
Current portion of contingent consideration	6,580	15,000
<b>Total current liabilities</b>	<b>55,727</b>	<b>67,109</b>
Contingent consideration, less current portion		10,502
Common stock warrant liability	7,561	10,736
Other long-term liabilities	1,236	1,919
Deferred income taxes	4,091	2,443
Class B conversion liability		81,378
<b>Total liabilities</b>	<b>68,615</b>	<b>174,087</b>
<b>Class B redeemable convertible preferred stock</b>		<b>75,618</b>
<b>Series A-1 and A-2 convertible preferred stock</b>		<b>106,400</b>
<b>Commitments and contingencies (Note 11)</b>		
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value, 10,000 shares authorized, no shares issued		
Common stock, \$0.001 par value, 300,000 shares authorized; 45,583 and 1,972 shares issued and 45,540 and 1,972 shares outstanding as of September 28, 2012 and September 30, 2011, respectively, of which 131 and 225 shares, respectively, are subject to forfeiture	45	2
Accumulated other comprehensive loss	(137)	(181)



## Edgar Filing: M/A-COM Technology Solutions Holdings, Inc. - Form 10-K

Additional paid-in capital	347,971	
Treasury stock, 43 shares as of September 28, 2012, at cost	(685)	
Accumulated deficit	(147,736)	(144,658)
<b>Total stockholders' equity (deficit)</b>	<b>199,458</b>	<b>(144,837)</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 268,073</b>	<b>\$ 211,268</b>

See notes to consolidated financial statements.

**Table of Contents****M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)**

	2012	Fiscal Years 2011	2010
Revenue	\$ 302,203	\$ 310,295	\$ 260,297
Cost of revenue	167,301	178,435	166,554
Gross profit	134,902	131,860	93,743
Operating expenses:			
Research and development	35,817	36,121	25,795
Selling, general and administrative	44,754	48,103	45,860
Accretion of contingent consideration	(3,922)	210	2,000
Restructuring charges	1,862	1,499	2,234
Total operating expenses	78,511	85,933	75,889
Income from operations	56,391	45,927	17,854
Other (expense) income:			
Accretion of common stock warrant liability	3,175	(5,080)	
Accretion of Class B conversion liability	(44,119)	(39,737)	
Interest expense	(695)	(1,561)	(2,323)
Other income related party	185		
Other (expense) income, net	(41,454)	(46,378)	(2,323)
Income (loss) before income taxes	14,937	(451)	15,531
Income tax provision	(15,953)	(1,319)	(8,996)
Income (loss) from continuing operations	(1,016)	(1,770)	6,535
Income from discontinued operations		754	494
Net income (loss)	(1,016)	(1,016)	7,029
Less net income attributable to noncontrolling interest in a subsidiary			195
Net income (loss) attributable to controlling interest	(1,016)	(1,016)	6,834
Accretion to redemption value of redeemable preferred stock and participating stock dividends	(2,616)	(80,452)	(6,298)
Net income (loss) attributable to common stockholders	\$ (3,632)	\$ (81,468)	\$ 536
<b>Net income (loss) per share:</b>			
Basic income (loss) per common share:			
Income (loss) from continuing operations	\$ (0.15)	\$ (54.63)	\$ 0.01
Income from discontinued operations		0.50	0.04

## Edgar Filing: M/A-COM Technology Solutions Holdings, Inc. - Form 10-K

Net income (loss) basic	\$	(0.15)	\$	(54.13)	\$	0.05
<b>Diluted income (loss) per common share:</b>						
Income (loss) from continuing operations	\$	(0.15)	\$	(54.63)	\$	
Income from discontinued operations				0.50		0.04
Net income (loss) diluted	\$	(0.15)	\$	(54.13)	\$	0.04
<b>Shares used to compute net income (loss) per common share:</b>						
Basic		24,758		1,505		11,880
Diluted		24,758		1,505		12,586

See notes to consolidated financial statements.

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**M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In thousands)

	<b>2012</b>	<b>Fiscal Years 2011</b>	<b>2010</b>
Net income (loss)	\$ (1,016)	\$ (1,016)	\$ 7,029
Foreign currency translation gain (loss)	44	(8)	(132)
Total comprehensive income (loss)	(972)	(1,024)	6,897
Attributable to noncontrolling interest			(195)
Total comprehensive income (loss) attributable to controlling interest	\$ (972)	\$ (1,024)	\$ 6,702

See notes to consolidated financial statements.

**Table of Contents****M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)**

(In thousands, except per share data)

	Convertible Preferred Stock, \$0.001 Par Value						Treasury					Accumulated		Total Stockholders Equity (Deficit)	
	Series A		Series A-1		Series A-2		Common Stock		Stock	Other	Additional	Comprehensive	Noncontrolling		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Loss	Capital	Deficit		Interest
<b>Balance</b>															
<b>October 2, 2009</b>	<b>17,606</b>	<b>\$ 18</b>		<b>\$</b>		<b>\$</b>	<b>25,191</b>	<b>\$ 25</b>	<b>\$</b>	<b>\$ (41)</b>	<b>\$ 70,135</b>	<b>\$ (32,945)</b>	<b>\$ 23</b>	<b>\$ 37,215</b>	
Recapitalization			100,000	100			(24,500)	(25)			(75)				
Reorganization in connection with common control merger	(17,606)	(18)			17,501	18	(195)				(1,207)			(1,207)	
Exercise of common stock options							496	1			378			379	
Acquisition of noncontrolling interest in a subsidiary											(2)		(218)	(220)	
Reclaim of escrowed shares and cash in connection with common control merger					(679)	(1)					47			46	
Stock-based and other incentive compensation															