



Cirrus Logic 2017 Annual Report



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

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

For the Fiscal Year Ended March 25, 2017

**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 0-17795

CIRRUS LOGIC, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

77-0024818

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

800 W. 6th Street, Austin, TX 78701

(Address of principal executive offices)

Registrant's telephone number, including area code: (512) 851-4000

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

None

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

Common Stock, \$0.001 Par Value

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 Section 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company
(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates was \$2,115,130,259 based upon the closing price reported on the NASDAQ Global Select Market as of September 24, 2016. Stock held by directors, officers and stockholders owning 5 percent or more of the outstanding common stock were excluded as they may be deemed affiliates. This determination of affiliate status is not a conclusive determination for any other purpose.

As of May 19, 2017, the number of outstanding shares of the registrant's common stock, \$0.001 par value, was 63,891,409.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant's proxy statement for its annual meeting of stockholders to be held July 28, 2017 is incorporated by reference in Part II – Item 5. and Part III of this Annual Report on Form 10-K.

CIRRUS LOGIC, INC.

FORM 10-K

For The Fiscal Year Ended March 25, 2017

INDEX

PART I

Item 1.	Business	3
Item 1A.	Risk Factors	7
Item 1B.	Unresolved Staff Comments	22
Item 2.	Properties	22
Item 3.	Legal Proceedings	22
Item 4.	Mine Safety Disclosures	23

PART II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	23
Item 6.	Selected Financial Data	25
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	37
Item 8.	Financial Statements and Supplementary Data	38
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	76
Item 9A.	Controls and Procedures	76

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	76
Item 11.	Executive Compensation	77
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	77
Item 13.	Certain Relationships and Related Transactions, and Director Independence	77
Item 14.	Principal Accounting Fees and Services	77

PART IV

Item 15.	Exhibits and Financial Statement Schedules	77
	Signatures	80

PART I

ITEM 1. *Business*

Cirrus Logic, Inc. (“Cirrus Logic,” “We,” “Us,” “Our,” or the “Company”) is a leader in high performance, low-power integrated circuits (“ICs”) for audio and voice signal processing applications. Cirrus Logic’s products span the entire audio signal chain, from capture to playback, providing innovative components for the world’s top smartphones, tablets, digital headsets, wearables and emerging smart home applications.

We were incorporated in California in 1984, became a public company in 1989 and were reincorporated in the State of Delaware in February 1999. Our primary facility housing engineering, sales and marketing, and administrative functions is located in Austin, Texas. We also have offices in various other locations in the United States, United Kingdom, Sweden, Spain, Australia, the People’s Republic of China, South Korea, Japan, Singapore, and Taiwan. Our common stock, which has been publicly traded since 1989, is listed on the NASDAQ Global Select Market under the symbol CRUS.

We maintain a website with the address www.cirrus.com. We are not including the information contained on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (the “SEC”). We also routinely post other important information on our website, including information specifically addressed to investors. We intend for the investor relations section of our website to be a recognized channel of distribution for disseminating information to the securities marketplace in general. To receive a free copy of this Annual Report on Form 10-K, please forward your written request to Cirrus Logic, Inc., Attn: Investor Relations, 800 W. 6th Street, Austin, Texas 78701, or via email at Investor.Relations@cirrus.com. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements filed electronically with the SEC by Cirrus Logic.

Company Strategy

Cirrus Logic targets growing markets where we can leverage our expertise in analog and digital signal processing to solve complex problems. Our approach has been to develop custom and general market components that embody our latest innovations, which we use to engage key players in a particular market or application. We focus on building strong engineering relationships with our customers’ product teams and work to develop highly differentiated components that address their technical and price requirements across product tiers. Many of our products include programmable aspects and are comprised of our best-in-class hardware which incorporates software algorithms from some combination of our own intellectual property (“IP”), algorithms that have been ported to our platform by an ecosystem of third-party partners, and our customers’ IP. When we have been successful with this approach, one initial design win has often expanded into additional products. This strategy gives us the opportunity to increase our content with a customer over time through the incorporation of new features, the integration of other system components into our products and the addition of new components.

Markets and Products

The following provides a detailed discussion regarding our portable audio and non-portable audio and other product lines:

Portable Audio Products: High-precision analog and mixed-signal components designed for mobile devices including smartphones, tablets, digital headsets, speakers and wearables.

Non-Portable Audio and Other Products: High-precision analog and mixed-signal components targeting the consumer market, including emerging smart home applications, and the automotive, energy and industrial markets.

PORTABLE AUDIO PRODUCTS

We are a leading supplier of analog and mixed-signal audio converter and digital signal processing products in many of today's mobile applications. Providing a complete end-to-end solution from capture to playback, we have an extensive portfolio of products that target flagship and mid-tier devices, including "codecs" - chips that integrate analog-to-digital converters ("ADCs") and digital-to-analog converters ("DACs") into a single IC, "smart codecs" - codecs with digital signal processing integrated, amplifiers, micro-electromechanical systems ("MEMS") microphones, as well as standalone digital signal processors ("DSPs"). Additionally, the Company's SoundClear® technology consists of a broad portfolio of tools, software and algorithms that help to differentiate our customers' products by improving the user experience with features such as enhanced voice quality, voice capture and audio playback. Our products are designed for use in a wide array of portable applications, including smartphones, tablets, digital headsets, speakers and wearables, such as smart watches, VR headsets, action cameras and smart bands.

NON-PORTABLE AUDIO AND OTHER PRODUCTS

We provide high-precision analog and mixed-signal ICs for a variety of products in consumer applications, including the emerging smart home market, automotive, industrial and energy. The Company supplies a wide range of products including ICs, codecs, ADCs, DACs, digital interface and amplifiers. Within the consumer market our products are utilized in laptops, audio/video receivers (AVRs), home theater systems, set-top boxes, musical instruments and professional audio products. Applications for products in the automotive market include satellite radio systems, telematics and multi-speaker car-audio systems. Our products are also used in a wide array of high-precision industrial and energy-related applications including digital utility meters, power supplies, energy control, energy measurement, and energy exploration applications.

Customers, Marketing, and Sales

We offer products worldwide through both direct and indirect sales channels. Our major customers are among the world's leading electronics manufacturers. We target both large existing and emerging customers that derive value from our expertise in advanced analog and mixed-signal design processing, systems-level integrated circuit engineering and embedded software development. We derive our revenues from both domestic and international sales, including sales in Asia, Australia and Europe. Our domestic sales force includes a network of direct sales offices located in California and Texas. International sales offices and staff are located in Japan, People's Republic of China, Singapore, South Korea, Taiwan, and the United Kingdom. We supplement our direct sales force with external sales representatives and distributors. We have technical support centers in China, South Korea, Taiwan and the United States. Our worldwide sales force provides geographically specific support to our customers and specialized selling of product lines with unique customer bases. See Note 16—Segment Information, of the Notes to Consolidated Financial Statements contained in Item 8 for further detail and for additional disclosure regarding sales and property, plant and equipment, net, by geographic locations.

Since the components we produce are largely proprietary and generally not available from second sources, we generally consider our end customer to be the entity specifying the use of our component in their design. These end customers may then purchase our products directly from us, through distributors or third party manufacturers contracted to produce their designs. For fiscal years 2017, 2016, and 2015, our ten largest end customers, represented approximately 92 percent, 89 percent, and 87 percent, of our sales, respectively. For fiscal years 2017, 2016, and 2015, we had one end customer, Apple, Inc., who purchased through multiple contract manufacturers and represented approximately 79 percent, 66 percent, and 72 percent, of the Company's total sales, respectively. Samsung Electronics represented approximately 15 percent of the Company's total sales for fiscal year 2016. No other customer or distributor represented more than 10 percent of net sales in fiscal years 2017, 2016, or 2015.

Manufacturing

As a fabless semiconductor company, we contract with third parties for wafer fabrication and product assembly and test. We use a variety of foundries in the production of wafers including Taiwan Semiconductor

Manufacturing Company, Limited, MagnaChip Semiconductor Corporation and GLOBALFOUNDRIES. The Company's primary assembly and test houses include Advanced Semiconductor Engineering, Inc., Amkor Technology Inc., Nepes Corporation, Siliconware Precision Industries Co., Ltd. and STATS ChipPAC Pte.Ltd. Our outsourced manufacturing strategy allows us to concentrate on our design strengths and minimize fixed costs and capital expenditures while giving us access to advanced manufacturing facilities. It also provides the flexibility to source multiple leading-edge technologies through strategic relationships. After wafer fabrication by the foundry, third-party assembly vendors package the wafer die. The finished products are then tested before shipment to our customers. While we do have some redundancy of fabrication processes by using multiple outside foundries, any interruption of supply by one or more of these foundries could materially impact the Company. As a result, we maintain some amount of business interruption insurance to help reduce the risk of wafer supply interruption, but we are not fully insured against such risk. Our supply chain management organization is responsible for the management of all aspects of the manufacturing, assembly, and testing of our products, including process and package development, test program development, and production testing of products in accordance with our ISO-certified quality management system.

Although our products are made from basic materials (principally silicon, metals and plastics), all of which are available from a number of suppliers, capacity at wafer foundries sometimes becomes constrained. The limited availability of certain materials may impact our suppliers' ability to meet our demand needs or impact the price we are charged. The prices of certain other basic materials, such as metals, gases and chemicals used in the production of circuits can increase as demand grows for these basic commodities. In most cases, we do not procure these materials ourselves; nevertheless, we are reliant on such materials for producing our products because our outside foundry and package and test subcontractors must procure them. To help mitigate risks associated with constrained capacity, we use multiple foundries, assembly and test sources.

Patents, Licenses and Trademarks

We rely on patent, copyright, trademark, and trade secret laws to protect our intellectual property, products, and technology. As of March 25, 2017, we held approximately 2,560 pending and issued patents worldwide, which include approximately 1,050 granted U.S. patents, 310 U.S. pending patent applications and various international patents and applications. Our U.S. patents expire in calendar years 2017 through 2036. While our patents are an important element of our success, our business as a whole is not dependent on any one patent or group of patents. We do not anticipate any material effect on our business due to any patents expiring in 2017, and we continue to obtain new patents through our ongoing research and development.

We have maintained U.S. federal trademark registrations for CIRRUS LOGIC, CIRRUS, Cirrus Logic logo designs, and SoundClear, among others. These U.S. registrations may be renewed as long as the marks continue to be used in interstate commerce. We have also filed or obtained foreign registration for these marks in other countries or jurisdictions where we conduct, or anticipate conducting, international business. To complement our own research and development efforts, we have also licensed and expect to continue to license, a variety of intellectual property and technologies important to our business from third parties.

Segments

We determine our operating segments in accordance with Financial Accounting Standards Board ("FASB") guidelines. Our Chief Executive Officer ("CEO") has been identified as the chief operating decision maker as defined by these guidelines.

The Company operates and tracks its results in one reportable segment, but reports revenue performance in two product lines: Portable Audio and Non-Portable Audio and Other. Our CEO receives and uses enterprise-wide financial information to assess financial performance and allocate resources, rather than detailed information at a product line level. Additionally, our product lines have similar characteristics and customers. They share operations support functions such as sales, public relations, supply chain management, various research and development and engineering support, in addition to the general and administrative functions of human resources, legal, finance and information technology. Therefore, there is no discrete financial information maintained for these product lines. For fiscal years 2017, 2016, and 2015, Portable Audio product sales were

\$1.4 billion, \$989.1 million, and \$740.3 million, respectively. For fiscal years 2017, 2016, and 2015, Non-Portable Audio and Other product sales were \$165.1 million, \$180.2 million, and \$176.3 million, respectively.

See Note 16 — Segment Information, of the Notes to Consolidated Financial Statements contained in Item 8 for further details including sales and property, plant and equipment, net, by geographic locations.

Research and Development

We concentrate our research and development efforts on the design and development of new products for each of our principal markets. We also fund certain advanced-process technology development, as well as other emerging product opportunities. Expenditures for research and development in fiscal years 2017, 2016, and 2015 were \$303.7 million, \$269.2 million, and \$197.9 million, respectively. Our future success is highly dependent upon our ability to develop complex new products, transfer new products to volume production, introduce them into the marketplace in a timely fashion, and have them selected for design into products of systems manufacturers. Our future success may also depend on assisting our customers with integration of our components into their new products, including providing support from the concept stage through design, launch and production ramp.

Competition

Markets for our products are highly competitive and we expect that competition will continue to increase. Our ability to compete effectively and to expand our business will depend on our ability to continue to recruit key engineering talent, execute on new product developments, partner with customers to include these new products into their applications, and provide cost efficient versions of existing products. We compete with other semiconductor suppliers that offer standard semiconductors, application-specific standard products and fully customized ICs, including embedded software, chip and board-level products.

While no single company competes with us in all of our product lines, we face significant competition in all markets where our products are available. Within Portable Audio, Cirrus Logic is the leading IC supplier with the complete end-to-end solution from capture to playback including amplifiers, codecs, DSP and MEMS microphones. We expect to face additional competition from new entrants in our markets, which may include both large domestic and international IC manufacturers and smaller, emerging companies. Our primary competitors include, but are not limited to AAC Technologies, AKM Semiconductor Inc., Analog Devices Inc., Austriamicrosystems AG, Avnera Corp., Conexant Systems, Inc., Dialog Semiconductor PLC, DSP Group, ESS Technology, Inc., GoerTek Inc., Knowles Corporation, Maxim Integrated Products Inc., MediaTek Inc., Qualcomm Incorporated, NXP Semiconductors N.V., Realtek Semiconductor Corporation, ST Microelectronics N.V., and Texas Instruments, Inc.

The principal competitive factors in our markets include: time to market; quality of hardware/software design and end-market systems expertise; price; product performance, features, quality and compatibility with standards; access to advanced process and packaging technologies at competitive prices; and sales and technical support, which includes assisting our customers with integration of our components into their new products and providing support from the concept stage through design, launch and production ramp.

Product life cycles may vary greatly by product category. For example, many portable audio devices have shorter design-in cycles; therefore, our competitors have increasingly frequent opportunities to achieve design wins in next-generation systems. Conversely, this also provides us frequent opportunities to displace competitors in products that have previously not utilized our design. The non-portable audio and other markets typically have longer life cycles, which provide continued revenue streams over longer periods of time.

Backlog

Sales are made primarily pursuant to short-term purchase orders for delivery of products. The quantity actually ordered by the customer, as well as the shipment schedules, are frequently revised, without significant penalty, to reflect changes in the customer's needs. The majority of our backlog is typically requested for delivery within six months. In markets where the end system life cycles are relatively short, customers typically

request delivery in six to twelve weeks. We believe a backlog analysis at any given time gives little indication of our future business except on a short-term basis, principally within the next 60 days.

We utilize backlog as an indicator to assist us in production planning. However, backlog is influenced by several factors including market demand, pricing, and customer order patterns in reaction to product lead times. Quantities actually purchased by customers, as well as prices, are subject to variations between booking and delivery because of changes in customer needs or industry conditions. As a result, we believe that our backlog at any given time is an incomplete indicator of future sales.

Employees

As of March 25, 2017, we had 1,444 full-time employees, an increase of 153 employees, or 12 percent, from the end of fiscal year 2016. The increase was primarily due to expanding our capabilities in the area of research and development. Of our full-time employees, 71 percent were engaged in research and product development activities, 23 percent in sales, marketing, general and administrative activities, and 6 percent in manufacturing-related activities. We also employ individuals on a temporary basis and use the services of contractors as necessary, particularly in our software development and test organization. Our future success depends, in part, on our ability to continue to attract, retain and motivate highly qualified technical, marketing, engineering, and administrative personnel.

We have never had a work stoppage and the majority of our employees are not represented by collective bargaining agreements. We consider our employee relations to be good.

Forward—Looking Statements

This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements included or incorporated by reference in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements. In some cases, forward-looking statements are identified by words such as “expect,” “anticipate,” “target,” “project,” “believe,” “goals,” “estimates,” “will,” “would,” “could,” “can,” “may,” “plan,” and “intend”, and other similar types of words and expressions. Variations of these types of words and similar expressions are intended to identify these forward-looking statements. Any statements that refer to our plans, expectations, strategies or other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that could cause actual results to differ materially from those indicated by our forward-looking statements include, but are not limited to, those discussed in *Item 1A. Risk Factors* and elsewhere in this report, as well as in the documents filed by us with the SEC, specifically the most recent reports on Form 10-Q and 8-K, each as it may be amended from time to time.

We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K, and we undertake no obligation to revise or update this information to reflect events or circumstances after the filing of this report with the SEC, except as required by law. All forward-looking statements, expressed or implied, included in this Annual Report on Form 10-K and attributable to Cirrus Logic are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we may make or persons acting on our behalf may issue. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

ITEM 1A. Risk Factors

Our business faces significant risks. The risk factors set forth below may not be the only risks that we face and there is a risk that we may have failed to identify all possible risk factors. Additional risks that we are not aware of yet or that currently are not significant may adversely affect our business operations. You should read

the following cautionary statements in conjunction with the factors discussed elsewhere in this and other Cirrus Logic filings with the SEC. These cautionary statements are intended to highlight certain factors that may affect the financial condition and results of operations of Cirrus Logic and are not meant to be an exhaustive discussion of risks that apply to companies such as ours.

We depend on a limited number of customers and distributors for a substantial portion of our sales, and the loss of, or a significant reduction in orders from, or pricing on products sold to, any key customer or distributor could significantly reduce our sales and our profitability.

While we generate sales from a broad base of customers worldwide, the loss of any of our key customers, or a significant reduction in sales or selling prices to any key customer, or reductions in selling prices made to retain key customer relationships, would significantly reduce our revenue, margins and earnings and adversely affect our business. For the twelve-month periods ending March 25, 2017 and March 26, 2016, our ten largest end customers represented approximately 92 percent and 89 percent of our sales, respectively. For the twelve-month periods ending March 25, 2017 and March 26, 2016, we had one end customer, Apple Inc., who purchased through multiple contract manufacturers and represented approximately 79 percent and 66 percent of the Company's total sales, respectively. Samsung Electronics represented approximately 15 percent of the Company's total sales for fiscal year 2016.

We may not be able to maintain or increase sales to certain of our key customers for a variety of reasons, including the following:

- most of our customers can stop incorporating our products into their own products with limited notice to us and suffer little or no penalty;
- our agreements with our customers typically do not require them to purchase a minimum quantity of our products;
- many of our customers have pre-existing or concurrent relationships with our current or potential competitors that may affect the customers' decisions to purchase our products;
- many of our customers have sufficient resources to internally develop technology solutions and semiconductor components that could replace the products that we currently supply in our customers' end products;
- our customers face intense competition from other manufacturers that do not use our products; and
- our customers regularly evaluate alternative sources of supply in order to diversify their supplier base, which increases their negotiating leverage with us and their ability to either obtain or dual source components from other suppliers.

In addition, our dependence on a limited number of key customers may make it easier for them to pressure us on price reductions. We have experienced pricing pressure from certain key customers and we expect that the average selling prices for certain of our products will decline from time to time, potentially reducing our revenue, our margins and our earnings.

Our key customer relationships often require us to develop new products that may involve significant technological challenges. Our customers frequently place considerable pressure on us to meet their tight development schedules. In addition, we may from time to time enter into customer agreements providing for exclusivity periods during which we may only sell specified products or technology to a specific customer. Accordingly, we may have to devote a substantial amount of resources to strategic relationships, which could detract from or delay our completion of other important development projects or the development of next generation products and technologies.

Our lack of diversification in our revenue and customer base increases the risk of an investment in our company, and our consolidated financial condition, results of operations, and stock price may deteriorate if we fail to diversify.

Although we continue to investigate, invest in, and develop opportunities to diversify our revenue and customer base, our sales, marketing, and development efforts have historically been focused on a limited number

of customers and opportunities. Larger companies have the ability to manage their risk by product, market, and customer diversification. However, we lack diversification, in terms of both the nature and scope of our business, which increases the risk of an investment in our company. If we cannot diversify our customer and revenue opportunities, our financial condition and results of operations could deteriorate.

We frequently develop our products for the specific system architecture of our customers' end products. If our customers were to change system architectures, develop competing technologies and integrated circuits, or incorporate some of the functionality of our products into other parts of the system, we risk the potential loss of revenue and reduced average selling prices.

Our customers, particularly in the portable audio market, could potentially transition to different audio architectures, develop their own competing technologies and integrated circuits, or integrate the functionality that our integrated circuits and software have historically provided into other components in their audio systems. In addition, some of the audio and voice functionality that we have historically provided could be performed outside of our customers' end product — for example, through the use of “cloud-based” systems to perform audio and voice processing. If our customers were to transition to these different system architectures, our results of operations could be adversely affected by the elimination of the need for our current technology and products, resulting in reduced average selling prices for our components and loss of revenue.

We have entered into joint development agreements, custom product arrangements, and strategic relationships with some of our largest customers. These arrangements subject us to a number of risks, and any failure to execute on any of these arrangements could have a material adverse effect on our business, results of operations, and financial condition.

We have entered into joint development, product collaboration and technology licensing arrangements with some of our largest customers, and we expect to enter into new strategic arrangements of these kinds from time to time in the future. Such arrangements can magnify several risks for us, including loss of control over the development and development timeline of jointly developed products, risks associated with the ownership of the intellectual property that is developed pursuant to such arrangements, and increased risk that our joint development activities may result in products that are not commercially successful or that are not available in a timely fashion. In addition, any third party with whom we enter into a joint development, product collaboration or technology licensing arrangement may fail to commit sufficient resources to the project, change its policies or priorities or abandon or fail to perform its obligations related to such arrangement. In addition, we may from time to time enter into customer product arrangements that provide for exclusivity periods during which we may only sell specified products or technologies to that particular customer. Any failure to timely develop commercially successful products through our joint development activities as a result of any of these and other challenges could have a material adverse effect on our business, results of operations, and financial condition.

Our failure to develop and ramp new products into production in a timely manner could harm our operating results.

Our success depends upon our ability to develop new products for new and existing customers, and to introduce these products in a timely and cost-effective manner. New product introductions involve significant investment of resources and potential risks. Delays in new product introductions or less-than-anticipated market acceptance of our new products are possible and would have an adverse effect on our sales and earnings. The development of new products is highly complex and, from time-to-time, we have experienced delays in developing and introducing these new products. Successful product development and introduction depend on a number of factors including, but not limited to:

- proper new product definition;
- timely completion of design and testing of new products;
- assisting our customers with integration of our components into their new products, including providing support from the concept stage through design, launch and production ramp;
- successfully developing and implementing the software necessary to integrate our products into our customers' products;

- achievement of acceptable manufacturing yields;
- availability of wafer fabrication, assembly, and test capacity; and
- market acceptance of our products and the products of our customers.

Both sales and/or margins may be materially affected if new product introductions are delayed, or if our products are not designed into successive generations of new or existing customers' products. Our failure to develop and introduce new products successfully could harm our business and operating results.

In addition, difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of outside foundries can lead to reduced yields of our products. Since low yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems may require cooperation between our manufacturer and us. This risk could be compounded by the offshore location of certain of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Manufacturing defects that we do not discover during the manufacturing or testing process may lead to costly product recalls. These risks may lead to increased costs or delayed product delivery, which would harm our profitability and customer relationships.

We continue to invest in research and development efforts for several new markets, including voice biometrics. If we are unable to commercialize these technologies, our future results and profits could be negatively affected.

Our investments into new markets subjects us to additional risks. We may have limited or no experience in these markets, and our customers may not adopt our new offerings. These new offerings may present new and difficult challenges, including risks related to technology, customers, competitors, product cycles, customer demand, terms and conditions and other industry specific issues which could negatively affect our operating results.

We have recently increased our investment in our MEMS microphone business. We have limited experience in high volume manufacturing in this market, which leads to a number of risks, including risks related to technology, customers, competition, and other industry specific issues. We may not be successful in this market, which could result in reduced overall operating margins.

We are currently increasing our investment in our MEMS microphone business. This is a competitive market with historically lower gross margins than our existing businesses. In addition, our MEMS microphone business involves different manufacturing technologies, materials, and processes than our traditional semiconductor businesses. Therefore, our investment in new markets in which we have limited experience in high volume manufacturing in those markets increases risks related to technology, customers, competitors, and other industry specific issues.

Further, there can be no assurance that we will generate the expected returns and other projected results we anticipate. For example, we may incur costs in excess of what we anticipate and the product line may generate lower gross margins than our existing businesses, which may reduce our overall operating margins.

We are subject to risks relating to product concentration.

We derive a substantial portion of our revenues from a limited number of products, and we expect these products to represent a large percentage of our revenues in the near term. Customer acceptance of these products is critical to our future success. Our business, operating results, financial condition and cash flows could therefore be adversely affected by:

- a decline in demand for any of our more significant products;
- a decline in the average selling prices of our more significant products;
- failure of our products to achieve continued market acceptance;
- competitive products;

- new technological standards or changes to existing standards that we are unable to address with our products;
- manufacturing or supply issues that prevent us from meeting our customers' demand for these products;
- a failure to release new products or enhanced versions of our existing products on a timely basis; and
- the failure of our new products to achieve market acceptance.

In general, our customers may cancel or reschedule orders on short notice without incurring significant penalties; therefore, our sales and operating results in any quarter are difficult to forecast.

In general, we rely on customers issuing purchase orders to buy our products rather than long-term supply contracts. Customers may cancel or reschedule orders on short notice without incurring significant penalties. Therefore, cancellations, reductions, or delays of orders from any significant customer could have a material adverse effect on our business, financial condition, and results of operations.

In addition, a significant portion of our sales and earnings in any quarter depends upon customer orders for our products that we receive and fulfill in that quarter. Because our expense levels are based in part on our expectations as to future revenue and to a large extent are fixed in the short term, we likely will be unable to adjust spending on a timely basis to compensate for any unexpected shortfall in sales or reductions in average selling prices. Accordingly, any significant shortfall of sales in relation to our expectations could hurt our operating results.

Strong competition in the semiconductor market may harm our business.

The IC industry is intensely competitive and is frequently characterized by rapid technological change, price erosion, technological obsolescence, and a push towards IC component integration. Because of shortened product life cycles and even shorter design-in cycles in a number of the markets that we serve, our competitors have increasingly frequent opportunities to achieve design wins in next-generation systems. In the event that competitors succeed in supplanting our products, our market share may not be sustainable and our net sales, gross margin and operating results would be adversely affected.

We compete in a number of markets. Our principal competitors in these markets include AAC Technologies, AKM Semiconductor Inc., Analog Devices Inc., Austriamicrosystems AG, Avnera Corp., Conexant Systems, Inc., Dialog Semiconductor PLC, DSP Group, ESS Technology, Inc., GoerTek Inc., Knowles Corporation, Maxim Integrated Products Inc., MediaTek Inc., Qualcomm Incorporated, NXP Semiconductors N.V., Realtek Semiconductor Corporation, ST Microelectronics N.V., and Texas Instruments, Inc. Many of these competitors have greater financial, engineering, manufacturing, marketing, technical, distribution, and other resources; broader product lines; and broader intellectual property portfolios. We also expect intensified competition from emerging companies and from customers who develop their own IC products. In addition, some of our current and future competitors maintain their own fabrication facilities, which could benefit them in connection with cost, capacity, and technical issues.

Increased competition could adversely affect our business. We cannot provide assurances that we will be able to compete successfully in the future or that competitive pressures will not adversely affect our financial condition and results of operations. Competitive pressures could reduce market acceptance of our products and result in price reductions and increases in expenses that could adversely affect our business and our financial condition.

Our sales could be materially impacted by the failure of other component suppliers to deliver required parts needed in the final assembly of our customers' end products.

The products we supply our customers are typically a portion of the many components provided from multiple suppliers in order to complete the final assembly of an end product. If one or more of these other component suppliers are unable to deliver their required component(s) in order for the final end product to be assembled, our customers may delay, or ultimately cancel, their orders from us.

We may acquire other companies or technologies, which may create additional risks associated with our ability to successfully integrate them into our business.

We continue to consider future acquisitions of other companies, or their technologies or products, to improve our market position, broaden our technological capabilities, and expand our product offerings. If we are able to acquire companies, products or technologies that would enhance our business, we could experience difficulties in integrating them. Integrating acquired businesses involves a number of risks, including, but not limited to:

- the potential disruption of our ongoing business;
- unexpected costs or incurring unknown liabilities;
- the diversion of management resources from other strategic and operational issues;
- the inability to retain the employees of the acquired businesses;
- difficulties relating to integrating the operations and personnel of the acquired businesses;
- adverse effects on our existing customer relationships or the existing customer relationships of acquired businesses;
- the potential incompatibility of the acquired business or their business customers;
- adverse effects associated with entering into markets and acquiring technologies in areas in which we have little experience; and
- acquired intangible assets becoming impaired as a result of technological advancements or worse-than-expected performance of the acquired business.

If we are unable to successfully address any of these risks, our business could be harmed.

We are dependent on third-party manufacturing and supply relationships for the majority of our products. Our reliance on third-party foundries and suppliers involves certain risks that may result in increased costs, delays in meeting our customers' demand, and loss of revenue.

We do not own or operate a semiconductor fabrication facility and do not have the resources to manufacture the majority of our products internally. We use third parties to manufacture, assemble, package and test the vast majority of our products. As a result, we are subject to risks associated with these third parties, including:

- insufficient capacity available to meet our demand;
- inadequate manufacturing yields and excessive costs;
- inability of these third parties to obtain an adequate supply of raw materials;
- difficulties selecting and integrating new subcontractors;
- limited warranties on products supplied to us;
- potential increases in prices; and
- increased exposure to potential misappropriation of our intellectual property.

Our outside foundries and assembly and test suppliers generally manufacture our products on a purchase order basis, and we have few long-term supply arrangements with these suppliers. Therefore, our third-party manufacturers and suppliers are not obligated to supply us with products for any specific period of time, quantity, or price, except as may be provided in any particular purchase order or in relation to an existing supply agreement. A manufacturing or supply disruption experienced by one or more of our outside suppliers or a disruption of our relationship with an outside foundry could negatively impact the production of certain of our products for a substantial period of time.

In addition, difficulties associated with adapting our technology and product design to the proprietary process technology and design rules of outside foundries can lead to reduced yields of our products. Since low

yields may result from either design or process technology failures, yield problems may not be effectively determined or resolved until an actual product exists that can be analyzed and tested to identify process sensitivities relating to the design rules that are used. As a result, yield problems may not be identified until well into the production process, and resolution of yield problems may require cooperation between our manufacturer and us. This risk could be compounded by the offshore location of certain of our manufacturers, increasing the effort and time required to identify, communicate and resolve manufacturing yield problems. Manufacturing defects that we do not discover during the manufacturing or testing process may lead to costly product recalls. These risks may lead to increased costs or delayed product delivery, which would harm our profitability and customer relationships.

In some cases, our requirements may represent a small portion of the total production of the third-party suppliers. As a result, we are subject to the risk that a producer will cease production of an older or lower-volume process that it uses to produce our parts. We cannot provide any assurance that our external foundries will continue to devote resources to the production of parts for our products or continue to advance the process design technologies on which the manufacturing of our products are based. Each of these events could increase our costs, lower our gross margin, and cause us to hold more inventories, or materially impact our ability to deliver our products on time.

We may experience difficulties transitioning to advanced manufacturing process technologies, which could materially adversely affect our results.

Our future success depends in part on our ability to transition our current development and production efforts to advanced manufacturing process technologies. We are currently making a significant investment to transition our products and intellectual property to circuit geometries of 55 and 28 nanometer. To the extent that we do not timely transition to smaller geometries, experience difficulties in shifting to smaller geometries, or have significant quality or reliability issues at these smaller geometries, our results could be materially adversely affected.

Our products are increasingly complex and could contain defects, which could result in material costs to us.

Product development in the markets we serve is becoming more focused on the integration of multiple functions on individual devices. There is a general trend towards increasingly complex products. The greater integration of functions and complexity of operations of our products increases the risk that we or our customers or end users could discover latent defects or subtle faults after volumes of product have been shipped. Quality and reliability issues could result in material costs and other adverse consequences to us, including, but not limited to:

- reduced margins;
- damage to our reputation;
- replacement costs for product warranty and support;
- payments to our customers related to recall claims, or the delivery of product replacements as part of a recall claim, as a result of various industry or business practices, contractual requirements, or in order to maintain good customer relationships;
- an adverse impact to our customer relationships by the occurrence of significant defects;
- a delay in recognition or loss of revenues, loss of market share, or failure to achieve market acceptance;
- writing off or reserving the value of inventory of such products; and
- a diversion of the attention of our engineering personnel from our product development efforts.

In addition, any defects or other problems with our products could result in financial losses or other damages to our customers who could seek damages from us for their losses. A product liability or warranty claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. In particular, the sale of systems and components that are incorporated into certain applications for the automotive industry involves a high degree of risk that such claims may be made.

While we believe that we are reasonably insured against some of these risks and that we have attempted to contractually limit our financial exposure with many of our customers, a warranty or product liability claim against us in excess of our available insurance coverage and established reserves, or a requirement that we participate in a customer product recall, could have material adverse effects on our business, results of operations, and financial condition.

We have significant international sales, and risks associated with these sales could harm our operating results.

International sales represented 97 percent of our net sales in fiscal year 2017, 93 percent of our net sales in fiscal year 2016, and 95 percent of our net sales in fiscal year 2015. We expect international sales to continue to represent a significant portion of product sales. This reliance on international sales subjects us to the risks of conducting business internationally, including risks associated with political and economic instability, global health conditions, currency controls, exchange rate fluctuations and changes in import/export regulations, and tariff and freight rates. For example, the political or economic instability in a given region may have an adverse impact on the financial position of end users in the region, which could affect future orders and harm our results of operations. Our international sales operations involve a number of other risks including, but not limited to:

- unexpected changes in government regulatory requirements;
- sales, VAT, or other indirect tax regulations and treaties and potential changes in regulations and treaties in the United States and in and between countries in which we manufacture or sell our products;
- changes to countries' banking and credit requirements;
- changes in diplomatic and trade relationships;
- delays resulting from difficulties in obtaining export licenses for technology;
- tariffs and other barriers and restrictions;
- competition with non-U.S. companies or other domestic companies entering the non-U.S. markets in which we operate;
- longer sales and payment cycles;
- problems in collecting accounts receivable;
- changes to economic, social, or political conditions in countries such as China, where we have significant operations; and
- the burdens of complying with a variety of non-U.S. laws.

In addition, our competitive position may be affected by the exchange rate of the U.S. dollar against other currencies. While our sales are predominately denominated in U.S. dollars, increases in the value of the dollar would increase the price in local currencies of our products in non-U.S. markets and make our products relatively more expensive. We cannot provide assurances that regulatory, political and other factors will not adversely affect our operations in the future or require us to modify our current business practices.

We hold cash and cash equivalents at various foreign subsidiaries that may not be readily available to meet domestic cash requirements.

We expect our various foreign subsidiaries, in particular subsidiaries in the United Kingdom, to increase holdings in cash, cash equivalents, and marketable securities over time. Any cash balances held outside the United States may not be readily available, or may not be available without an additional tax burden, to meet our domestic cash requirements. We require a substantial amount of cash in the United States for operating requirements, purchases of property and equipment, debt service, returning capital to investors, and potentially for future acquisitions. If we are unable to meet our domestic cash requirements using domestic cash flows from operations, domestic cash, cash equivalents, and marketable securities, or by domestic borrowing, it may be necessary for us to consider repatriation of earnings that we have designated as indefinitely reinvested. This may require us to record additional income tax expense and remit additional taxes, which could have a material effect on our results of operations, cash flows and financial condition.

We could be subject to changes in tax laws, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.

We are subject to taxes in the U.S. and numerous foreign jurisdictions, including the United Kingdom, where a number of our subsidiaries are organized. Due to economic and political conditions, tax laws in various jurisdictions may be subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation, including in the U.S. and the United Kingdom. We are also subject to the examination of our tax returns and other tax matters by the Internal Revenue Service of the United States (the “IRS”) and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, particularly in the U.S. or the United Kingdom, or if the ultimate determination of taxes owed is for an amount in excess of amounts previously accrued, our operating results, cash flows, and financial condition could be adversely affected.

Significant judgment is required in the calculation of our tax provision and the resulting tax liabilities. Our estimates of future taxable income and the regional mix of this income can change as new information becomes available. Any such changes in our estimates or assumptions can significantly impact our tax provision in a given period. In addition, failure to comply with complex tax accounting regulations could result in a restatement of our financial statements. Restatements are generally costly and could adversely impact our results of operations or have a negative impact on the trading price of our common stock.

Our international operations subject our business to additional political and economic risks that could have an adverse impact on our business.

In addition to international sales constituting a large portion of our net sales, we maintain international operations, sales, and technical support personnel. International expansion has required, and will continue to require, significant management attention and resources. There are risks inherent in expanding our presence into non-U.S. regions, including, but not limited to:

- difficulties in staffing and managing non-U.S. operations;
- failure in non-U.S. regions to adequately protect our intellectual property, patent, trademarks, copyrights, know-how, and other proprietary rights;
- global health conditions and potential natural disasters;
- political and economic instability in international regions;
- international currency controls and exchange rate fluctuations;
- vulnerability to terrorist groups targeting American interests abroad; and
- legal uncertainty regarding liability and compliance with non-U.S. laws and regulatory requirements.

If we are unable to successfully manage the demands of our international operations, it may have a material adverse effect on our business, financial condition, or results of operations.

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (the “E.U.”), commonly referred to as “Brexit.” Following the referendum result, the British government invoked Article 50 of the Lisbon Treaty on March 29, 2017 and has two years from that date to negotiate the terms of the U.K.’s withdrawal from the E.U. and the U.K.’s future relationships with E.U. member states. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on immigration between the U.K. and E.U. countries that make it more difficult to staff our U.K. operations, changes in tax laws that negatively impact our effective tax rate, restrictions on imports and exports between the U.K. and E.U. member states, and increased regulatory complexities. These changes may adversely affect our operations and financial results.

Because we depend on subcontractors internationally to perform key manufacturing functions for us, we are subject to political, economic, and natural disaster risks that could disrupt the fabrication, assembly, packaging, or testing of our products.

We depend on third-party subcontractors, primarily in Asia, for the fabrication, assembly, packaging, and testing of most of our products. International operations may be subject to a variety of risks, including political instability, global health conditions, currency controls, exchange rate fluctuations, changes in import/export regulations, tariff and freight rates, as well as the risks of natural disasters such as earthquakes, tsunamis, and floods. Although we seek to reduce our dependence on any one subcontractor, this concentration of subcontractors and manufacturing operations in Asia subjects us to the risks of conducting business internationally, including associated political and economic conditions. If we experience manufacturing problems at a particular location, or a supplier is unable to continue operating due to financial difficulties, natural disasters, or other reasons, we would be required to transfer manufacturing to a backup supplier. Converting or transferring manufacturing from a primary supplier to a backup facility could be expensive and time consuming. As a result, delays in our production or shipping by the parties to whom we outsource these functions could reduce our sales, damage our customer relationships, and damage our reputation in the marketplace, any of which could harm our business, results of operations, and financial condition.

Our products may be subject to average selling prices that decline over time. If we are unable to maintain average selling prices for existing products, increase our volumes, introduce new or enhanced products with higher selling prices, or reduce our costs, our business and operating results could be harmed.

Historically in the semiconductor industry, average selling prices of products have decreased over time. Moreover, our dependence on a limited number of key customers may make it easier for key customers to pressure us to reduce the prices of the products we sell to them. If the average selling price of any of our products declines and we are unable to increase our unit volumes, introduce new or enhanced products with higher margins, and/or reduce manufacturing costs to offset anticipated decreases in the prices of our existing products, our operating results may be adversely affected. In addition, because of procurement lead times, we are limited in our ability to reduce total costs quickly in response to any reductions in prices or sales shortfalls. Because of these factors, we may experience material adverse fluctuations in our future operating results on a quarterly or annual basis.

As we carry only limited insurance coverage, uninsured or under-insured losses could adversely affect our financial condition and results of operations.

Our insurance policies may not be adequate to fully offset losses from covered incidents, and we do not have coverage for certain losses. For example, there is limited coverage available with respect to the services provided by our third party foundries and assembly and test subcontractors. Although we believe that our existing insurance coverage is consistent with common practices of companies in our industry, our insurance coverage may be inadequate to protect us against product recalls, natural disasters, and other unforeseen catastrophes that could adversely affect our financial condition and results of operations.

Shifts in industry-wide capacity and our practice of ordering and purchasing our products based on sales forecasts may result in significant fluctuations in inventory and our quarterly and annual operating results.

We rely on independent foundries and assembly and test houses to manufacture our products. Our reliance on these third party suppliers involves certain risks and uncertainties. For example, shifts in industry-wide capacity from shortages to oversupply, or from oversupply to shortages, may result in significant fluctuations in our quarterly and annual operating results. In addition, we may order wafers and build inventory in advance of receiving purchase orders from our customers. Because our industry is highly cyclical and is subject to significant downturns resulting from excess capacity, overproduction, reduced demand, order cancellations, or technological obsolescence, there is a risk that we will forecast inaccurately and produce excess inventories of particular products. In addition, if we experience supply constraints or manufacturing problems at a particular supplier, we could be required to switch suppliers or qualify additional suppliers. Switching and/or qualifying additional suppliers could be an expensive process and take as long as six to twelve months to complete, which could result in material adverse fluctuations to our operating results.

We generally order our products through non-cancelable purchase orders from third-party foundries based on our sales forecasts, and our customers can generally cancel or reschedule orders they place with us without significant penalties. If we do not receive orders as anticipated by our forecasts, or our customers cancel orders that are placed, we may experience increased inventory levels.

Due to the product manufacturing cycle characteristic of IC manufacturing and the inherent imprecision in the accuracy of our customers' forecasts, product inventories may not always correspond to product demand, leading to shortages or surpluses of certain products. As a result of such inventory imbalances, future inventory write-downs and charges to gross margin may occur due to lower of cost or market accounting, excess inventory, and inventory obsolescence.

We have historically experienced fluctuations in our operating results and expect these fluctuations to continue in future periods.

Our quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect our net sales, gross margin, and operating results. If our operating results fall below expectations of market analysts or investors, the market price of our common stock could decrease significantly. We are subject to business cycles and it is difficult to predict the timing, length, or volatility of these cycles. These business cycles may create pressure on our sales, gross margin, and/or operating results.

Factors that could cause fluctuations and materially and adversely affect our net sales, gross margin and/or operating results include, but are not limited to:

- the volume and timing of orders received;
- changes in the mix of our products sold;
- market acceptance of our products and the products of our customers;
- excess or obsolete inventory;
- pricing pressures from competitors and key customers;
- our ability to introduce new products on a timely basis;
- the timing and extent of our research and development expenses;
- the failure to anticipate changing customer product requirements;
- disruption in the supply of wafers, assembly, or test services;
- reduction of manufacturing yields;
- certain production and other risks associated with using independent manufacturers, assembly houses, and testers;
- increases in our effective tax rate; and
- product obsolescence, price erosion, competitive developments, and other competitive factors.

Our debt obligations may be a burden on our future cash flows and cash resources.

On August 29, 2014, we entered into a credit agreement (the "Credit Agreement"), which provides for a \$250 million senior secured revolving credit facility. On July 12, 2016, we amended the Credit Agreement to increase the facility to \$300 million. As of March 25, 2017, the Company had an outstanding balance of \$60.0 million under the facility. The credit facility matures on July 12, 2021. Our ability to repay the principal of, to pay interest on or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive, regulatory and other factors, some of which are beyond our control. Our business may not generate cash flow from operations in the future sufficient to satisfy our obligations or to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, or refinancing

or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the Credit Agreement.

Our Credit Agreement contains restrictions that limit our flexibility in operating our business.

Our Credit Agreement contains various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- incur additional indebtedness or issue certain preferred shares;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

A breach of any of these covenants could result in a default under Credit Agreement. In the event of a default under the Credit Agreement, the lenders could elect to declare all amounts outstanding to be immediately due and payable. If our lenders accelerate the repayment of borrowings, we may not be able to repay our debt obligations. If we were unable to repay amounts due to the lenders under our credit facility, those lenders could proceed against the collateral granted to them to secure that indebtedness.

System security risks, data protection breaches, cyber-attacks and other related cyber security issues could disrupt our internal operations, and any such disruption could increase our expenses, damage our reputation and adversely affect our stock price.

Our security measures are subject to third-party security breaches, employee error, malfeasance, faulty password management, and other irregularities. For example, experienced computer programmers and hackers may be able to penetrate our security controls and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our websites, products or otherwise exploit any security vulnerabilities of our websites and products. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions.

We manage and store various proprietary information and sensitive or confidential data relating to our business. In addition, we manage and store a significant amount of proprietary and sensitive confidential information from our customers. Any breach of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business.

We may be adversely impacted by global economic conditions. As a result, our financial results and the market price of our common shares may decline.

Global economic conditions could make it difficult for our customers, our suppliers, and us to accurately forecast and plan future business activities, and could cause global businesses to defer or reduce spending on our

products, or increase the costs of manufacturing our products. During challenging economic times our customers and distributors may face issues gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our days sales outstanding would increase.

We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery. If the economy or markets in which we operate were to deteriorate, our business, financial condition, and results of operations will likely be materially and/or adversely affected.

Our foreign currency exposures may change over time as the level of activity in foreign markets grows and could have an adverse impact upon financial results.

As a global enterprise, we face exposure to adverse movements in foreign currency exchange rates. Certain of our assets, including certain bank accounts, exist in non-U.S. dollar-denominated currencies, which are sensitive to foreign currency exchange rate fluctuations. The non-U.S. dollar-denominated currencies are principally the British Pound Sterling. We also have a significant number of employees that are paid in foreign currency, the largest group being United Kingdom-based employees who are paid in British Pounds Sterling.

If the value of the U.S. dollar weakens relative to these specific currencies, the cost of doing business in terms of U.S. dollars rises. With the growth of our international business, our foreign currency exposures may grow and under certain circumstances, could harm our business.

We do not currently hedge currency exposures relating to operating expenses incurred outside of the United States, but we may do so in the future. If we do not hedge against these risks, or our attempts to hedge against these risks are not successful, our financial condition and results of operations could be adversely affected.

Our results may be affected by the fluctuation in sales in the consumer entertainment and smartphone markets.

Because we sell products primarily in the consumer entertainment and smartphone markets, we are likely to be affected by seasonality in the sales of our products and the cyclical nature of these markets. Further, a decline in consumer confidence and consumer spending relating to economic conditions, terrorist attacks, armed conflicts, oil prices, global health conditions, natural disasters, and/or the political stability of countries in which we operate or sell products could have a material adverse effect on our business.

We may be unable to protect our intellectual property rights.

Our success depends in part on our ability to obtain patents and to preserve our other intellectual property rights covering our products. We seek patent protection for those inventions and technologies for which we believe such protection is suitable and is likely to provide a competitive advantage to us. We also rely on trade secrets, proprietary technology, non-disclosure and other contractual terms, and technical measures to protect our technology and manufacturing knowledge. We actively work to foster continuing technological innovation to maintain and protect our competitive position. We cannot provide assurances that steps taken by us to protect our intellectual property will be adequate, that our competitors will not independently develop or design around our patents, or that our intellectual property will not be misappropriated. In addition, the laws of some non-U.S. countries may not protect our intellectual property as well as the laws of the United States.

Any of these events could materially and adversely affect our business, operating results, or financial condition. Policing infringement of our technology is difficult, and litigation may be necessary in the future to enforce our intellectual property rights. Any such litigation could be expensive, take significant time, and divert management's attention.

Potential intellectual property claims and litigation could subject us to significant liability for damages and could invalidate our proprietary rights.

The IC industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may find it necessary to initiate lawsuits to assert our patent or other intellectual property rights. These legal

proceedings could be expensive, take significant time, and divert management's attention. We cannot provide assurances that we will ultimately be successful in any lawsuit, nor can we provide assurances that any patent owned by us will not be invalidated, circumvented, or challenged. We cannot provide assurances that rights granted under our patents will provide competitive advantages to us, or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all.

As is typical in the IC industry, our customers and we have, from time to time, received and may in the future receive, communications from third parties asserting patents, mask work rights, or copyrights. In the event third parties were to make a valid intellectual property claim and a license was not available on commercially reasonable terms, our operating results could be harmed. Litigation, which could result in substantial cost to us and diversion of our management, technical and financial resources, may also be necessary to defend us against claimed infringement of the rights of others. An unfavorable outcome in any such litigation could have an adverse effect on our future operations and/or liquidity.

If we fail to attract, hire and retain qualified personnel, we may not be able to develop, market, or sell our products or successfully manage our business.

Competition for highly qualified personnel in our industry is intense. The number of technology companies in the geographic areas in which we operate is greater than it has been historically and we expect competition for qualified personnel to intensify. There are only a limited number of individuals in the job market with the requisite skills. Our Human Resources organization focuses significant efforts on attracting and retaining individuals in key technology positions. The loss of the services of key personnel or our inability to hire new personnel with the requisite skills could restrict our ability to develop new products or enhance existing products in a timely manner, sell products to our customers, or manage our business effectively.

If we fail to effectively manage our hiring needs and successfully assimilate new talent, or are unable to hire contractors to support our development efforts, our ability to meet development schedules, productivity, employee morale and retention could be impacted, resulting in an adverse effect on our business and operating results.

We continue to experience rapid growth in hiring new employees. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while at the same time not losing key personnel. While managing those risks, we still must sustain the beneficial aspects of our award-winning corporate culture, which we believe fosters innovation, teamwork and mitigates voluntary turnover.

We intend to make substantial investments to expand our engineering, research and development organizations. The challenges of integrating a rapidly growing employee base into our corporate culture are exacerbated by the tight product development schedules for our key customers. Therefore, if we fail to effectively manage our hiring needs and successfully assimilate new talent, our ability to meet development schedules, productivity, employee morale and retention could be impacted, resulting in an adverse effect on our business and operating results.

In connection with our efforts to cost-effectively manage our headcount growth, we have also increasingly relied on contractors for various functions, including our research and development efforts, and in particular, our software development and test functions. If our contractors do not perform effectively or are unable to provide sufficient resources to meet our growing needs, our product introductions may be delayed and we may incur additional costs.

We are subject to the export control regulations of the U.S. Department of State and the Department of Commerce. A violation of these export control regulations could have a material adverse effect on our business or our results of operations, cash flows, or financial position.

The nature of our international business subjects us to the export control regulations of the U.S. Department of State and the Department of Commerce. Violation of these export control regulations could result in monetary penalties and denial of export privileges. The U.S. government is very strict with respect to compliance and has served notice generally that failure to comply with these regulations may subject violators to fines and/or

imprisonment. Although we are not aware of any material violation of any export control regulations, a failure to comply with any of these regulations could have a material adverse effect on our business.

Our stock price has been and is likely to continue to be volatile.

The market price of our common stock fluctuates significantly. This fluctuation has been or may be the result of numerous factors, including, but not limited to:

- actual or anticipated fluctuations in our operating results;
- announcements concerning our business or those of our competitors, customers, or suppliers;
- loss of a significant customer, or customers;
- changes in financial estimates by securities analysts or our failure to perform as anticipated by the analysts;
- news, commentary, and rumors emanating from the media relating to our customers, the industry, or us. These reports may be unrelated to the actual operating performance of the Company, and in some cases, may be potentially misleading or incorrect;
- announcements regarding technological innovations or new products by us or our competitors;
- announcements by us of significant acquisitions, strategic partnerships, joint ventures, or capital commitments;
- announcements by us of significant divestitures or sale of certain assets or intellectual property;
- litigation arising out of a wide variety of matters, including, among others, employment matters and intellectual property matters;
- departure of key personnel;
- single significant stockholders selling for any reason;
- general conditions in the IC industry; and
- general market conditions and interest rates.

We have provisions in our Certificate of Incorporation and Bylaws, and are subject to certain provisions of Delaware law, which could prevent, delay or impede a change of control of our company. These provisions could affect the market price of our stock.

Certain provisions of Delaware law and of our Certificate of Incorporation and Bylaws could make it more difficult for a third party to acquire us, even if our stockholders support the acquisition. These provisions include, but are not limited to:

- the inability of stockholders to call a special meeting of stockholders;
- a prohibition on stockholder action by written consent; and
- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders.

We are also subject to the anti-takeover laws of Delaware that may prevent, delay or impede a third party from acquiring or merging with us, which may adversely affect the market price of our common stock.

We are subject to the risks of owning real property.

We currently own our U.S. headquarters in Austin, Texas as well as property in Edinburgh, Scotland, United Kingdom. The ownership of our U.S. and United Kingdom properties subjects us to the risks of owning real property, which may include:

- the possibility of environmental contamination and the costs associated with correcting any environmental problems;

- adverse changes in the value of these properties, due to interest rate changes, changes in the neighborhood in which the property is located, or other factors; and
- the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of fire, floods, or other natural disasters.

ITEM 1B. *Unresolved Staff Comments*

None.

ITEM 2. *Properties*

As of March 25, 2017, our principal facilities are located in Austin, Texas and Edinburgh, Scotland, United Kingdom. The Austin facilities, which we own, consist of approximately 155,000 square feet of office space and are primarily occupied by research and development personnel and testing equipment. In addition, our failure analysis and reliability facility occupies approximately 27,000 square feet.

Additionally, we have various leased facilities in Austin, Texas, consisting of approximately 88,000 square feet. This includes approximately 59,000 square feet of leased space that houses a mixture of administrative personnel as well as research and development personnel.

In connection with our acquisition of Wolfson Microelectronics (“*Wolfson*”, the “*Acquisition*”) on August 21, 2014, we acquired Wolfson’s corporate headquarters located in Edinburgh, Scotland, United Kingdom. This building consists of approximately 50,000 square feet of office space and is primarily occupied by research and development personnel and testing equipment. We have entered into an agreement to lease approximately 70,000 square feet of new office space in Edinburgh. With the completion of this new space at the beginning of calendar year 2017, the majority of our Edinburgh employees have relocated to the new office space. The Company is evaluating our future needs related to the use of the previously-mentioned building. A \$9.8 million asset impairment was recorded in the fourth quarter of fiscal year 2017, as the future use and fair value of the property were assessed. This charge is presented as a separate line item in the Consolidated Statements of Income as “*Asset impairment*”. See further details below in Results of Operation.

Below is a detailed schedule that identifies our principal locations of occupied leased and owned property as of March 25, 2017, with various lease terms through calendar year 2026. We believe that these facilities are suitable and adequate to meet our current operating needs.

<u>Design Centers</u>	<u>Sales Support Offices – International</u>
Austin, Texas	Hong Kong, China
Mesa, Arizona	Shanghai, China
Edinburgh, Scotland, United Kingdom	Shenzhen, China
Newbury, England, United Kingdom	Tokyo, Japan
London, England, United Kingdom	Singapore
Melbourne, Australia	Seoul, South Korea
Madrid, Spain	Taipei, Taiwan
Stockholm, Sweden	

See Note 11 — Commitments and Contingencies of the Notes to Consolidated Financial Statements contained in Item 8 for further detail.

ITEM 3. *Legal Proceedings*

From time to time, we are involved in legal proceedings concerning matters arising in connection with the conduct of our business activities. We regularly evaluate the status of legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss or additional loss may have been incurred and to determine if accruals are appropriate. We further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made.

Based on current knowledge, management does not believe that there are any pending matters that could potentially have a material adverse effect on our business, financial condition, results of operations or cash flows. However, we are engaged in various legal actions in the normal course of business. While there can be no assurances in light of the inherent uncertainties involved in any potential legal proceedings, some of which are beyond our control, an adverse outcome in any legal proceeding could be material to our results of operations or cash flows for any particular reporting period.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NASDAQ Global Select Market under the symbol CRUS.

As of May 19, 2017, there were approximately 482 holders of record of our common stock.

We have not paid cash dividends on our common stock and currently intend to continue a policy of retaining any earnings for reinvestment in our business, repayment of debt, potential acquisition, or share repurchases.

The information under the caption “Equity Compensation Plan Information” in the proxy statement to be delivered to stockholders in connection with our Annual Meeting of Stockholders to be held on July 28, 2017 (the “Proxy Statement”) is incorporated herein by reference.

The following table shows, for the periods indicated, the high and low intra-day sales prices for our common stock.

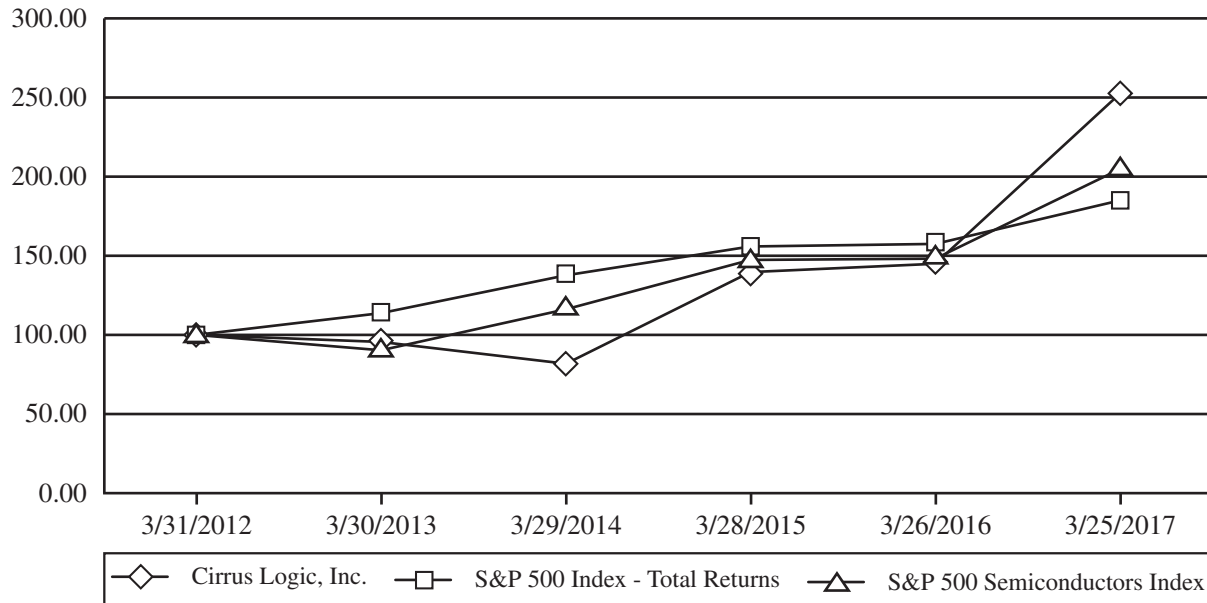
	<u>High</u>	<u>Low</u>
Fiscal year ended March 25, 2017		
First quarter	\$40.98	\$31.00
Second quarter	58.08	34.82
Third quarter	59.78	49.05
Fourth quarter	64.16	52.00
Fiscal year ended March 26, 2016		
First quarter	\$38.20	\$31.95
Second quarter	37.60	24.56
Third quarter	36.03	28.11
Fourth quarter	36.95	25.09

The Company did not purchase any equity securities registered by the Company pursuant to Section 12 of the Exchange Act during the three months ended March 25, 2017. See Note 13 for a description of our Share Repurchase Program.

Stock Price Performance Graph

The following graph and table show a comparison of the five-year cumulative total stockholder return, calculated on a dividend reinvestment basis, for Cirrus Logic, the Standard & Poor’s 500 Composite Index (the “S&P 500 Index”), and the Semiconductor Subgroup of the Standard & Poor’s Electronics Index (the “S&P 500 Semiconductors Index”).

**Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of \$100
March 2017**



	<u>3/31/2012</u>	<u>3/30/2013</u>	<u>3/29/2014</u>	<u>3/28/2015</u>	<u>3/26/2016</u>	<u>3/25/2017</u>
Cirrus Logic, Inc.	100.00	95.59	82.02	139.87	144.83	252.35
S&P 500 Index	100.00	113.96	137.77	156.00	157.45	185.18
S&P 500 Semiconductors Index	100.00	90.39	116.32	147.23	148.33	204.82

- (1) The graph assumes that \$100 was invested in our common stock and in each index at the market close on March 31, 2012, and that all dividends were reinvested. No cash dividends were declared on our common stock during the periods presented.
- (2) Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

The information in this Annual Report on Form 10-K appearing under the heading “Stock Price Performance Graph” is being “furnished” pursuant to Item 201(e) of Regulation S-K under the Securities Act of 1933, as amended, and shall not be deemed to be “soliciting material” or “filed” with the Securities and Exchange Commission or subject to Regulation 14A or 14C, other than as provided in Item 201(e) of Regulation S-K, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 6. Selected Financial Data

The information contained below should be read along with *Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8 – Financial Statements and Supplementary Data* (amounts in thousands, except per share amounts).

	Fiscal Years				
	2017	2016	2015	2014	2013
	(1)	(1)	(1)		
Net sales	\$1,538,940	\$1,169,251	\$ 916,568	\$714,338	\$809,786
Net income	261,209	123,630	55,178	108,111	136,598
Basic earnings per share	\$ 4.12	\$ 1.96	\$ 0.88	\$ 1.72	\$ 2.12
Diluted earnings per share	\$ 3.92	\$ 1.87	\$ 0.85	\$ 1.65	\$ 2.00
Financial position at year end:					
Cash, cash equivalents, restricted investments and marketable securities	450,979	250,006	260,719	384,510	236,547
Total assets	\$1,413,470	\$1,181,883	\$1,148,778	\$724,744	\$651,347
Working capital	631,853	378,005	275,335	392,810	351,455
Long-term liabilities	117,703	194,276	215,429	4,863	10,094
Total stockholders’ equity	\$1,151,692	\$ 859,483	\$ 756,771	\$637,358	\$548,174

- 1) Refer to the consolidated financial statements and the Notes thereto contained in Item 8 of this Form 10-K for fiscal years 2017, 2016, and 2015, for an expanded discussion of factors that materially affect the comparability of the information reflected in the selected consolidated financial data presented above.

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Please read the following discussion in conjunction with our audited historical consolidated financial statements and notes thereto, which are included elsewhere in this Form 10-K. Management’s Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. Actual results could differ materially because of the factors discussed in Part I, Item 1A. “Risk Factors” of this Form 10-K.

Critical Accounting Policies

Our discussion and analysis of the Company’s financial condition and results of operations are based upon the consolidated financial statements included in this report, which have been prepared in accordance with U. S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts. We evaluate the estimates on an on-going basis. We base these estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

We believe the following critical accounting policies involve significant judgments and estimates that are used in the preparation of the consolidated financial statements:

- We report income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities, which are measured using the enacted tax laws and tax rates that will be in effect when the differences are expected to reverse. We assess the likelihood that the deferred tax assets will be realized. A valuation allowance is established against deferred tax assets to

the extent the Company believes that it is more likely than not that the deferred tax assets will not be realized, taking into consideration the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are deductible.

The calculation of our tax liabilities involves assessing uncertainties with respect to the application of complex tax rules. Uncertain tax positions must meet a more likely than not threshold to be recognized in the financial statements and the tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon final settlement. See Note 15 — Income Taxes of the Notes to Consolidated Financial Statements contained in Item 8 for additional details.

- We recognize revenue when all of the following criteria are met: persuasive evidence that an arrangement exists, delivery of goods has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Prior to the fourth quarter of fiscal year 2016, we had a number of arrangements with distributors whereby we deferred revenue at the time of shipment of our products to those distributors. As part of those arrangements, when a distributor resold those products to an end customer, the Company would credit the distributor the difference between (1) the original distributor price and the distributor's agreed upon margin and (2) the final sales price to the end customer (known as the "Ship and Debit Arrangement"). For those transactions, revenue was deferred until the product was resold by the distributor and we determined that the final sales price to the distributor was fixed or determinable. For certain of our smaller distributors, we did not have similar Ship and Debit Arrangements and the distributors were billed at a fixed upfront price. For those transactions, revenue was recognized upon delivery to the distributor based upon the distributor's individual shipping terms, less an allowance for estimated returns, as the Company determined that the revenue recognition criteria were met.

In light of the fact that the distributor program had been declining as a portion of the overall business for several years, in fiscal year 2016 the Company performed a review of all distributor arrangements in an effort to streamline our distribution program and reduce overhead costs. Based upon this review, the Company terminated its Ship and Debit Arrangements with Distributors during the fourth quarter of fiscal year 2016. Subsequent to the termination of the Ship and Debit Arrangements, the Company began recognizing revenue for all distributors upon delivery to the distributor based upon the distributor's individual shipping terms, less an allowance for estimated returns, as the Company's final sales price to the distributor was fixed and determinable and the Company determined that all four criteria for revenue recognition were met.

Although the Company terminated its Ship and Debit Arrangements with all distributors along with certain ancillary agreements related to the Ship and Debit Arrangements, the Company continues to grant varying levels of stock rotation and price protection rights based on individual distributor agreements. To the extent these rights are implicated in any transaction with a distributor, we continue to evaluate their effect on when the revenue recognition criteria have been met.

- Inventories are recorded at the lower of cost or net realizable value, following the adoption of ASU 2015-11 (as discussed below), with cost being determined on a first-in, first-out basis. We write down inventories to net realizable value based on forecasted demand while taking into account product release schedules and product life cycles, which may drive management judgment. We also review and write down inventory, as appropriate, based on the age and condition of the inventory. Actual demand and market conditions may be different from those projected by management, which could have a material effect on our operating results and financial position. See Note 2 — Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements contained in Item 8.
- We evaluate the recoverability of property, plant, and equipment and intangible assets by testing for impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. An impairment loss is recognized in the event the carrying value of these assets exceeds the fair value of the applicable assets. Impairment evaluations involve management estimates of asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated

by management, which could have a material effect on our operating results and financial position. See Note 6 — Intangibles, net and Goodwill of the Notes to Consolidated Financial Statements contained in Item 8.

- The Company evaluates goodwill and other intangible assets. Goodwill is recorded at the time of an acquisition and is calculated as the difference between the total consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The Company tests goodwill and other intangible assets for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. Impairment evaluations involve management's assessment of qualitative factors to determine whether it is more likely than not that goodwill and other intangible assets are impaired. If management concludes from its assessment of qualitative factors that it is more likely than not that impairment exists, then a quantitative impairment test will be performed involving management estimates of asset useful lives and future cash flows. Significant management judgment is required in the forecasts of future operating results that are used in these evaluations. If our actual results, or the plans and estimates used in future impairment analyses, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. The Company has recorded no goodwill impairments in fiscal years 2017, 2016, and 2015. There were no material intangible asset impairments in fiscal years 2017, 2016, and 2015.
- We are subject to the possibility of loss contingencies for various legal matters. See Note 12 — Legal Matters of the Notes to Consolidated Financial Statements contained in Item 8. We regularly evaluate current information available to us to determine whether any accruals should be made based on the status of the case, the results of the discovery process and other factors. If we ultimately determine that an accrual should be made for a legal matter, this accrual could have a material effect on our operating results and financial position and the ultimate outcome may be materially different than our estimate.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*. The purpose of this ASU is to converge revenue recognition requirements per GAAP and International Financial Reporting Standards (IFRS). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* after public comment supported a proposal to delay the effective date of this ASU to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently in the process of reviewing our customers' contracts in respect of performance obligation identification and satisfaction, pricing, warranties, and return rights, among other considerations. Through this process, the Company currently expects no material modifications to its financial statements upon adoption of this ASU.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this ASU provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company adopted this ASU in the fourth quarter of fiscal year 2017 with no material modifications to the Company's financial statements as a result.

In April 2015, the FASB issued ASU No. 2015-03, *Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update require that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and that the amortization of debt issuance costs is reported as interest expense. ASU 2015-03 is to be applied retrospectively and represents a change in accounting principle. In August 2015, the FASB issued FASB ASU No. 2015-15, *Interest — Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit*

Arrangements. ASU 2015-15 clarified the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. Debt issuance costs related to a line-of-credit arrangement may be presented in the balance sheet as an asset and subsequently amortized ratably over the term of the arrangement regardless of whether there are any outstanding borrowings. Both ASU 2015-03 and ASU 2015-15 are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Earlier adoption is permitted for financial statements that have not been previously issued. The Company adopted these ASUs in fiscal year 2017 with no material impact to its financial statements.

In April 2015, the FASB issued ASU No. 2015-04, *Compensation — Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets*. The ASU is part of the FASB’s “Simplification Initiative” to reduce complexity in accounting standards. The FASB decided to permit entities to measure defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in this update. The amendments in this update are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with earlier application permitted. The Company adopted this ASU in the first quarter of fiscal year 2017, with no material impact to its financial statements.

In July 2015, ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* was issued. This ASU requires companies to subsequently measure inventory at the lower of cost and net realizable value versus the previous lower of cost or market. The amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, to be applied prospectively. Early application is permitted. The Company early adopted this ASU in fiscal year 2017 with no material modifications to its financial statements as a result.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The FASB issued this update to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key leasing arrangement details. Lessees would recognize operating leases on the balance sheet under this ASU — with the future lease payments recognized as a liability, measured at present value, and the right-of-use asset recognized for the lease term. A single lease cost would be recognized over the lease term. For terms less than twelve months, a lessee would be permitted to make an accounting policy election to recognize lease expense for such leases generally on a straight-line basis over the lease term. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this ASU.

In March 2016, the FASB issued ASU 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU requires all excess tax benefits and deficiencies to be recognized as income tax benefit / expense in the income statement and presented as an operating activity in the statement of cash flows. Forfeitures can be calculated based on either the estimated number of awards that are expected to vest, as required by current guidance, or when forfeitures actually occur. This ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted, but all amendments must be adopted in the same period and any adjustments should be reflected as of the beginning of the fiscal year if adopted in an interim period. The Company early adopted in the third quarter of fiscal year 2017, which resulted in the following:

- We recorded excess tax benefits within income tax expense, rather than in additional paid-in capital (“APIC”), of \$2.2 million, \$8.0 million, \$10.8 million and \$1.9 million for the first, second, third and fourth quarters of fiscal year 2017, respectively.
- We recorded a cumulative-effect adjustment as of March 27, 2016 to increase retained earnings by \$5.6 million, with a corresponding increase to deferred tax assets, to recognize net operating loss and tax credit carryforwards attributable to excess tax benefits on stock-based compensation that had not been previously recognized.
- We now include the excess tax benefits in net operating cash rather than net financing cash in our Consolidated Statements of Cash Flows.

We applied this change in presentation prospectively and thus prior years have not been adjusted.

We elected not to change our policy on accounting for forfeitures and continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period.

The adoption of this new guidance impacted our previously reported quarterly results for fiscal year 2017 as follows:

	Three Months Ended				Six Months Ended	
	June 25, 2016		September 24, 2016		September 24, 2016	
	As reported	As adjusted	As reported	As adjusted	As reported	As adjusted
(in thousands, except per share data)						
Consolidated Condensed Statements of Income:						
Income tax expense	\$ 5,805	\$ 3,598	\$ 24,608	\$ 16,634	\$ 30,413	\$ 20,232
Net income	\$ 15,864	\$ 18,071	\$ 78,065	\$ 86,039	\$ 93,929	\$ 104,110
Basic net income per share	\$ 0.25	\$ 0.29	\$ 1.24	\$ 1.37	\$ 1.50	\$ 1.66
Diluted net income per share	\$ 0.24	\$ 0.27	\$ 1.19	\$ 1.30	\$ 1.43	\$ 1.58
Weighted average shares used in diluted net income per share computation	65,232	65,723	65,717	66,410	65,521	66,101
Consolidated Condensed Statements of Cash Flows:						
Net cash provided by operating activities	\$ 12,226	\$ 12,756	\$ 19,990	\$ 24,091	\$ 32,216	\$ 36,847
Net cash used in financing activities	\$(13,140)	\$(13,670)	\$(13,859)	\$(17,960)	\$(26,999)	\$(31,630)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires credit losses on available-for-sale debt securities to be presented as an allowance rather than a write-down. Unlike current U.S. GAAP, the credit losses could be reversed with changes in estimates, and recognized in current year earnings. This ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018, including interim periods. The Company is currently evaluating the impact of this ASU with no expected material impact.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU covers several cash flow issues, including the presentation of contingent consideration payments made after a business combination. Cash payments up to the amount of the liability recognized at the acquisition date (including measurement-period adjustments) should be classified as financing activities. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted, including in an interim period, with a required retrospective transition method applied to each period presented. The Company early adopted in the fourth quarter of fiscal year 2017. See Statement of Cash Flows for presentation of contingent consideration payment.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This ASU relates to income tax consequences of non-inventory intercompany asset transfers. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted, as of the beginning of an annual reporting period. The guidance requires companies to apply a modified retrospective approach with a cumulative catch-up adjustment to beginning retained earnings in the period of adoption. The Company is currently evaluating the impact of this ASU with no expected material impact.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The update states that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business, and should be treated as an asset acquisition instead. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is

permitted under specific circumstances, including in an interim period, with prospective application. The Company is currently evaluating the financial statement impact of this ASU, which is dependent upon the specific terms of any applicable future acquisitions or dispositions.

In January 2017, the FASB issued ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments — Equity Method and Joint Ventures (Topic 323). This ASU amends the disclosure requirements for ASU 2014-09, Revenue from Contracts with Customers (Topic 606), ASU 2016-02, Leases (Topic 842) and ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU states that if a registrant does not know or cannot reasonably estimate the impact that the adoption of the above ASUs is expected to have on the financial statements, then in addition to making a statement to that effect, the registrant should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact that the standard will have on the financial statements of the registrant when adopted. This ASU was effective upon issuance. The adoption did not have a material impact on the Company's financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This ASU eliminates step two of the goodwill impairment test. An impairment charge is to be recognized for the amount by which the current value exceeds the fair value. This ASU is effective for annual periods beginning after December 15, 2019, including interim periods. Early adoption is permitted, for interim or annual goodwill impairment tests performed after January 1, 2017 and should be applied prospectively. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. That disclosure should be provided in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments in this update. The Company is currently evaluating the impact of this ASU.

Overview

Cirrus Logic develops high-precision analog and mixed-signal ICs for a broad range of innovative customers. We track operating results in one reportable segment, but report revenue performance by product line, currently portable audio and non-portable audio and other products. In fiscal year 2017, the Company introduced a variety of new products related to flagship and mid-tier smartphones and the emerging digital headset market. The Company benefited from several new technology trends including the transition from the traditional 3.5mm headset jack to a digital interface. Increasing interest in boosted amplifiers was fueled by the desire of OEMs to deliver louder and higher quality sound output, including a shift toward dual speakers to drive stereo sound. We also saw certain key flagship features trickling into mid-tier phones as OEMs pushed to enable a differentiated audio experience in these devices. In China, providing high-fidelity music content and playback on mobile devices continued to be a critical feature and drove the need for high performance hi-fi DACs.

Fiscal Year 2017

Fiscal year 2017 net sales of \$1.5 billion represented a 32 percent increase over fiscal year 2016 net sales of \$1.2 billion. Portable audio product line sales of \$1.4 billion in fiscal year 2017 represented a 39 percent increase over fiscal year 2016 sales of \$989.1 million, attributable primarily to significant increases in the sales of smart codecs and boosted amplifiers for the period, which was partially offset by a reduction in revenue generated by certain general market smart codecs as a leading Android customer reverted to a dual sourcing strategy on core chipsets. Non-portable audio and other product line sales of \$165.1 million represented an 8 percent decrease from fiscal year 2016 sales of \$180.2 million.

Overall, gross margin for fiscal year 2017 was 49 percent. The increase in gross margin for fiscal year 2017 was primarily due to higher volumes and supply chain efficiencies versus the prior year. The Company's number of employees increased to 1,444 as of March 25, 2017. The Company achieved net income of \$261.2 million in fiscal year 2017, which included an income tax provision in the amount of \$53.8 million.

Fiscal Year 2016

Fiscal year 2016 net sales of \$1.2 billion represented a 28 percent increase over fiscal year 2015 net sales of \$916.6 million. Portable audio product line sales of \$989.1 million in fiscal year 2016 represented a 34 percent increase over fiscal year 2015 sales of \$740.3 million, attributable primarily to significant increases in the sales of smart codecs and boosted amplifiers for the period. Non-portable audio and other product line sales of \$180.2 million represented a 2 percent increase from fiscal year 2015 sales of \$176.3 million.

Overall, gross margin for fiscal year 2016 was 47 percent. The increase in gross margin for fiscal year 2016 was primarily due to the absence of the fair market adjustments related to the Acquisition discussed below, creating an approximate 1% favorable impact to gross margin versus fiscal year 2015. The Company's number of employees increased to 1,291 as of March 26, 2016. The Company achieved net income of \$123.6 million in fiscal year 2016, which included an income tax provision in the amount of \$52.4 million.

Fiscal Year 2015

Fiscal year 2015 net sales of \$916.6 million represented a 28 percent increase over fiscal year 2014 net sales of \$714.3 million. Portable audio product line sales of \$740.3 million in fiscal year 2015 represented a 32 percent increase over fiscal year 2014 sales of \$562.7 million, attributable primarily to Wolfson contributions and significant increases in the sales of certain portable audio products for the period. Non-portable audio and other product line sales of \$176.3 million represented a 16 percent increase from fiscal year 2014 sales of \$151.6 million, which was primarily attributable to Wolfson contributions for the prior fiscal year, as well as increases in certain computer and DAC products.

Overall, gross margin for fiscal year 2015 was 46 percent. The decrease in gross margin for fiscal year 2015 was primarily due to the increase in inventory write-downs compared to fiscal year 2014, which had a 1.5% negative impact on fiscal year 2015 margin. Additionally, fiscal year 2015 gross margin was negatively affected by approximately 1% due to the fair value adjustments made to inventory as a result of the Acquisition. The Company's number of employees increased to 1,104 as of March 28, 2015. The Company achieved net income of \$55.2 million in fiscal year 2015, which included an income tax provision in the amount of \$36.4 million.

Results of Operations

The following table summarizes the results of our operations for each of the past three fiscal years as a percentage of net sales. All percentage amounts were calculated using the underlying data, in thousands:

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
Net sales	100%	100%	100%
Gross margin	49%	47%	46%
Research and development	20%	23%	21%
Selling, general and administrative	8%	10%	11%
Acquisition related costs	0%	0%	2%
Restructuring and other, net	0%	0%	0%
Asset impairment	0%	0%	0%
Patent agreement and other	0%	-1%	0%
Income from operations	<u>21%</u>	<u>15%</u>	<u>12%</u>
Interest income	0%	0%	0%
Interest expense	0%	0%	-1%
Other expense	<u>0%</u>	<u>0%</u>	<u>-1%</u>
Income before income taxes	21%	15%	10%
Provision for income taxes	<u>4%</u>	<u>4%</u>	<u>4%</u>
Net income	17%	11%	6%

Net Sales

We report sales in two product categories: portable audio products and non-portable audio and other products. Our sales by product line are as follows (in thousands):

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
Portable Audio Products	\$1,373,848	\$ 989,101	\$740,301
Non-Portable Audio and Other Products	165,092	180,150	176,267
	<u>\$1,538,940</u>	<u>\$1,169,251</u>	<u>\$916,568</u>

Net sales for fiscal year 2017 increased 32 percent, to \$1.5 billion from \$1.2 billion in fiscal year 2016. The increase in net sales reflects a \$384.7 million increase in portable audio product sales and a \$15.1 million decrease in non-portable audio and other product sales. The portable audio products group experienced an increase in net sales attributable to significant increases in the sales of smart codecs and boosted amplifiers for fiscal year 2017. Non-portable audio and other product line sales of \$165.1 million represented an 8 percent decrease from fiscal year 2016 sales of \$180.2 million, which was primarily attributable to a decrease in sales of DAC and surround codec products for the period.

Net sales for fiscal year 2016 increased 28 percent, to \$1.2 billion from \$916.6 million in fiscal year 2015. The increase in net sales reflected a \$248.8 million increase in portable audio product sales and a \$3.9 million increase in non-portable audio and other product sales. The portable audio products group experienced an increase in net sales attributable to significant increases in the sales of smart codecs and boosted amplifiers for fiscal year 2016, which includes a full year revenue effect of the Wolfson acquisition. Non-portable audio and other product line sales of \$180.2 million represented a 2 percent increase from fiscal year 2015 sales of \$176.3 million, which was primarily attributable to an increase in ADC and power meter products for the period. In addition, during fiscal year 2016, the Company realized an additional \$5.4 million of net sales, primarily related to non-portable audio, due to the conversion to a point-of-purchase model for our larger distributors.

Sales to foreign customers, principally located in Asia, including sales to U.S.-based customers that manufacture products at plants overseas, were approximately \$1.5 billion in fiscal year 2017, \$1.1 billion in fiscal year 2016, and \$869.9 million in fiscal year 2015. Sales to foreign customers located in Asia, excluding Japan, were 95 percent in net sales in fiscal year 2017, 89 percent in net sales in fiscal year 2016 and 92 percent of net sales in fiscal year 2015. Sales to foreign customers in Japan and Europe represented 2 percent of net sales in fiscal year 2017, 4 percent of net sales in fiscal year 2016 and 3 percent of net sales in fiscal year 2015.

Our sales are denominated primarily in U.S. dollars. During fiscal year 2015, we acquired foreign currency hedging contracts related to the Acquisition. The contracts expired in fiscal year 2015. No foreign currency hedging contracts were entered into in fiscal year 2017 or 2016.

Gross Margin

Overall gross margin of 49 percent for fiscal year 2017 reflects an increase from fiscal year 2016 gross margin of 47 percent. The increase was primarily attributable to supply chain efficiencies in the current fiscal year versus the prior year. Changes in excess and obsolete inventory charges, including scrapped inventory, and sales of product written down in prior periods did not have a material impact on margin in fiscal year 2017.

Overall gross margin of 47 percent for fiscal year 2016 reflected an increase from fiscal year 2015 gross margin of 46 percent. The increase was primarily attributable to the absence of the fair market adjustments related to the Acquisition discussed below, in the 2016 fiscal year versus fiscal year 2015. This contributed an approximate 1% favorable impact to gross margin in fiscal year 2016. Changes in excess and obsolete inventory charges, including scrapped inventory, and sales of product written down in prior periods did not have a material impact on margin in fiscal year 2016.

Research and Development Expenses

Fiscal year 2017 research and development expenses of \$303.7 million reflect an increase of \$34.5 million, or 13 percent, from fiscal year 2016. The increase was primarily attributable to a 16 percent increase in research and development headcount and the associated salary and employee-related expenses. The Company also experienced higher facilities-related costs in the fiscal year 2017 versus fiscal year 2016, partially offset by the adjustment to the contingent consideration liability discussed in Note 4, the UK's Research and Development Expenditure Credit (RDEC), which went into effect beginning in fiscal year 2017, and a sales tax refund in the third quarter of fiscal year 2017.

Fiscal year 2016 research and development expenses of \$269.2 million reflected an increase of \$71.3 million, or 36 percent, from fiscal year 2015. The increase was primarily attributable to a 20 percent increase in research and development headcount and the associated salary and employee-related expenses, due in part to including a full year of expenses over the prior year, associated with the Acquisition. The Company also experienced higher product development costs during the fiscal year.

Selling, General and Administrative Expenses

Fiscal year 2017 selling, general and administrative expenses of \$127.3 million reflect an increase of \$10.2 million, or 9 percent, compared to fiscal year 2016. The increase was primarily attributable to increased salary and employee-related expenses, as well as higher occupancy costs in fiscal year 2017.

Fiscal year 2016 selling, general and administrative expenses of \$117.1 million reflect an increase of \$17.6 million, or 18 percent, compared to fiscal year 2015. The increase was primarily attributable to a full year of expenses over the prior year associated with the Acquisition. Overall, SG&A headcount increased along with related salary and employee expenses, as well as higher occupancy and maintenance and supplies costs in the fiscal year.

Acquisition Related Costs

The Company reported \$18.1 million in costs in conjunction with the Acquisition for the year ended March 28, 2015. The majority of the costs included in this amount were associated with bank and legal fees, as well as certain expenses for stock compensation related to the Acquisition. Acquisition related costs incurred in fiscal years 2017 and 2016 were immaterial.

Restructuring and Other, net

There were no restructuring costs for fiscal years 2017 and 2016. Restructuring costs related to the Acquisition were \$1.5 million for the year ended March 28, 2015, primarily made up of severance payments associated with the Acquisition and the consolidation of our sales functions. These charges are shown as a separate line item in the Consolidated Statements of Income under the caption "*Restructuring and other, net.*"

Asset Impairment

In the fourth quarter of fiscal year 2017, the Company reported an asset impairment charge of \$9.8 million related to a building owned by the Company in Edinburgh, Scotland. The Company determined that the undiscounted cash flows associated with the property of the asset was less than the carrying value. Considering the fact that the building will no longer be used as the primary office space for Edinburgh employees and that market conditions had weakened, the Company hired an independent consultant to assess the fair value of the building. The variance in the assessed valuation amount and the carrying value was recorded and is presented as a separate line item on the Consolidated Statements of Income under the caption "*Asset impairment.*"

Patent Agreement and Other

On May 8, 2015, we entered into a patent purchase agreement for the sale of certain Company-owned patents relating to our LED lighting products. As a result of this agreement, on June 22, 2015, the Company received cash consideration of \$12.5 million from the purchaser. Under the agreement, the Company undertook

to no longer be engaged in LED lighting and received a license under the sold patents for all other fields of use. The proceeds were recorded during fiscal year 2016 as a recovery of costs previously incurred and are reflected as a separate line item on the Consolidated Statements of Income in operating expenses under the caption “*Patent agreement and other.*” Additionally, in the second quarter and third quarter of fiscal year 2016, the Company recorded \$0.8 million and \$0.1 million, respectively, in expense related to a negotiated adjustment to a legal settlement.

Interest Income

Interest income in fiscal years 2017, 2016, and 2015, was \$1.7 million, \$0.9 million, and \$0.6 million, respectively. The increase in interest income in fiscal year 2017 and 2016 was due to higher average cash, cash equivalent, and marketable securities balances throughout the year versus the previous year.

Interest Expense

The Company reported interest expense of \$3.6 million, \$3.3 million and \$5.6 million for fiscal years 2017, 2016 and 2015, respectively, primarily as a result of the revolving credit facilities described in Note 7. Additional costs were incurred in fiscal year 2015 in relation to an interim revolving facility.

Other Expense

In fiscal year 2016, the Company reported \$1.8 million in other expense, primarily foreign exchange costs. For the year ended March 28, 2015, the Company reported \$12.2 million in other expense primarily related to recognized losses on expired contracts during the prior fiscal year and the foreign currency exchange losses on hedges purchased in relation to the Acquisition during the second quarter of fiscal year 2015. The corresponding amounts in fiscal year 2017 are immaterial.

Provision for Income Taxes

We recorded income tax expense of \$53.8 million in fiscal year 2017 on a pre-tax income of \$315.0 million, yielding an effective tax provision rate of 17.1 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily due to income earned in jurisdictions with a lower statutory tax rate, excess tax benefits from stock based compensation due to the early adoption of the ASU 2016-09 accounting standard, and research and development tax credits in the U.S.

We recorded income tax expense of \$52.4 million in fiscal year 2016 on a pre-tax income of \$176.0 million, yielding an effective tax provision rate of 29.8 percent. Our effective tax rate was lower than the U.S. statutory rate of 35 percent, primarily due to research and development tax credits in the U.S. and the impact of earnings in jurisdictions with a lower statutory tax rate.

We recorded income tax expense of \$36.4 million in fiscal year 2015 on a pre-tax income of \$91.5 million, yielding an effective tax provision rate of 39.7 percent. Our effective tax rate was higher than the U.S. statutory rate of 35 percent, primarily due to the inclusion of foreign losses from the date of acquisition of Wolfson to the end of the fiscal year at foreign statutory rates below the U.S. federal statutory rate. The impact of these losses was partially offset by the federal research and development credit, which was extended through December 31, 2014 by the Tax Increase Prevention Act of 2014, which was enacted on December 19, 2014.

Outlook

Looking ahead, we anticipate gross margin to remain in the upper 40 percent range for the foreseeable future with a long-term target operating profit model in the mid-20 percent range. We anticipate modest revenue growth for fiscal year 2018.

Liquidity and Capital Resources

In fiscal year 2017, our net cash provided by operating activities was \$369.8 million. The positive cash flow from operations was predominantly due to the cash components of our net income, offset by a \$24.9 million

increase in working capital, driven primarily by an increase in accounts receivable and inventories, partially offset by a decrease in payables for the year. In fiscal year 2016, our net cash provided by operating activities was \$149.0 million. The positive cash flow from operations was predominantly due to the cash components of our net income, offset by a \$108.7 million increase in working capital, driven primarily by an increase in inventories and a decrease in accounts payable for the year. In fiscal year 2015, our net cash provided by operating activities was \$163.5 million. The positive cash flow from operations was predominantly due to the cash components of our net income, as well as a \$17.3 million decrease in working capital, primarily due to a decrease in inventory and increase in accounts payable, offset by an increase in accounts receivable for the period.

In fiscal year 2017, the Company used approximately \$69.9 million in cash related to investing activities principally related to \$18.6 million in net purchases of marketable securities, and capital expenditures and technology investments of \$51.3 million. In fiscal year 2016, the Company received approximately \$20.2 million in cash provided by investing activities, principally due to the net maturities and sales of marketable securities of \$103.1 million, partially offset by \$46.1 million in capital expenditures and technology investments, and acquisitions of \$36.8 million. In fiscal year 2015, approximately \$324.4 million was used in investing activities, primarily due to the \$444.1 million, net of cash obtained, used in conjunction with the Wolfson acquisition. An additional use of cash for the period was the \$36.7 million in capital expenditures and technology investments. These uses of cash were offset by net maturities and sales of marketable securities of \$168.4 million in anticipation of financing the Acquisition.

In fiscal year 2017, the Company used \$117.5 million in financing activities. In fiscal year 2016, the Company used \$76.9 million in financing activities. In fiscal year 2015, the Company received \$205.5 million in cash provided by financing activities, principally as a result of the long-term revolving credit facility entered into in the second quarter of fiscal year 2015. The related influx of \$226.4 million was offset by payments against the revolver balance of \$46.0 million for the period. Payments against revolver balances in fiscal year 2017 and 2016 were \$100.4 million and \$20.0 million, respectively. See Note 7 and *Revolving Credit Facilities* below for more information relating to debt agreements and terms that existed during the periods. Beginning in fiscal year 2017 with the adoption of ASU 2016-09, excess tax benefits or shortfalls are not shown separately as a financing activity, as the income tax effects of employee stock-based compensation are shown as a component of net income as an operating activity. Excess tax benefits related to employee stock-based compensation generated \$3.9 million and \$37.7 million, in fiscal years 2016, and 2015, respectively. Additionally, in fiscal years 2017, 2016, and 2015, the Company utilized approximately \$15.4 million, \$60.5 million, and \$10.5 million, respectively, in cash to repurchase and retire portions of its outstanding common stock. See Note 13 for a description of our Share Repurchase Program.

Our future capital requirements will depend on many factors, including the rate of sales growth, market acceptance of our products, the timing and extent of research and development projects, potential acquisitions of companies or technologies and the expansion of our sales and marketing activities. While we expect our offshore cash to represent a greater portion of our total cash over time, we believe our expected future cash earnings, existing cash, cash equivalents, investment balances, and available borrowings under our Credit Facility will be sufficient to meet our capital requirements both domestically and internationally, through at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time.

Revolving Credit Facilities

On August 29, 2014, Cirrus Logic entered into a credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto. The Credit Agreement provided for a \$250 million senior secured revolving credit facility (the “Credit Facility”). Borrowings under The Credit Facility were used for general corporate purposes.

On July 12, 2016, Cirrus Logic entered into an amended and restated credit agreement (the “Amended Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto, for the purpose of amending the Credit Agreement and providing ongoing working capital. The Amended Credit Agreement provides for a \$300 million senior secured revolving credit facility (the “Amended

Facility”). The Amended Facility matures on July 12, 2021. Cirrus Logic must repay the outstanding principal amount of all borrowings, together with all accrued but unpaid interest thereon, on the maturity date. The Amended Facility is required to be guaranteed by all of Cirrus Logic’s material domestic subsidiaries (the “Subsidiary Guarantors”) and is secured by substantially all of the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets.

Borrowings under the Amended Facility may, at Cirrus Logic’s election, bear interest at either (a) a base rate plus the applicable margin (“Base Rate Loans”) or (b) a LIBOR Rate plus the applicable margin (“LIBOR Rate Loans”). The applicable margin ranges from 0% to .50% per annum for Base Rate Loans and 1.25% to 2.00% per annum for LIBOR Rate Loans based on the Leverage Ratio (as defined below). A commitment fee accrues at a rate per annum ranging from 0.20% to 0.30% (based on the Leverage Ratio) on the average daily unused portion of the commitment of the lenders. The Amended Credit Agreement contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness to consolidated EBITDA for the prior four consecutive quarters must not be greater than 3.00 to 1.00 (the “Leverage Ratio”) and (b) the ratio of consolidated EBITDA for the prior four consecutive fiscal quarters to consolidated fixed charges (including amounts paid in cash for consolidated interest expenses, capital expenditures, scheduled principal payments of indebtedness, and income taxes) for the prior four consecutive fiscal quarters must not be less than 1.25 to 1.00 as of the end of each fiscal quarter. The Amended Credit Agreement also contains negative covenants limiting the Company’s or any Subsidiary’s ability to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, and make certain restricted payments. At March 25, 2017, the Company was in compliance with all covenants under the Amended Credit Agreement and had \$60.0 million of indebtedness outstanding under the Amended Facility, which is included in long-term liabilities on the Consolidated Balance Sheet.

See also Note 7 — Revolving Line of Credit.

Off Balance Sheet Arrangements

As of March 25, 2017, the Company did not have any off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, that were reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

In our business activities, we incur certain commitments to make future payments under contracts such as debt agreements, purchase orders, operating leases and other long-term contracts. Maturities under these contracts are set forth in the following table as of March 25, 2017:

	Payment due by period (in thousands)				
	< 1 year	1-3 years	3-5 years	> 5 years	Total
Revolving line of credit	\$ —	\$ —	\$60,000	\$ —	\$ 60,000
Interest on revolving line of credit (1) . . .	1,942	5,296	735	—	7,973
Facilities leases, net	6,688	19,508	18,397	38,212	82,805
Equipment and other commitments	67	225	220	432	944
Wafer purchase commitments	182,331	—	—	—	182,331
Assembly purchase commitments	3,557	—	—	—	3,557
Outside test purchase commitments	14,482	—	—	—	14,482
Other purchase commitments	18,445	3,148	—	—	21,593
Total	<u>\$227,512</u>	<u>\$28,177</u>	<u>\$79,352</u>	<u>\$38,644</u>	<u>\$373,685</u>

(1) Our debt is subject to a variable interest rate based on LIBOR. The interest included in the table above is based on the indexed rate in effect at the balance sheet date.

Certain of our operating lease obligations include escalation clauses. These escalating payment requirements are reflected in the table.

We are unable to make a reasonably reliable estimate as to when or if a cash settlement with taxing authorities will occur related to our unrecognized tax benefits. Therefore, our liability of \$30.9 million for unrecognized tax benefits is not included in the table above. See Note 15 — Income Taxes, to the Consolidated Financial Statements for additional information.

ITEM 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risks associated with interest rates on our debt securities, currency movements on non-U.S. dollar denominated assets and liabilities, and the effect of market factors on the value of our marketable equity securities. We assess these risks on a regular basis and have established policies that are designed to protect against the adverse effects of these and other potential exposures. All of the potential changes noted below are based on sensitivity analyses as of March 25, 2017. Actual results may differ materially.

Interest Rate Risk

Our primary financial instruments include cash equivalents, marketable securities, accounts receivable, pension plan assets / liabilities, accounts payable, and accrued liabilities. The Company's investments are managed by outside professional managers within investment guidelines set by the Company. These guidelines include security type, credit quality, and maturity, and are intended to limit market risk by restricting the Company's investments to high quality debt instruments with relatively short-term maturities. The Company does not currently use derivative financial instruments in its investment portfolio. Due to the short-term nature of our investment portfolio and the current low interest rate environment, our downside exposure to interest rate risk is minimal.

To provide a meaningful assessment of the interest rate risk associated with our investment portfolio, the Company performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of March 25, 2017 and March 26, 2016, a hypothetical 100 basis point increase in interest rates across all maturities would result in a \$0.9 million and \$0.4 million decline in the fair market value of the portfolio, respectively. The larger hypothetical decline in fair value at the end of fiscal year 2017 was due to the larger balance in total marketable securities, when compared to fiscal year 2016. Such losses would only be realized if the Company sold the investments prior to maturity.

Foreign Currency Exchange Risk

Our revenue and spending is transacted primarily in U.S. dollars; however, in fiscal years 2017, 2016, and 2015, we entered into routine transactions in other currencies to fund the operating needs of our technical support, and sales offices outside of the U.S. As of March 25, 2017 and March 26, 2016, a ten percent change in the value of the related currencies would not have a material impact on our results of operations and financial position. During fiscal years 2017 and 2016, we did not enter into any foreign currency hedging contracts. In fiscal year 2015, the Company acquired foreign currency hedging contracts that expired within the same fiscal year.

ITEM 8. *Financial Statements and Supplementary Data*

Index to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm...	39
Consolidated Balance Sheets as of March 25, 2017 and March 26, 2016	41
Consolidated Statements of Income for the Fiscal Years Ended March 25, 2017, March 26, 2016, and March 28, 2015	42
Consolidated Statements of Comprehensive Income for the Fiscal Years Ended March 25, 2017, March 26, 2016, and March 28, 2015	43
Consolidated Statements of Cash Flows for the Fiscal Years Ended March 25, 2017, March 26, 2016, and March 28, 2015	44
Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended March 25, 2017, March 26, 2016, and March 28, 2015	45
Notes to Consolidated Financial Statements	46

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Cirrus Logic, Inc.

We have audited the accompanying consolidated balance sheets of Cirrus Logic, Inc. as of March 25, 2017 and March 26, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three fiscal years in the period ended March 25, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cirrus Logic, Inc. at March 25, 2017 and March 26, 2016, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended March 25, 2017, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for stock compensation in 2017.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cirrus Logic, Inc.'s internal control over financial reporting as of March 25, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
May 24, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Cirrus Logic, Inc.

We have audited Cirrus Logic, Inc.'s internal control over financial reporting as of March 25, 2017, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Cirrus Logic, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cirrus Logic, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 25, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cirrus Logic, Inc. as of March 25, 2017 and March 26, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three fiscal years in the period ended March 25, 2017 of Cirrus Logic, Inc. and our report dated May 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
May 24, 2017

CIRRUS LOGIC, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>March 25, 2017</u>	<u>March 26, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 351,166	\$ 168,793
Marketable securities	99,813	60,582
Accounts receivable, net	119,974	88,532
Inventories	167,895	142,015
Prepaid assets	24,987	29,924
Other current assets	<u>12,093</u>	<u>16,283</u>
Total current assets	775,928	506,129
Long-term marketable securities	—	20,631
Property and equipment, net	168,139	162,656
Intangibles, net	135,188	162,832
Goodwill	286,767	287,518
Deferred tax assets	32,841	25,772
Other assets	<u>14,607</u>	<u>16,345</u>
Total assets	<u>\$1,413,470</u>	<u>\$1,181,883</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 73,811	\$ 71,619
Accrued salaries and benefits	40,190	21,239
Software license agreements	14,990	20,308
Other accrued liabilities	<u>15,084</u>	<u>14,958</u>
Total current liabilities	144,075	128,124
Long-term liabilities:		
Debt	60,000	160,439
Software license agreements	3,146	8,136
Other long-term liabilities	<u>54,557</u>	<u>25,701</u>
Total long-term liabilities	117,703	194,276
Stockholders' equity:		
Preferred stock, 5.0 million shares authorized but unissued	—	—
Common stock, \$0.001 par value, 280,000 shares authorized, 64,295 shares and 62,630 shares issued and outstanding at March 25, 2017 and March 26, 2016, respectively	64	63
Additional paid-in capital	1,259,215	1,203,433
Accumulated deficit	(107,014)	(344,345)
Accumulated other comprehensive (loss) income	<u>(573)</u>	<u>332</u>
Total stockholders' equity	<u>1,151,692</u>	<u>859,483</u>
Total liabilities and stockholders' equity	<u>\$1,413,470</u>	<u>\$1,181,883</u>

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

CIRRUS LOGIC, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
Net sales	\$1,538,940	\$1,169,251	\$916,568
Cost of sales	781,125	614,411	490,820
Gross profit	757,815	554,840	425,748
Operating expenses			
Research and development	303,658	269,217	197,878
Selling, general and administrative	127,265	117,082	99,509
Acquisition related costs	—	—	18,137
Restructuring and other, net	—	—	1,455
Asset impairment	9,842	—	—
Patent agreement and other	—	(11,670)	—
Total operating expenses	440,765	374,629	316,979
Income from operations	317,050	180,211	108,769
Interest income	1,676	877	579
Interest expense	(3,600)	(3,308)	(5,627)
Other expense	(79)	(1,791)	(12,172)
Income before income taxes	315,047	175,989	91,549
Provision for income taxes	53,838	52,359	36,371
Net income	261,209	123,630	55,178
Basic earnings per share	\$ 4.12	\$ 1.96	\$ 0.88
Diluted earnings per share	\$ 3.92	\$ 1.87	\$ 0.85
Basic weighted average common shares outstanding	63,329	63,197	62,503
Diluted weighted average common shares outstanding	66,561	65,993	65,235

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

CIRRUS LOGIC, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	<u>Fiscal Years Ended</u>		
	<u>March 25,</u> <u>2017</u>	<u>March 26,</u> <u>2016</u>	<u>March 28,</u> <u>2015</u>
Net income	<u>\$261,209</u>	<u>\$123,630</u>	<u>\$55,178</u>
Other comprehensive income (loss), before tax			
Foreign currency translation (gain) loss	(826)	294	—
Unrealized (gain) loss on marketable securities	47	(24)	107
Actuarial (gain) loss on pension plan	(79)	2,660	(1,625)
Reclassification of actuarial (gain) loss to net income	<u>(89)</u>	<u>49</u>	<u>—</u>
Benefit (provision) for income taxes	<u>42</u>	<u>(537)</u>	<u>294</u>
Comprehensive income	<u><u>\$260,304</u></u>	<u><u>\$126,072</u></u>	<u><u>\$53,954</u></u>

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

CIRRUS LOGIC, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Months Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
Cash flows from operating activities:			
Net income	\$ 261,209	\$123,630	\$ 55,178
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	63,433	58,060	34,855
Stock compensation expense	39,593	33,506	37,549
Deferred income taxes	10,885	23,202	32,238
Loss on retirement or write-off of long-lived assets	10,387	2,753	1,618
Actuarial loss amortization on defined benefit pension plan	116	729	292
Excess tax benefit from employee stock awards	—	(3,850)	(37,692)
Other non-cash charges	8,980	19,702	22,167
Net change in operating assets and liabilities:			
Accounts receivable, net	(31,442)	24,156	(37,344)
Inventories	(25,880)	(57,819)	16,077
Other assets	575	(1,522)	285
Accounts payable and other accrued liabilities	1,772	(41,456)	36,504
Accrued salaries and benefits	18,951	(2,993)	7,047
Deferred income	—	(6,105)	(77)
Income taxes payable	10,969	(11,807)	(639)
Other accrued liabilities	203	(11,140)	(4,581)
Net cash provided by operating activities	<u>369,751</u>	<u>149,046</u>	<u>163,477</u>
Cash flows from investing activities:			
Maturities and sales of available-for-sale marketable securities	212,863	125,660	301,847
Purchases of available-for-sale marketable securities	(231,432)	(22,570)	(133,436)
Purchases of property, equipment and software	(41,849)	(41,569)	(32,311)
Investments in technology	(9,447)	(4,519)	(4,387)
Loss on foreign exchange hedging activities	—	—	(11,976)
Acquisition of Wolfson, net of cash obtained	—	—	(444,138)
Acquisition of businesses, net of cash obtained	—	(36,759)	—
Net cash (used in) provided by investing activities	<u>(69,865)</u>	<u>20,243</u>	<u>(324,401)</u>
Cash flows from financing activities:			
Proceeds from long-term revolver	—	—	226,439
Principal payments on long-term revolver	(100,439)	(20,000)	(46,000)
Debt issuance costs	(2,152)	—	(2,825)
Payments on capital lease agreements	(699)	—	—
Issuance of common stock, net of shares withheld for taxes	16,518	6,617	5,327
Repurchase of stock to satisfy employee tax withholding obligations	(14,089)	(6,861)	(4,624)
Repurchase and retirement of common stock	(15,439)	(60,503)	(10,534)
Excess tax benefit from employee stock awards	—	3,850	37,692
Contingent consideration payments	(1,213)	—	—
Net cash (used in) provided by financing activities	<u>(117,513)</u>	<u>(76,897)</u>	<u>205,475</u>
Net increase in cash and cash equivalents	182,373	92,392	44,551
Cash and cash equivalents at beginning of period	168,793	76,401	31,850
Cash and cash equivalents at end of period	<u>\$ 351,166</u>	<u>\$168,793</u>	<u>\$ 76,401</u>
Supplemental disclosures of cash flow information			
Cash payments during the year for:			
Income taxes	\$ 8,001	\$ 23,785	\$ 4,973
Interest	2,947	3,318	2,391

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

CIRRUS LOGIC, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income / (Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, March 29, 2014	61,956	\$62	\$1,078,816	\$(440,634)	\$ (886)	\$ 637,358
Net income	—	—	—	55,178	—	55,178
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	69	69
Change in pension liability, net of tax	—	—	—	—	(1,293)	(1,293)
Change in foreign currency translation adjustments	—	—	(29)	—	—	(29)
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	1,709	2	5,326	(4,624)	—	704
Repurchase and retirement of common stock	(580)	(1)	—	(10,533)	—	(10,534)
Amortization of deferred stock compensation	—	—	37,626	—	—	37,626
Excess tax benefit from employee stock awards	—	—	37,692	—	—	37,692
Balance, March 28, 2015	63,085	63	1,159,431	(400,613)	(2,110)	756,771
Net income	—	—	—	123,630	—	123,630
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	(15)	(15)
Change in pension liability, net of tax	—	—	—	—	2,163	2,163
Change in foreign currency translation adjustments	—	—	—	—	294	294
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	1,552	2	6,617	(6,861)	—	(242)
Repurchase and retirement of common stock	(2,007)	(2)	—	(60,501)	—	(60,503)
Amortization of deferred stock compensation	—	—	33,535	—	—	33,535
Excess tax benefit from employee stock awards	—	—	3,850	—	—	3,850
Balance, March 26, 2016	62,630	63	1,203,433	(344,345)	332	859,483
Net income	—	—	—	261,209	—	261,209
Change in unrealized gain (loss) on marketable securities, net of tax	—	—	—	—	31	31
Change in pension liability, net of tax	—	—	—	—	(110)	(110)
Change in foreign currency translation adjustments	—	—	—	—	(826)	(826)
Issuance of stock under stock option plans and other, net of shares withheld for employee taxes	2,145	2	16,516	(14,089)	—	2,429
Cumulative effect of adoption of ASU 2016-09	—	—	—	5,649	—	5,649
Repurchase and retirement of common stock	(480)	(1)	—	(15,438)	—	(15,439)
Amortization of deferred stock compensation	—	—	39,593	—	—	39,593
Excess tax benefit from employee stock awards	—	—	(327)	—	—	(327)
Balance, March 25, 2017	64,295	\$64	\$1,259,215	\$(107,014)	\$ (573)	\$1,151,692

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

CIRRUS LOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Description of Business

Cirrus Logic, Inc. (“Cirrus Logic,” “We,” “Us,” “Our,” or the “Company”) is a leader in high performance, low-power integrated circuits (“ICs”) for audio and voice signal processing applications. Cirrus Logic’s products span the entire audio signal chain, from capture to playback, providing innovative products for the world’s top smartphones, tablets, digital headsets, wearables and emerging smart home applications.

We were incorporated in California in 1984, became a public company in 1989, and were reincorporated in the State of Delaware in February 1999. Our primary facility housing engineering, sales and marketing, and administration functions is located in Austin, Texas. We also have offices in various other locations in the United States, United Kingdom, Sweden, Spain, Australia and Asia, including the People’s Republic of China, Hong Kong, South Korea, Japan, Singapore, and Taiwan. Our common stock, which has been publicly traded since 1989, is listed on the NASDAQ Global Select Market under the symbol CRUS.

Basis of Presentation

We prepare financial statements on a 52- or 53-week year that ends on the last Saturday in March. Fiscal years 2017, 2016, and 2015 were 52-week years. The next 53-week year will be fiscal year 2018.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U. S. generally accepted accounting principles (U.S. GAAP) and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year’s presentation of financial information.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires the use of management estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year-end and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market funds, commercial paper, and U.S. Government Treasury and Agency instruments with original maturities of three months or less at the date of purchase.

Inventories

We use the lower of cost or net realizable value to value our inventories, following the adoption of ASU 2015-11, with cost being determined on a first-in, first-out basis. One of the factors we consistently evaluate in the application of this method is the extent to which products are accepted into the marketplace. By policy, we evaluate market acceptance based on known business factors and conditions by comparing forecasted customer unit demand for our products over a specific future period, or demand horizon, to quantities on hand at the end of each accounting period.

On a quarterly and annual basis, we analyze inventories on a part-by-part basis. Product life cycles and the competitive nature of the industry are factors considered in the evaluation of customer unit demand at the end of each quarterly accounting period. Inventory quantities on-hand in excess of forecasted demand is considered to have reduced market value and, therefore, the cost basis is adjusted to the lower of cost or net realizable value. Typically, market values for excess or obsolete inventories are considered to be zero. Inventory charges recorded for excess and obsolete inventory, including scrapped inventory, represented \$6.7 million and \$4.8 million, in fiscal year 2017 and 2016, respectively. Inventory charges in fiscal year 2017 and 2016 related to a combination of quality issues and inventory exceeding demand.

Inventories were comprised of the following (in thousands):

	<u>March 25, 2017</u>	<u>March 26, 2016</u>
Work in process	\$ 83,332	\$ 67,827
Finished goods	<u>84,563</u>	<u>74,188</u>
	<u>\$167,895</u>	<u>\$142,015</u>

Property, Plant and Equipment, net

Property, plant and equipment is recorded at cost, net of depreciation and amortization. Depreciation and amortization is calculated on a straight-line basis over estimated economic lives, ranging from three to 39 years. Leasehold improvements are depreciated over the shorter of the term of the lease or the estimated useful life. Furniture, fixtures, machinery, and equipment are all depreciated over a useful life of three to 10 years, while buildings are depreciated over a period of up to 39 years. In general, our capitalized software is amortized over a useful life of three years, with capitalized enterprise resource planning software being amortized over a useful life of 10 years. Gains or losses related to retirements or dispositions of fixed assets are recognized in the period incurred. Additionally, if impairment indicators exist, the Company will assess the carrying value of the associated asset. In the fourth quarter of fiscal year 2017, the Company reassessed the carrying value of the property located in Edinburgh, Scotland, resulting in an asset impairment charge of \$9.8 million.

Property, plant and equipment was comprised of the following (in thousands):

	<u>March 25, 2017</u>	<u>March 26, 2016</u>
Land	\$ 26,379	\$ 26,379
Buildings	74,266	73,513
Furniture and fixtures	14,231	13,226
Leasehold improvements	4,355	2,637
Machinery and equipment	123,054	105,880
Capitalized software	24,839	25,127
Construction in progress	<u>22,972</u>	<u>5,411</u>
Total property, plant and equipment	290,096	252,173
Less: Accumulated depreciation and amortization	<u>(121,957)</u>	<u>(89,517)</u>
Property, plant and equipment, net	<u>\$ 168,139</u>	<u>\$162,656</u>

Depreciation and amortization expense on property, plant, and equipment for fiscal years 2017, 2016, and 2015 was \$26.1 million, \$22.3 million, and \$15.4 million, respectively.

Goodwill and Intangibles, net

Intangible assets include purchased technology licenses and patents that are reported at cost and are amortized on a straight-line basis over their useful lives, generally ranging from one to ten years. Acquired

intangibles include existing technology, core technology or patents, license agreements, in-process research & development, trademarks, tradenames, customer relationships, non-compete agreements, and backlog. These assets are amortized on a straight-line basis over lives ranging from one to fifteen years.

Goodwill is recorded at the time of an acquisition and is calculated as the difference between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. The Company tests goodwill and indefinite lived intangibles for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. Impairment evaluations involve management's assessment of qualitative factors to determine whether it is more likely than not that goodwill and other intangible assets are impaired. If management concludes from its assessment of qualitative factors that it is more likely than not that impairment exists, then a quantitative impairment test will be performed involving management estimates of asset useful lives and future cash flows. Significant management judgment is required in the forecasts of future operating results that are used in these evaluations. If our actual results, or the plans and estimates used in future impairment analyses, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. The Company has recorded no goodwill impairments in fiscal years 2017, 2016, and 2015. There were no material intangible asset impairments in fiscal years 2017, 2016, or 2015.

Long-Lived Assets

We test for impairment losses on long-lived assets and definite-lived intangibles used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. We measure any impairment loss by comparing the fair value of the asset to its carrying amount. We estimate fair value based on discounted future cash flows, quoted market prices, or independent appraisals.

Foreign Currency Translation

Prior to the fiscal year 2015 acquisition of Wolfson Microelectronics ("*Wolfson*," the "*Acquisition*"), each Cirrus Logic legal entity was US dollar functional. Additionally, each of the acquired Wolfson legal entities were also designated as US dollar functional. These designations were determined individually by Cirrus Logic and Wolfson prior to the Acquisition. Subsequent to the integration of Wolfson, the Company reassessed the functional currencies of each legal entity based on the relevant facts and circumstances, as well as in accordance with the applicable accounting guidance contained in Accounting Standards Codification ("*ASC*") 830-10, "*Foreign Currency Matters*." Based on its analysis and on the change in operating structure brought about by the Acquisition, the Company determined that the functional currency of some of its subsidiaries had changed from the US dollar to the local currency. The Company's main entities, including the entities that generate the majority of sales and employ the majority of employees, remain US dollar functional. The change was effective beginning in fiscal year 2016 and had an immaterial effect on the financial statements. Beginning in fiscal year 2016 foreign currency translation gains and losses are reported as a component of Accumulated Other Comprehensive Gain / (Loss).

Pension

Defined benefit pension plans are accounted for based upon the provisions of ASC Topic 715, "*Compensation — Retirement Benefits*."

The funded status of the plan is recognized in the Consolidated Balance Sheet. Subsequent re-measurement of plan assets and benefit obligations, if deemed necessary, would be reflected in the Consolidated Balance Sheet in the subsequent interim period to reflect the overfunded or underfunded status of the plan.

The Company engages external actuaries on at least an annual basis to provide a valuation of the plan's assets and projected benefit obligation and to record the net periodic pension cost. On a quarterly basis, the Company will evaluate current information available to us to determine whether the plan's assets and projected benefit obligation should be re-measured.

Concentration of Credit Risk

Financial instruments that potentially subject us to material concentrations of credit risk consist primarily of cash equivalents, marketable securities, long-term marketable securities, and trade accounts receivable. We are exposed to credit risk to the extent of the amounts recorded on the balance sheet. By policy, our cash equivalents, marketable securities, and long-term marketable securities are subject to certain nationally recognized credit standards, issuer concentrations, sovereign risk, and marketability or liquidity considerations.

In evaluating our trade receivables, we perform credit evaluations of our major customers' financial condition and monitor closely all of our receivables to limit our financial exposure by limiting the length of time and amount of credit extended. In certain situations, we may require payment in advance or utilize letters of credit to reduce credit risk. By policy, we establish a reserve for trade accounts receivable based on the type of business in which a customer is engaged, the length of time a trade account receivable is outstanding, and other knowledge that we may possess relating to the probability that a trade receivable is at risk for non-payment.

We had three contract manufacturers, Hongfujin Precision, Protek, and Jabil Circuits who represented 20 percent, 15 percent, and 13 percent, respectively of our consolidated gross trade accounts receivable as of the end of fiscal year 2017. Hongfujin Precision and Protek represented 23 percent and 11 percent, respectively, and Samsung Electronics, a direct customer, represented 23 percent of our consolidated gross trade accounts receivable as of the end of fiscal year 2016. No other distributor or customer had receivable balances that represented more than 10 percent of consolidated gross trade accounts receivable as of the end of fiscal year 2017 and 2016.

Since the components we produce are largely proprietary and generally not available from second sources, we consider our end customer to be the entity specifying the use of our component in their design. These end customers may then purchase our products directly from us, from a distributor, or through a third party manufacturer contracted to produce their end product. For fiscal years 2017, 2016, and 2015, our ten largest end customers represented approximately 92 percent, 89 percent, and 87 percent, of our sales, respectively. For fiscal years 2017, 2016, and 2015, we had one end customer, Apple Inc., who purchased through multiple contract manufacturers and represented approximately 79 percent, 66 percent, and 72 percent, of the Company's total sales, respectively. Samsung Electronics represented 15 percent of the Company's total sales in fiscal year 2016. No other customer or distributor represented more than 10 percent of net sales in fiscal years 2017, 2016, or 2015.

Revenue Recognition

We recognize revenue when all of the following criteria are met: persuasive evidence that an arrangement exists, delivery of goods has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Prior to the fourth quarter of fiscal year 2016, we had a number of arrangements with distributors whereby we deferred revenue at the time of shipment of our products to those distributors. As part of those arrangements, when a distributor resold those products to an end customer, the Company would credit the distributor the difference between (1) the original distributor price and the distributor's agreed upon margin and (2) the final sales price to the end customer (known as the "Ship and Debit Arrangement"). For those transactions, revenue was deferred until the product was resold by the distributor and we determined that the final sales price to the distributor was fixed or determinable. For certain of our smaller distributors, we did not have similar Ship and Debit Arrangements and the distributors were billed at a fixed upfront price. For those transactions, revenue was recognized upon delivery to the distributor based upon the distributor's individual shipping terms, less an allowance for estimated returns, as the Company determined that the revenue recognition criteria were met.

In light of the fact that the distributor program had been declining as a portion of the overall business for several years, in fiscal year 2016 the Company performed a review of all distributor arrangements in an effort to streamline our distribution program and reduce overhead costs. Based upon this review, the Company terminated its Ship and Debit Arrangements with Distributors during the fourth quarter of fiscal year 2016. Subsequent to the termination of the Ship and Debit Arrangements, the Company began recognizing revenue for all distributors upon delivery to the distributor based upon the distributor's individual shipping terms, less an allowance for

estimated returns, as the Company's final sales price to the distributor was fixed and determinable and the Company determined that all four criteria for revenue recognition were met.

Although the Company terminated its Ship and Debit Arrangements with all distributors along with certain ancillary agreements related to the Ship and Debit Arrangements, the Company continues to grant varying levels of stock rotation and price protection rights based on individual distributor agreements. To the extent these rights are implicated in any transaction with a distributor, we continue to evaluate their effect on when the revenue recognition criteria have been met.

Warranty Expense

We warrant our products and maintain a provision for warranty repair or replacement of shipped products. The accrual represents management's estimate of probable returns. Our estimate is based on an analysis of our overall sales volume and historical claims experience. The estimate is re-evaluated periodically for accuracy.

Shipping Costs

Our shipping and handling costs are included in cost of sales for all periods presented in the Consolidated Statements of Income.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$1.7 million, \$1.6 million, and \$1.1 million, in fiscal years 2017, 2016, and 2015, respectively.

Stock-Based Compensation

Stock-based compensation is measured at the grant date based on the grant-date fair value of the awards and is recognized as an expense, on a ratable basis, over the vesting period, which is generally between zero and four years. Determining the amount of stock-based compensation to be recorded requires the Company to develop estimates used in calculating the grant-date fair value of stock options and performance awards (also called market stock units). The Company calculates the grant-date fair value for stock options and market stock units using the Black-Scholes valuation model and the Monte Carlo simulation, respectively. The use of valuation models requires the Company to make estimates of assumptions such as expected volatility, expected term, risk-free interest rate, expected dividend yield, correlation of the Company's stock price with the Philadelphia Semiconductor Index ("*the Index*") and forfeiture rates. The grant-date fair value of restricted stock units is the market value at grant date multiplied by the number of units.

Income Taxes

We are required to calculate income taxes in each of the jurisdictions in which we operate. This process involves calculating the actual current tax liability as well as assessing temporary differences in the recognition of income or loss for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheet. We record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the ability to realize its deferred tax assets based on all the facts and circumstances, including projections of future taxable income and expiration dates of carryover tax attributes.

The calculation of our tax liabilities involves assessing uncertainties with respect to the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the Internal Revenue Service or other taxing jurisdiction. We recognize liabilities for uncertain tax positions based on the required two-step process. The first step requires us to determine if the weight of available evidence indicates that the tax position has met the threshold for recognition; therefore, we must evaluate whether it is more likely than not that the position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step requires us to measure the tax benefit of the tax position taken, or expected to be taken, in an income tax return as the largest amount that is more than 50 percent likely of being realized upon ultimate settlement. We reevaluate the uncertain tax positions each quarter based on factors including, but not limited to, changes in facts

or circumstances, changes in tax law, expirations of statutes of limitation, effectively settled issues under audit, and new audit activity. A change in the recognition step or measurement step would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

Although we believe the measurement of our liabilities for uncertain tax positions is reasonable, we cannot assure that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals. If additional taxes are assessed as a result of an audit or litigation, it could have a material effect on our income tax provision and net income in the period or periods for which that determination is made. We operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues which may require an extended period of time to resolve and could result in additional assessments of income tax. We believe adequate provisions for income taxes have been made for all periods.

Net Income Per Share

Basic net income per share is based on the weighted effect of common shares issued and outstanding and is calculated by dividing net income by the basic weighted average shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common shares used in the basic net income per share calculation, plus the equivalent number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares outstanding. These potentially dilutive items consist primarily of outstanding stock options and restricted stock grants.

The following table details the calculation of basic and diluted earnings per share for fiscal years 2017, 2016, and 2015, (in thousands, except per share amounts):

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
Numerator:			
Net income	\$261,209	\$123,630	\$55,178
Denominator:			
Weighted average shares outstanding	63,329	63,197	62,503
Effect of dilutive securities	<u>3,232</u>	<u>2,796</u>	<u>2,732</u>
Weighted average diluted shares	<u>66,561</u>	<u>65,993</u>	<u>65,235</u>
Basic earnings per share	\$ 4.12	\$ 1.96	\$ 0.88
Diluted earnings per share	<u>\$ 3.92</u>	<u>\$ 1.87</u>	<u>\$ 0.85</u>

The weighted outstanding options excluded from our diluted calculation for the years ended March 25, 2017, March 26, 2016, and March 28, 2015 were 389 thousand, 468 thousand, and 718 thousand, respectively, as the exercise price exceeded the average market price during the period.

Accumulated Other Comprehensive Income (Loss)

Our accumulated other comprehensive income (loss) is comprised of foreign currency translation adjustments, unrealized gains and losses on investments classified as available-for-sale and actuarial gains and losses on our pension plan assets. See Note 14 — Accumulated Other Comprehensive Income (Loss) for additional discussion.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*. The purpose of this ASU is to converge revenue recognition requirements per GAAP and International Financial Reporting Standards (IFRS). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects

to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* after public comment supported a proposal to delay the effective date of this ASU to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is currently in the process of reviewing our customers' contracts in respect of performance obligation identification and satisfaction, pricing, warranties, and return rights, among other considerations. Through this process, the Company currently expects no material modifications to its financial statements upon adoption of this ASU.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this ASU provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company adopted this ASU in the fourth quarter of fiscal year 2017 with no material modifications to the Company's financial statements as a result.

In April 2015, the FASB issued ASU No. 2015-03, *Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update require that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and that the amortization of debt issuance costs is reported as interest expense. ASU 2015-03 is to be applied retrospectively and represents a change in accounting principle. In August 2015, the FASB issued FASB ASU No. 2015-15, *Interest — Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. ASU 2015-15 clarified the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. Debt issuance costs related to a line-of-credit arrangement may be presented in the balance sheet as an asset and subsequently amortized ratably over the term of the arrangement regardless of whether there are any outstanding borrowings. Both ASU 2015-03 and ASU 2015-15 are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Earlier adoption is permitted for financial statements that have not been previously issued. The Company adopted these ASUs in fiscal year 2017 with no material impact to its financial statements.

In April 2015, the FASB issued ASU No. 2015-04, *Compensation — Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*. The ASU is part of the FASB's "Simplification Initiative" to reduce complexity in accounting standards. The FASB decided to permit entities to measure defined benefit plan assets and obligations as of the month-end that is closest to their fiscal year-end. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in this update. The amendments in this update are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with earlier application permitted. The Company adopted this ASU in the first quarter of fiscal year 2017, with no material impact to its financial statements.

In July 2015, ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* was issued. This ASU requires companies to subsequently measure inventory at the lower of cost and net realizable value versus the previous lower of cost or market. The amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, to be applied prospectively. Early application is permitted. The Company early adopted this ASU in fiscal year 2017 with no material modifications to its financial statements as a result.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The FASB issued this update to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key leasing arrangement details. Lessees would recognize operating leases on the balance sheet under this ASU — with the future lease payments recognized as a liability, measured at present value, and the right-of-use asset recognized for the lease term. A single lease cost would be recognized over the lease term. For terms

less than twelve months, a lessee would be permitted to make an accounting policy election to recognize lease expense for such leases generally on a straight-line basis over the lease term. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this ASU.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU requires all excess tax benefits and deficiencies to be recognized as income tax benefit / expense in the income statement and presented as an operating activity in the statement of cash flows. Forfeitures can be calculated based on either the estimated number of awards that are expected to vest, as required by current guidance, or when forfeitures actually occur. This ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted, but all amendments must be adopted in the same period and any adjustments should be reflected as of the beginning of the fiscal year if adopted in an interim period. The Company early adopted in the third quarter of fiscal year 2017, which resulted in the following:

- We recorded excess tax benefits within income tax expense, rather than in additional paid-in capital (“APIC”), of \$2.2 million, \$8.0 million, \$10.8 million and \$1.9 million for the first, second, third and fourth quarters of fiscal year 2017, respectively.
- We recorded a cumulative-effect adjustment as of March 27, 2016 to increase retained earnings by \$5.6 million, with a corresponding increase to deferred tax assets, to recognize net operating loss and credit carryforwards attributable to excess tax benefits on stock-based compensation that had not been previously recognized.
- We now include the excess tax benefits in net operating cash rather than net financing cash in our Consolidated Statements of Cash Flows.

We applied this change in presentation prospectively and thus prior years have not been adjusted.

We elected not to change our policy on accounting for forfeitures and continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period.

The adoption of this new guidance impacted our previously reported quarterly results for fiscal year 2017 as follows:

	Three Months Ended				Six Months Ended	
	June 25, 2016		September 24, 2016		September 24, 2016	
	As reported	As adjusted	As reported	As adjusted	As reported	As adjusted
(in thousands, except per share data)						

Consolidated Condensed Statements of Income:

Income tax expense	\$ 5,805	\$ 3,598	\$ 24,608	\$ 16,634	\$ 30,413	\$ 20,232
Net income	\$ 15,864	\$ 18,071	\$ 78,065	\$ 86,039	\$ 93,929	\$ 104,110
Basic net income per share	\$ 0.25	\$ 0.29	\$ 1.24	\$ 1.37	\$ 1.50	\$ 1.66
Diluted net income per share	\$ 0.24	\$ 0.27	\$ 1.19	\$ 1.30	\$ 1.43	\$ 1.58
Weighted average shares used in diluted net income per share computation	65,232	65,723	65,717	66,410	65,521	66,101

Consolidated Condensed Statements of Cash Flows:

Net cash provided by operating activities	\$ 12,226	\$ 12,756	\$ 19,990	\$ 24,091	\$ 32,216	\$ 36,847
Net cash used in financing activities	\$(13,140)	\$(13,670)	\$(13,859)	\$(17,960)	\$(26,999)	\$(31,630)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires credit losses on available-for-sale debt securities to be presented as an allowance rather than a write-down. Unlike current U.S. GAAP, the credit losses could be reversed with changes in estimates, and recognized in current year earnings. This ASU is

effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018, including interim periods. The Company is currently evaluating the impact of this ASU with no expected material impact.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU covers several cash flow issues, including the presentation of contingent consideration payments made after a business combination. Cash payments up to the amount of the liability recognized at the acquisition date (including measurement-period adjustments) should be classified as financing activities. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted, including in an interim period, with a required retrospective transition method applied to each period presented. The Company early adopted in the fourth quarter of fiscal year 2017. See Statement of Cash Flows for presentation of contingent consideration payment.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This ASU relates to income tax consequences of non-inventory intercompany asset transfers. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted, as of the beginning of an annual reporting period. The guidance requires companies to apply a modified retrospective approach with a cumulative catch-up adjustment to beginning retained earnings in the period of adoption. The Company is currently evaluating the impact of this ASU.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The update states that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business, and should be treated as an asset acquisition instead. This ASU is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted under specific circumstances, including in an interim period, with prospective application on or after the effective date. The Company is currently evaluating the financial statement impact of this ASU, which is dependent upon the specific terms of any applicable future acquisitions or dispositions.

In January 2017, the FASB issued ASU 2017-03, *Accounting Changes and Error Corrections (Topic 250) and Investments — Equity Method and Joint Ventures (Topic 323)*. This ASU amends the disclosure requirements for ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU 2016-02, *Leases (Topic 842)* and ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU states that if a registrant does not know or cannot reasonably estimate the impact that the adoption of the above ASUs is expected to have on the financial statements, then in addition to making a statement to that effect, the registrant should consider additional qualitative financial statement disclosures to assist the reader in assessing the significance of the impact that the standard will have on the financial statements of the registrant when adopted. This ASU was effective upon issuance. The adoption did not have a material impact on the Company's financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This ASU eliminates step two of the goodwill impairment test. An impairment charge is to be recognized for the amount by which the current value exceeds the fair value. This ASU is effective for annual periods beginning after December 15, 2019, including interim periods. Early adoption is permitted, for interim or annual goodwill impairment tests performed after January 1, 2017, and should be applied prospectively. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. That disclosure should be provided in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments in this update. The Company is currently evaluating the impact of this ASU.

3. Marketable Securities

The Company's investments have been classified as available-for-sale securities in accordance with U.S. GAAP. Marketable securities are categorized on the Consolidated Balance Sheet as "Marketable securities" within the short-term or long-term classification, as appropriate.

The following table is a summary of available-for-sale securities (in thousands):

<i>As of March 25, 2017</i>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value (Net Carrying Amount)</u>
Corporate debt securities	\$33,350	\$—	\$(20)	\$33,330
Commercial paper	<u>66,518</u>	<u>—</u>	<u>(35)</u>	<u>66,483</u>
Total securities	<u>\$99,868</u>	<u>\$—</u>	<u>\$(55)</u>	<u>\$99,813</u>

The Company's specifically identified gross unrealized losses of \$55 thousand relates to 18 different securities with a total amortized cost of approximately \$99.9 million at March 25, 2017. Four securities had been in a continuous unrealized loss position for more than 12 months as of March 25, 2017. The gross unrealized loss on these securities was less than one tenth of one percent of the position value. Because the Company does not intend to sell the investments at a loss and it is not more likely than not that the Company will be required to sell the investments before recovery of its amortized cost basis, the Company did not consider the investment in these securities to be other-than-temporarily impaired at March 25, 2017.

<i>As of March 26, 2016</i>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value (Net Carrying Amount)</u>
Corporate debt securities	\$81,310	\$3	\$(100)	\$81,213

The Company's specifically identified gross unrealized losses of \$100 thousand relates to 21 different securities with a total amortized cost of approximately \$64.7 million at March 26, 2016. Two securities had been in a continuous unrealized loss position for more than 12 months as of March 26, 2016, both of which matured in fiscal year 2017. Because the Company did not intend to sell the investments at a loss and it was not more likely than not that the Company would be required to sell the investments before recovery of its amortized cost basis, the Company did not consider the investment to be other-than-temporarily impaired at March 26, 2016.

The cost and estimated fair value of available-for-sale investments by contractual maturity were as follows:

	<u>March 25, 2017</u>		<u>March 26, 2016</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Within 1 year	\$99,868	\$99,813	\$60,603	\$60,582
After 1 year	<u>—</u>	<u>—</u>	<u>20,707</u>	<u>20,631</u>
Total	<u>\$99,868</u>	<u>\$99,813</u>	<u>\$81,310</u>	<u>\$81,213</u>

4. Fair Value of Financial Instruments

The Company has determined that the only assets and liabilities in the Company's financial statements that are required to be measured at fair value on a recurring basis are the Company's cash equivalents, investment portfolio, pension plan assets/liabilities and contingent consideration. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's cash equivalents and investment portfolio assets consist of corporate debt securities, money market funds, U.S. Treasury securities, and commercial paper and are reflected on our Consolidated Balance Sheet under the headings cash and cash equivalents, marketable securities, and long-term marketable securities. The Company determines the fair value of its investment portfolio assets by obtaining non-binding market prices from its third-party portfolio managers on the last day of the quarter, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value.

In connection with one of the Company's second quarter fiscal year 2016 acquisitions, the Company reports contingent consideration based upon achievement of certain milestones. This liability is classified as Level 3 and is valued using a discounted cash flow model. The assumptions used in preparing the discounted cash flow include discount rate estimates and cash flow amounts.

The Company's long-term revolving facility, described in Note 7, bears interest at a base rate plus applicable margin or LIBOR plus applicable margin. As of March 25, 2017, the fair value of the Company's long-term revolving facility approximates carrying value based on estimated margin.

As of March 25, 2017 and March 26, 2016, the Company classified all investment portfolio assets and pension plan assets (discussed in Note 9) as Level 1 or Level 2 assets and liabilities. The only Level 3 liability is the contingent consideration described above and below. The Company has no Level 3 assets. There were no transfers between Level 1, Level 2, or Level 3 measurements for the years ending March 25, 2017 and March 26, 2016.

The following summarizes the fair value of our financial instruments, exclusive of pension plan assets detailed in Note 9, at March 25, 2017 (in thousands):

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets:				
Cash equivalents				
Money market funds	\$313,982	\$ —	\$ —	\$313,982
Available-for-sale securities				
Corporate debt securities	\$ —	\$33,330	\$ —	\$ 33,330
Commercial paper	—	66,483	—	66,483
Liabilities:				
Other accrued liabilities				
Contingent consideration — short-term	\$ —	\$ —	\$4,695	\$ 4,695

The following summarizes the fair value of our financial instruments at March 26, 2016 (in thousands):

	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>	<u>Total</u>
Cash equivalents				
Money market funds	\$79,256	\$ —	\$ —	\$79,256
Available-for-sale securities				
Corporate debt securities	\$ —	\$81,213	\$ —	\$81,213
Liabilities:				
Other accrued liabilities				
Contingent consideration — short-term	\$ —	\$ —	\$4,709	\$ 4,709
Other long-term liabilities				
Contingent consideration — long-term	\$ —	\$ —	\$4,359	\$ 4,359

Contingent consideration

The following summarizes the fair value of the contingent consideration at March 25, 2017:

	<u>Maximum Value if Milestones Achieved (in thousands)</u>	<u>Estimated Discount Rate (%)</u>	<u>Fair Value (in thousands)</u>
Tranche A — 18 month earn out period	\$ 5,000	7.0	\$ —
Tranche B — 30 month earn out period	<u>5,000</u>	7.7	<u>4,695</u>
	\$10,000		\$4,695
			<u>Fiscal year ended March 25, 2017 (in thousands)</u>
Beginning balance			\$ 9,068
Adjustment to estimates (research and development expense)			(3,579)
Payout of Tranche A contingent consideration			(1,213)
Fair value charge recognized in earnings (research and development expense)			<u>419</u>
Ending balance			\$ 4,695

The valuation of contingent consideration is based on a weighted-average discounted cash flows model. The fair value is reviewed and estimated on a quarterly basis based on the probability of achieving defined milestones and current interest rates. Significant changes in any of the unobservable inputs used in the fair value measurement of contingent consideration could result in a significantly lower or higher fair value. A change in projected outcomes if milestones are achieved would be accompanied by a directionally similar change in fair value. A change in discount rate would be accompanied by a directionally opposite change in fair value. Changes to the fair value due to changes in assumptions would be reported in research and development expense in the Consolidated Statements of Income. In the second quarter of fiscal year 2017, changes in milestone estimates of Tranche A occurred following a review of product shipment forecasts within the earn out period. The revised estimates reduced the fair value of the liability prior to the pay out in the fourth quarter of fiscal year 2017.

5. Accounts Receivable, net

The following are the components of accounts receivable, net (in thousands):

	<u>March 25, 2017</u>	<u>March 26, 2016</u>
Gross accounts receivable	\$120,408	\$89,007
Allowance for doubtful accounts	<u>(434)</u>	<u>(475)</u>
Accounts receivable, net	<u>\$119,974</u>	<u>\$88,532</u>

The following table summarizes the changes in the allowance for doubtful accounts (in thousands):

Balance, March 29, 2014	\$(229)
Bad debt expense, net of recoveries	<u>(127)</u>
Balance, March 28, 2015	(356)
Bad debt expense, net of recoveries	<u>(119)</u>
Balance, March 26, 2016	(475)
Bad debt expense, net of recoveries	<u>41</u>
Balance, March 25, 2017	<u>\$(434)</u>

Recoveries on bad debt were immaterial for the three years presented above.

6. Intangibles, net and Goodwill

The intangibles, net balance included on the Consolidated Balance Sheet was \$135.2 million and \$162.8 million at March 25, 2017 and March 26, 2016, respectively.

The following information details the gross carrying amount and accumulated amortization of our intangible assets (in thousands):

Intangible Category / Weighted-Average Amortization period (in years)	<u>March 25, 2017</u>		<u>March 26, 2016</u>	
	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>
Core technology (a)	\$ 1,390	\$ (1,390)	\$ 1,390	\$ (1,390)
License agreement (a)	440	(440)	440	(440)
Existing technology (6.1)	117,975	(53,960)	117,975	(32,873)
In-process research & development (“IPR&D”) (7.3)	72,750	(24,245)	72,750	(14,082)
Trademarks and tradename (10.0)	3,037	(2,208)	3,037	(2,076)
Customer relationships (10.0)	15,381	(4,191)	15,381	(2,655)
Backlog (a)	220	(220)	220	(147)
Non-compete agreements (a)	470	(470)	470	(209)
Technology licenses (3.1)	<u>24,540</u>	<u>(13,891)</u>	<u>16,661</u>	<u>(11,620)</u>
Total	<u>\$236,203</u>	<u>\$(101,015)</u>	<u>\$228,324</u>	<u>\$(65,492)</u>

(a) Intangible assets are fully amortized.

Amortization expense for intangibles in fiscal years 2017, 2016, and 2015 was \$37.4 million, \$35.7 million, and \$18.2 million, respectively. The following table details the estimated aggregate amortization expense for all

intangibles owned as of March 25, 2017, for each of the five succeeding fiscal years and in the aggregate thereafter (in thousands):

For the year ended March 31, 2018	\$37,563
For the year ended March 30, 2019	\$35,660
For the year ended March 28, 2020	\$26,499
For the year ended March 27, 2021	\$15,895
For the year ended March 26, 2022	\$12,145
Thereafter	\$ 8,523

The goodwill balance included on the Consolidated Balance Sheet is \$286.8 million and \$287.5 million at March 25, 2017 and March 26, 2016, respectively.

7. Revolving Line of Credit

On August 29, 2014, Cirrus Logic entered into a credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto. The Credit Agreement provided for a \$250 million senior secured revolving credit facility (the “Credit Facility”). Borrowings under the Credit Facility were used for general corporate purposes.

On July 12, 2016, Cirrus Logic entered into an amended and restated credit agreement (the “Amended Credit Agreement”) with Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto, for the purpose of amending the Credit Agreement and providing ongoing working capital. The Amended Credit Agreement provides for a \$300 million senior secured revolving credit facility (the “Amended Facility”). The Amended Facility matures on July 12, 2021. Cirrus Logic must repay the outstanding principal amount of all borrowings, together with all accrued but unpaid interest thereon, on the maturity date. The Amended Facility is required to be guaranteed by all of Cirrus Logic’s material domestic subsidiaries (the “Subsidiary Guarantors”) and is secured by substantially all of the assets of Cirrus Logic and any Subsidiary Guarantors, except for certain excluded assets.

Borrowings under the Amended Facility may, at Cirrus Logic’s election, bear interest at either (a) a base rate plus the applicable margin (“Base Rate Loans”) or (b) a LIBOR Rate plus the applicable margin (“LIBOR Rate Loans”). The applicable margin ranges from 0% to .50% per annum for Base Rate Loans and 1.25% to 2.00% per annum for LIBOR Rate Loans based on the Leverage Ratio (as defined below). A commitment fee accrues at a rate per annum ranging from 0.20% to 0.30% (based on the Leverage Ratio) on the average daily unused portion of the commitment of the lenders. The Amended Credit Agreement contains certain financial covenants providing that (a) the ratio of consolidated funded indebtedness to consolidated EBITDA for the prior four consecutive quarters must not be greater than 3.00 to 1.00 (the “Leverage Ratio”) and (b) the ratio of consolidated EBITDA for the prior four consecutive fiscal quarters to consolidated fixed charges (including amounts paid in cash for consolidated interest expenses, capital expenditures, scheduled principal payments of indebtedness, and income taxes) for the prior four consecutive fiscal quarters must not be less than 1.25 to 1.00 as of the end of each fiscal quarter. The Amended Credit Agreement also contains negative covenants limiting the Company’s or any Subsidiary’s ability to, among other things, incur debt, grant liens, make investments, effect certain fundamental changes, make certain asset dispositions, and make certain restricted payments.

At March 25, 2017, the Company was in compliance with all covenants under the Amended Credit Agreement. The Company had borrowed \$60.0 million under the Amended Facility as of March 25, 2017, which is included in long-term liabilities on the Consolidated Balance Sheet under the caption “*Debt.*”

8. Restructuring and Other, net

The fiscal year 2015 restructuring costs incurred relate to the Wolfson acquisition and consisted primarily of bank and legal fees, as well as certain expenses for stock compensation. The related charges are shown as a separate line item captioned “*Restructuring and other, net*” in the Consolidated Statements of Income.

As of March 25, 2017 and March 26, 2016, we have no remaining restructuring accrual on the Consolidated Balance Sheet.

9. Postretirement Benefit Plans

Pension Plan

As a result of the Acquisition in fiscal year 2015, the Company now fully funds a defined benefit pension scheme (“the Scheme”), formerly maintained by Wolfson, for some of the employees in the United Kingdom. The Scheme was closed to new participants as of July 2, 2002. As of April 30, 2011, the participants in the Scheme no longer accrue benefits and therefore the Company will not be required to pay contributions in respect of future accrual.

The Scheme is a trustee-administered fund that is legally separate from Wolfson, which holds the pension plan assets to meet long-term pension liabilities. The pension fund trustees comprise one employee and one employer representative and an independent chairman. The trustees are required by law to act in the best interests of the Scheme’s beneficiaries and the trustees are responsible, in consultation with Wolfson and the Company, for setting certain policies (including the investment policies and strategies) of the fund.

As of March 26, 2016, the Company was obligated to contribute approximately \$0.5 million to the Scheme, which was recorded on the fiscal year 2016 Consolidated Balance Sheet in “*Accrued salaries and benefits*”. On April 25, 2016, the Company paid the \$0.5 million, which was previously accrued. No further obligations are accrued as of March 25, 2017.

The Company initiated an Enhanced Transfer Value (ETV) offer to 49 Scheme participants in fiscal year 2017. The ETV offer expired on December 23, 2016, and nine participants accepted. As a result, the Company paid the required ETV contribution of \$0.5 million and recorded the associated pension expense of \$0.4 million. The Company expects to completely close the Scheme over the next ten years.

The following tables set forth the benefit obligation, the fair value of plan assets, and the funded status of the Scheme (in thousands):

	<u>March 25, 2017</u>	<u>March 26, 2016</u>
Change in benefit obligation:		
Beginning balance	\$23,968	\$27,091
Expenses	—	15
Interest cost	759	821
Plan settlements	(4,517)	—
Benefits paid and expenses	(264)	(1,095)
Change in foreign currency exchange rate	(2,763)	(1,221)
Actuarial (gain) / loss	<u>3,940</u>	<u>(1,643)</u>
Total benefit obligation ending balance	21,123	23,968
Change in plan assets:		
Beginning balance	25,688	26,735
Actual return on plan assets	3,933	(155)
Employer contributions	990	1,409
Plan settlements	(5,243)	—
Change in foreign currency exchange rate	(2,961)	(1,206)
Benefits paid and expenses	<u>(264)</u>	<u>(1,095)</u>
Fair value of plan assets ending balance	<u>22,143</u>	<u>25,688</u>
Funded status of Scheme at end of year	<u>\$ 1,020</u>	<u>\$ 1,720</u>

The assets and obligations of the Scheme are denominated in British Pound Sterling. Based on an actuarial study performed as of March 25, 2017, the Scheme is overfunded and a long-term asset is reflected in the

Company's Consolidated Balance Sheet under the caption "Other assets". The Company's plan assets and obligations are measured as of the fiscal year-end. The weighted-average discount rate assumption used to determine benefit obligations as of March 25, 2017, March 26, 2016 and March 28, 2015 was 2.7%, 3.6%, and 3.2%, respectively.

The components of the Company's net periodic pension expense (income) are as follows (in thousands):

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
Expenses	\$ —	\$ 15	\$ 16
Interest cost	759	821	544
Expected return on plan assets	(1,126)	(1,212)	(792)
Settlement (gain) loss	1,063	—	—
Amortization of actuarial (gain) loss	(89)	49	—
	<u>\$ 607</u>	<u>\$ (327)</u>	<u>\$(232)</u>

The following weighted-average assumptions were used to determine net periodic benefit costs for the year ended March 25, 2017, March 26, 2016, and March 28, 2015:

	2017	2016	2015
Discount rate	3.60%	3.20%	4.00%
Expected long-term return on plan assets	4.93%	4.65%	5.36%

We report and measure the plan assets of our defined benefit pension at fair value. The Company's pension plan assets consist of cash, equity securities, corporate debt securities, and diversified growth funds. The fair value of the pension plan assets is determined through an external actuarial valuation, following a similar process of obtaining inputs as described above.

The table below sets forth the fair value of our plan assets as of March 25, 2017, using the same three-level hierarchy of fair-value inputs described in Note 4 (in thousands):

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Plan Assets:				
Cash	\$160	\$ —	\$—	\$ 160
Pension funds	—	21,983	—	21,983
	<u>\$160</u>	<u>\$21,983</u>	<u>\$—</u>	<u>\$22,143</u>

The table below sets forth the fair value of our plan assets as of March 26, 2016, (in thousands):

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Plan Assets:				
Cash	\$42	\$ —	\$—	\$ 42
Pension funds	—	25,646	—	25,646
	<u>\$42</u>	<u>\$25,646</u>	<u>\$—</u>	<u>\$25,688</u>

Amounts recognized in accumulated other comprehensive income (loss) for the period that have not yet been recognized as components of net periodic benefit cost consist of (in thousands):

	<u>Fiscal Year 2017</u>
Net actuarial loss	\$(79)
Accumulated other comprehensive income, before tax	\$(79)

The Company will amortize the actuarial gain over a period of twenty-five years based on actuarial assumptions, including life expectancy. The following table provides the estimated amount that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in fiscal year 2018 (in thousands):

	<u>Fiscal Year 2018</u>
Transition (asset) obligation	\$ —
Prior service cost	—
Actuarial loss (gain)	(37)

The Company contributed \$0.5 million to the pension plan in fiscal year 2017 as discussed above.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the following fiscal years (in thousands):

	<u>Benefit Payments</u>
2018	\$ 266
2019	411
2020	481
2021	472
2022	415
Thereafter	2,765

The expected long-term return on plan assets is based on historical actual return experience and estimates of future long-term performance with consideration to the expected investment mix of the plan assets. It is the policy of the Trustees and the Company to review the investment strategy periodically. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the Scheme investment strategy are illustrated by the current asset allocation. The current mix of the assets is as follows:

	<u>Actual Allocation</u>	
	<u>2017</u>	<u>2016</u>
Equity securities	33%	32%
Corporate bonds	48	47
Diversified growth	19	21
Cash	—	—
Total	100%	100%

See the related fair value of the assets above.

The Scheme exposes the Company to actuarial risks such as investment (market) risk, interest rate risk, mortality risk, longevity risk and currency risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to the Scheme liabilities and may give rise to increased benefit expenses in future periods. Caps on inflationary increases are currently in place to protect the Scheme against extreme inflation, however.

The indicative impact on net periodic benefit cost based on defined sensitivities is as follows:

<u>Change</u>	<u>Approximate impact on liabilities</u>
Decrease discount rate by 0.1%, per year	2% increase
Increase inflation linked assumptions by 0.1%, per year	2% increase (of inflation-linked liabilities)
Increase life expectancy by 1 year	2% increase

401(k) Plans

We have 401(k) Profit Sharing Plans (the “401(k) Plans”) covering all of our qualifying employees. Under the 401(k) Plans, employees may elect to contribute any percentage of their annual compensation up to the annual IRS limitations. The Company matches 50 percent of the first 8 percent of the employees’ annual contribution. We made matching employee contributions of \$5.5 million, \$4.3 million, and \$2.5 million during fiscal years 2017, 2016, and 2015, respectively.

10. Equity Compensation

The Company is currently granting equity awards from the 2006 Stock Incentive Plan (the “Plan”), which was approved by stockholders in July 2006. The Plan provides for granting of stock options, restricted stock awards, performance awards, phantom stock awards, and bonus stock awards, or any combination of the foregoing. To date, the Company has granted stock options, restricted stock awards, phantom stock awards (also called restricted stock units), and performance awards (also called market stock units) under the Plan. Each stock option granted reduces the total shares available for grant under the Plan by one share. Each full value award granted (including restricted stock awards, restricted stock units and market stock units) reduces the total shares available for grant under the Plan by 1.5 shares. Stock options generally vest between zero and four years, and are exercisable for a period of ten years from the date of grant. Restricted stock units are generally subject to vesting from one to three years, depending upon the terms of the grant. Market stock units are subject to a vesting schedule of three years.

The following table summarizes the activity in total shares available for grant (in thousands):

	<u>Shares Available for Grant</u>
Balance, March 29, 2014	3,547
Shares added	3,300
Granted	(3,181)
Forfeited	<u>230</u>
Balance, March 28, 2015	3,896
Shares added	4,900
Granted	(2,676)
Forfeited	<u>167</u>
Balance, March 26, 2016	6,287
Shares added	—
Granted	(1,719)
Forfeited	<u>124</u>
Balance, March 25, 2017	4,692

As of March 25, 2017, approximately 13.3 million shares of common stock were reserved for issuance under the Plan.

Stock Compensation Expense

The following table summarizes the effects of stock-based compensation on cost of goods sold, research and development, sales, general and administrative, pre-tax income, and net income after taxes for shares granted under the Plan (in thousands, except per share amounts):

	Fiscal Year		
	2017	2016	2015
Cost of sales	\$ 1,071	\$ 1,145	\$ 747
Research and development	21,186	17,173	11,222
Sales, general and administrative	<u>17,336</u>	<u>15,188</u>	<u>25,580</u>
Effect on pre-tax income	39,593	33,506	37,549
Income Tax Benefit	<u>(12,482)</u>	<u>(10,306)</u>	<u>(11,467)</u>
Total share-based compensation expense (net of taxes)	<u>27,111</u>	<u>23,200</u>	<u>26,082</u>
Share-based compensation effects on basic earnings per share	\$ 0.43	\$ 0.37	\$ 0.42
Share-based compensation effects on diluted earnings per share	0.41	0.35	0.40

The total share based compensation expense included in the table above and which is attributable to restricted stock awards, restricted stock units and market stock units was \$35.5 million, \$30.3 million, \$34.0 million, for fiscal years 2017, 2016, and 2015, respectively. Share based compensation expense recognized is presented within operating activities in the Consolidated Statement of Cash Flows.

As of March 25, 2017, there was \$75.2 million of compensation costs related to non-vested stock options, restricted stock units, and market stock units granted under the Company's equity incentive plans not yet recognized in the Company's financial statements. The unrecognized compensation cost is expected to be recognized over a weighted average period of 1.29 years for stock options, 1.45 years for restricted stock units, and 1.70 years for market stock units.

In addition to the income tax benefit of share-based compensation expense shown in the table above, the Company recognized excess tax benefits of \$22.9 million in fiscal year 2017 as a result of the Company's early adoption of ASU 2016-09, discussed in Note 2. No excess tax benefits were recognized within income tax expense in fiscal years 2016 or 2015.

Stock Options

We estimated the fair value of each stock option granted on the date of grant using the Black-Scholes option-pricing model using a dividend yield of zero and the following additional assumptions:

	March 25, 2017	March 26, 2016	March 28, 2015
Expected stock price volatility	47.66%	40.13 - 45.07%	38.79 - 42.12%
Risk-free interest rate	1.13%	0.94 - 1.05%	0.49 - 0.91%
Expected term (in years)	2.79	2.72 - 2.97	2.15 - 2.87

The Black-Scholes valuation calculation requires us to estimate key assumptions such as stock price volatility, expected term, risk-free interest rate and dividend yield. The expected stock price volatility is based upon implied volatility from traded options on our stock in the marketplace. The expected term of options granted is derived from an analysis of historical exercises and remaining contractual life of stock options, and represents the period of time that options granted are expected to be outstanding after becoming vested. The risk-free interest rate reflects the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption. Finally, we have never paid cash dividends, do not currently intend to pay cash dividends, and thus have assumed a zero percent dividend yield.

Using the Black-Scholes option valuation model, the weighted average estimated fair values of employee stock options granted in fiscal years 2017, 2016, and 2015, were \$22.84, \$12.58, and \$7.26, respectively.

During fiscal years 2017, 2016, and 2015, we received a net \$16.4 million, \$6.5 million, \$5.2 million, respectively, from the exercise of 1.4 million, 0.8 million, and 0.7 million, respectively, stock options granted under the Company's Stock Plan.

The total intrinsic value of stock options exercised during fiscal year 2017, 2016, and 2015, was \$52.2 million, \$19.7 million, and \$12.8 million, respectively. Intrinsic value represents the difference between the market value of the Company's common stock at the time of exercise and the strike price of the stock option.

Additional information with respect to stock option activity is as follows (in thousands, except per share amounts):

	<u>Outstanding Options</u>	
	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, March 29, 2014	3,725	\$12.42
Options granted	310	21.69
Options exercised	(696)	7.47
Options forfeited	(5)	19.94
Options expired	(1)	4.65
Balance, March 28, 2015	3,333	\$14.31
Options granted	387	31.39
Options exercised	(773)	8.46
Options forfeited	—	—
Options expired	(22)	35.41
Balance, March 26, 2016	2,925	\$17.96
Options granted	215	54.65
Options exercised	(1,382)	11.87
Options forfeited	—	—
Options expired	—	—
Balance, March 25, 2017	1,758	\$27.25

Additional information with regards to outstanding options that are vesting, expected to vest, or exercisable as of March 25, 2017 is as follows (in thousands, except years and per share amounts):

	<u>Number of Options</u>	<u>Weighted Average Exercise price</u>	<u>Weighted Average Remaining Contractual Term (years)</u>	<u>Aggregate Intrinsic Value</u>
Vested and expected to vest	1,757	\$27.24	6.40	\$57,674
Exercisable	1,128	\$21.77	5.18	\$43,196

In accordance with U.S. GAAP, stock options outstanding that are expected to vest are presented net of estimated future option forfeitures, which are estimated as compensation costs are recognized. Options with a fair value of \$3.8 million, \$3.4 million, and \$4.4 million, became vested during fiscal years 2017, 2016, and 2015, respectively.

The following table summarizes information regarding outstanding and exercisable options as of March 25, 2017 (in thousands, except per share amounts):

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number</u>	<u>Weighted Average Remaining Contractual Life (years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$2.90 - \$15.41	371	3.33	\$11.01	371	\$11.01
\$16.21 - \$20.37	328	5.81	18.63	242	18.02
\$20.40 - \$24.14	265	6.48	23.29	203	23.30
\$31.25 - \$31.25	331	8.61	31.25	91	31.25
\$32.29 - \$38.99	248	5.97	38.00	221	38.60
\$54.65 - \$54.65	215	9.61	54.65	—	—
	<u>1,758</u>	6.40	\$27.25	<u>1,128</u>	\$21.77

As of March 25, 2017 and March 26, 2016, the number of options exercisable was 1.1 million and 2.2 million, respectively.

Restricted Stock Awards

The Company periodically grants restricted stock awards (“RSA’s”) to select employees. The grant date for these awards is equal to the measurement date and the awards are valued as of the measurement date and amortized over the requisite vesting period, which is no more than four years.

There were no RSA’s outstanding as of March 25, 2017. RSA’s with a fair value of \$86 thousand became vested during fiscal year 2015. No RSA’s became vested during fiscal year 2016 and 2017.

Restricted Stock Units

Commencing in fiscal year 2011, the Company began granting restricted stock units (“RSU’s”) to select employees. These awards are valued as of the grant date and amortized over the requisite vesting period. Generally, RSU’s vest 100 percent on the first to third anniversary of the grant date depending on the vesting specifications. A summary of the activity for RSU’s in fiscal year 2017, 2016, and 2015 is presented below (in thousands, except year and per share amounts):

	<u>Shares</u>	<u>Weighted Average Fair Value</u>
March 29, 2014	2,309	\$25.26
Granted	1,887	22.04
Vested	(1,224)	19.52
Forfeited	<u>(151)</u>	<u>26.17</u>
March 28, 2015	2,821	25.57
Granted	1,437	31.51
Vested	(992)	32.48
Forfeited	<u>(103)</u>	<u>24.75</u>
March 26, 2016	3,163	26.14
Granted	947	52.40
Vested	(1,032)	24.67
Forfeited	<u>(83)</u>	<u>28.40</u>
March 25, 2017	<u>2,995</u>	<u>\$34.91</u>

The aggregate intrinsic value of RSU's outstanding as of March 25, 2017 was \$179.9 million. Additional information with regards to outstanding restricted stock units that are expected to vest as of March 25, 2017, is as follows (in thousands, except year and per share amounts):

	<u>Shares</u>	<u>Weighted Average Fair Value</u>	<u>Weighted Average Remaining Contractual Term (years)</u>
Expected to vest	2,870	\$34.64	1.43

RSU's outstanding that are expected to vest are presented net of estimated future forfeitures, which are estimated as compensation costs are recognized. RSU's with a fair value of \$25.5 million and \$32.2 million became vested during fiscal years 2017 and 2016, respectively. The majority of RSUs that vested in 2017 and 2016 were net settled such that the Company withheld a portion of the shares at fair value to satisfy tax withholding requirements. In fiscal years 2017 and 2016, the vesting of RSU's reduced the authorized and unissued share balance by approximately 1.0 million and 1.0 million, respectively. Total shares withheld and subsequently retired out of the Plan were approximately 0.3 million and 0.2 million, and total payments for the employees' tax obligations to taxing authorities were \$14.1 million and \$6.9 million for fiscal years 2017 and 2016, respectively. A portion of RSUs that vested in fiscal year 2017 and 2016 were cash settled such that the Company received cash from employees in lieu of withholding shares to satisfy tax withholding requirements. The total amount received from cash settled shares during fiscal year 2017 and 2016 was \$0.1 million and \$0.1 million, respectively.

Market Stock Units

In fiscal year 2015, the Company began granting market stock units ("MSU's") to select employees. MSU's vest based upon the relative total shareholder return ("TSR") of the Company as compared to that of the Index. The requisite service period for these MSU's is also the vesting period, which is three years. The fair value of each MSU granted was determined on the date of grant using the Monte Carlo simulation, which calculates the present value of the potential outcomes of future stock prices of the Company and the Index over the requisite service period. The projection of the stock prices is based on the risk-free rate of return, the volatilities of the stock price of the Company and the Index, the correlation of the stock price of the Company with the Index, and the dividend yield.

The fair values estimated from the Monte Carlo simulation were calculated using a dividend yield of zero and the following additional assumptions:

	<u>Year Ended</u>	
	<u>March 25, 2017</u>	<u>March 26, 2016</u>
Expected stock price volatility	47.66%	45.07%
Risk-free interest rate	0.98%	1.16%
Expected term (in years)	3.00	3.00

Using the Monte Carlo simulation, the weighted average estimated fair value of the MSU's granted in fiscal year 2017 was \$75.58. A summary of the activity for MSU's in fiscal year 2017, 2016 and 2015 is presented below (in thousands, except year and per share amounts):

	<u>Shares</u>	<u>Weighted Average Fair Value</u>
March 29, 2014	—	\$ —
Granted	35	22.00
Vested	—	—
Forfeited	—	—
March 28, 2015	<u>35</u>	<u>\$22.00</u>
Granted	90	39.86
Vested	—	—
Forfeited	—	—
March 26, 2016	<u>125</u>	<u>\$34.85</u>
Granted	55	75.58
Vested	—	—
Forfeited	—	—
March 25, 2017	<u>180</u>	<u>\$47.30</u>

The aggregate intrinsic value of MSU's outstanding as of March 25, 2017 was \$10.8 million. Additional information with regard to outstanding MSU's that are expected to vest as of March 25, 2017 is as follows (in thousands, except year and per share amounts):

	<u>Shares</u>	<u>Weighted Average Fair Value</u>	<u>Weighted Average Remaining Contractual Term (years)</u>
Expected to vest	171	\$46.89	1.69

No MSU's became vested in 2017, 2016 and 2015.

11. Commitments and Contingencies

Facilities and Equipment Under Operating and Capital Lease Agreements

We currently own our corporate headquarters and select surrounding properties, and a UK office. We lease certain of our other facilities and certain equipment under operating lease agreements, some of which have renewal options. Certain of these arrangements provide for lease payment increases based upon future fair market rates. As of March 25, 2017, our principal facilities are located in Austin, Texas and Edinburgh, Scotland, United Kingdom.

Total rent expense under operating leases was approximately \$8.2 million, \$5.2 million, and \$4.0 million, for fiscal years 2017, 2016, and 2015, respectively. Sublease rental income was \$0.4 million, \$0.3 million, and \$0.1 million, for fiscal years 2017, 2016, and 2015, respectively.

As of March 26, 2016, there was equipment held under a capital lease with a cost basis of \$1.0 million and accumulated depreciation related to this equipment of \$0.3 million, which was paid off in fiscal year 2017, leaving no related future capital lease commitments.

The aggregate minimum future rental commitments under all operating leases, net of sublease income for the following fiscal years are (in thousands):

	<u>Facilities</u>	<u>Subleases</u>	<u>Net Facilities Commitments</u>	<u>Equipment and Other Commitments</u>	<u>Total Commitments</u>
2018	\$ 7,074	\$ 386	\$ 6,688	\$ 67	\$ 6,755
2019	10,354	391	9,963	115	10,078
2020	9,811	266	9,545	110	9,655
2021	9,580	245	9,335	110	9,445
2022	9,313	251	9,062	110	9,172
Thereafter	<u>39,071</u>	<u>859</u>	<u>38,212</u>	<u>432</u>	<u>38,644</u>
Total minimum lease payment	\$85,203	\$2,398	\$82,805	\$944	\$83,749

Wafer, Assembly, Test and Other Purchase Commitments

We rely primarily on third-party foundries for our wafer manufacturing needs. Generally, our foundry agreements do not have volume purchase commitments and primarily provide for purchase commitments based on purchase orders, with the exception of a few “take or pay” clauses included in vendor contracts that are immaterial at March 25, 2017. Cancellation fees or other charges may apply and are generally dependent upon whether wafers have been started or the stage of the manufacturing process at which the notice of cancellation is given. As of March 25, 2017, we had foundry commitments of \$182.3 million.

In addition to our wafer supply arrangements, we contract with third-party assembly vendors to package the wafer die into finished products. Assembly vendors provide fixed-cost-per-unit pricing, as is common in the semiconductor industry. We had non-cancelable assembly purchase orders with numerous vendors totaling \$3.6 million at March 25, 2017.

Test vendors provide fixed-cost-per-unit pricing, as is common in the semiconductor industry. Our total non-cancelable commitment for outside test services as of March 25, 2017 was \$14.5 million.

Other purchase commitments primarily relate to multi-year tool commitments, and were \$21.6 million at March 25, 2017.

12. Legal Matters

From time to time, we are involved in legal proceedings concerning matters arising in connection with the conduct of our business activities. We regularly evaluate the status of legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss or additional loss may have been incurred and to determine if accruals are appropriate. We further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made.

13. Stockholders’ Equity

Share Repurchase Program

On October 28, 2015, the Company announced that the Board of Directors authorized a share repurchase program of up to \$200 million of the Company’s common stock. As of March 25, 2017, the Company had repurchased 0.8 million shares under this plan at a cost of approximately \$24.2 million, or an average cost of \$31.93 per share. Of this total, 0.5 million shares were purchased in fiscal year 2017 at a cost of \$15.4 million, or an average cost of \$32.13 per share. Approximately \$175.8 million remains available for repurchase under this plan. All of these shares were repurchased in the open market and were funded from existing cash. All shares of our common stock that were repurchased were retired as of March 25, 2017.

Preferred Stock

We have 5.0 million shares of Preferred Stock authorized. As of March 25, 2017, we have not issued any of the authorized shares.

14. Accumulated Other Comprehensive Income (Loss)

Our accumulated other comprehensive income (loss) is comprised of foreign currency translation adjustments, unrealized gains and losses on investments classified as available-for-sale, and actuarial gains and losses on our pension plan assets.

The following table summarizes the changes in the components of accumulated other comprehensive income (loss), net of tax (in thousands):

	Foreign Currency	Unrealized Gains (Losses) on Securities	Actuarial Gains (Losses) on Pension Plan	Total
Balance, March 28, 2015	\$ (770)	\$(47)	\$(1,293)	\$(2,110)
Current period foreign exchange translation	294	—	—	294
Current period marketable securities activity	—	(24)	—	(24)
Current period actuarial gain/loss activity	—	—	2,660	2,660
Current period amortization of actuarial loss	—	—	49	49
Tax effect	—	9	(546)	(537)
Balance, March 26, 2016	<u>(476)</u>	<u>(62)</u>	<u>870</u>	<u>332</u>
Current period foreign exchange translation	(826)	—	—	(826)
Current period marketable securities activity	—	47	—	47
Current period actuarial gain/loss activity	—	—	(79)	(79)
Current period amortization of actuarial loss	—	—	(89)	(89)
Tax effect	—	(16)	58	42
Balance, March 25, 2017	<u><u>\$(1,302)</u></u>	<u><u>\$(31)</u></u>	<u><u>\$ 760</u></u>	<u><u>\$ (573)</u></u>

15. Income Taxes

Income before income taxes consisted of (in thousands):

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
U.S.	\$137,654	\$108,133	\$133,295
Non-U.S.	<u>177,393</u>	<u>67,856</u>	<u>(41,746)</u>
	<u><u>\$315,047</u></u>	<u><u>\$175,989</u></u>	<u><u>\$ 91,549</u></u>

The provision (benefit) for income taxes consists of (in thousands):

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
Current:			
U.S.	\$28,940	\$28,313	\$42,165
Non-U.S.	<u>7,234</u>	<u>703</u>	<u>445</u>
Total current tax provision	<u>\$36,174</u>	<u>\$29,016</u>	<u>\$42,610</u>
Deferred:			
U.S.	2,576	18,242	2,136
Non-U.S.	<u>15,088</u>	<u>5,101</u>	<u>(8,375)</u>
Total deferred tax provision (benefit)	<u>17,664</u>	<u>23,343</u>	<u>(6,239)</u>
Total tax provision	<u>\$53,838</u>	<u>\$52,359</u>	<u>\$36,371</u>

The effective income tax rates differ from the rates computed by applying the statutory federal rate to pretax income as follows (in percentages):

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
U.S. federal statutory rate	35.0	35.0	35.0
Foreign income taxed at different rates	(8.6)	(0.6)	7.3
Research and development tax credits	(1.8)	(5.6)	(3.6)
Stock based compensation	(7.3)	—	—
Nondeductible expenses	—	0.1	2.3
Other	<u>(0.2)</u>	<u>0.9</u>	<u>(1.3)</u>
Effective tax rate	<u>17.1</u>	<u>29.8</u>	<u>39.7</u>

As disclosed in Note 2 — Summary of Significant Accounting Policies, the Company adopted ASU 2016-09 in the third quarter of fiscal year 2017. The effect of the adoption reduced the provision for income taxes by \$22.9 million for the year ended March 25, 2017.

Significant components of our deferred tax assets and liabilities as of March 25, 2017 and March 26, 2016 are (in thousands):

	<u>March 25, 2017</u>	<u>March 26, 2016</u>
Deferred tax assets:		
Accrued expenses and allowances	\$ 9,002	\$ 3,761
Net operating loss carryforwards	6,294	24,592
Research and development tax credit carryforwards	13,977	9,649
Stock based compensation	17,356	16,071
Other	<u>9,141</u>	<u>9,976</u>
Total deferred tax assets	\$ 55,770	\$ 64,049
Valuation allowance for deferred tax assets	<u>(12,570)</u>	<u>(10,773)</u>
Net deferred tax assets	<u>\$ 43,200</u>	<u>\$ 53,276</u>
Deferred tax liabilities:		
Depreciation and amortization	\$ 13,837	\$ 13,607
Acquisition intangibles	<u>16,301</u>	<u>21,844</u>
Total deferred tax liabilities	<u>\$ 30,138</u>	<u>\$ 35,451</u>
Total net deferred tax assets	<u>\$ 13,062</u>	<u>\$ 17,825</u>

Deferred tax assets and liabilities are recorded for the estimated tax impact of temporary differences between the tax basis and book basis of assets and liabilities. A valuation allowance is established against a deferred tax asset when it is more likely than not that the deferred tax asset will not be realized. The valuation allowance increased by \$1.8 million in fiscal year 2017 with no material impact to income tax expense. The Company continued to record a valuation allowance on various state net operating losses and tax credits due to the likelihood that they will expire or go unutilized because the Company does not expect to recognize sufficient income in the jurisdictions in which the tax attributes were created. Management believes that the Company's results from future operations will generate sufficient taxable income in the appropriate jurisdictions and of the appropriate character such that it is more likely than not that the remaining deferred tax assets will be realized.

At March 25, 2017, the Company had gross federal net operating loss carryforwards of \$12.9 million, all of which related to acquired companies and are, therefore, subject to certain limitations under Section 382 of the Internal Revenue Code. The federal net operating loss carryforwards expire in fiscal years 2019 through 2034. The Company had \$8.5 million of alternative minimum tax credit carryforwards that may be carried forward indefinitely. The Company also had \$4.0 million of federal research and development credit carryforwards which will expire in 2037.

At March 25, 2017, the Company had gross state net operating loss carryforwards of \$44.7 million. The state net operating loss carryforwards expire in fiscal years 2018 through 2033. In addition, the Company had \$15.4 million of state research and development tax credit carryforwards. Certain of these state tax credits will expire in fiscal years 2022 through 2032. The remaining state tax credit carryforwards do not expire.

At March 25, 2017, the Company does not have any foreign operating loss carryforward.

At March 25, 2017, the undistributed earnings of our foreign subsidiaries of approximately \$201.3 million are intended to be indefinitely reinvested outside the U.S. Accordingly, no provision for U.S. federal income and foreign withholding taxes associated with a distribution of these earnings has been made. The amount of unrecognized deferred tax liability related to these undistributed earnings is estimated to be \$65.5 million.

The following table summarizes the changes in the unrecognized tax benefits (in thousands):

	<u>March 25, 2017</u>	<u>March 26, 2016</u>
Beginning balance	\$18,796	\$ —
Additions based on tax positions related to the current year	12,127	12,592
Additions based on tax positions related to prior years	—	6,204
Reductions based on tax positions related to the prior years	<u>(65)</u>	<u>—</u>
Ending balance	<u>\$30,858</u>	<u>\$18,796</u>

The Company records unrecognized tax benefits for the estimated risk associated with tax positions taken on tax returns. At March 25, 2017, the Company had gross unrecognized tax benefits of \$30.9 million, all of which would impact the effective tax rate if recognized. The Company believes it is reasonably possible that the gross unrecognized tax benefits could decrease by approximately \$2.3 million in the next 12 months due to the lapse of the statute of limitations applicable to a tax deduction claimed on a prior year tax return. During fiscal year 2017, the Company had gross increases of \$12.1 million related to current year unrecognized tax benefits, as well as a \$0.1 million decrease related to tax positions taken in prior years. The Company’s unrecognized tax benefits are classified as “*Other long-term liabilities*” in the Consolidated Balance Sheet.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. During fiscal year 2017 we recognized interest expense, net of tax, of approximately \$0.2 million. No interest or penalties were recognized during fiscal year 2016.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. Fiscal years 2014 through 2017 remain open to examination by the major taxing jurisdictions to which the Company is subject, although carry forward attributes that were generated in tax years prior to fiscal year 2014 may be adjusted upon examination by the tax authorities if they have been, or will be, used in a future period. The Company is not currently under an income tax audit in any major taxing jurisdiction.

16. Segment Information

We determine our operating segments in accordance with Financial Accounting Standards Board (“FASB”) guidelines. Our Chief Executive Officer (“CEO”) has been identified as the chief operating decision maker under these guidelines.

The Company operates and tracks its results in one reportable segment, but reports revenue performance in two product lines, which currently are portable audio and non-portable audio and other. Our CEO receives and uses enterprise-wide financial information to assess financial performance and allocate resources, rather than detailed information at a product line level. Additionally, our product lines have similar characteristics and customers. They share operations support functions such as sales, public relations, supply chain management, various research and development and engineering support, in addition to the general and administrative functions of human resources, legal, finance and information technology. Therefore, there is no complete, discrete financial information maintained for these product lines. Revenue from our product lines are as follows (in thousands):

	<u>Fiscal Years Ended</u>		
	<u>March 25, 2017</u>	<u>March 26, 2016</u>	<u>March 28, 2015</u>
Portable Audio Products	\$1,373,848	\$ 989,101	\$740,301
Non-Portable Audio and Other Products	<u>165,092</u>	<u>180,150</u>	<u>176,267</u>
	<u>\$1,538,940</u>	<u>\$1,169,251</u>	<u>\$916,568</u>

Geographic Area

The following illustrates sales by geographic locations based on the sales office location (in thousands):

	Fiscal Years Ended		
	March 25, 2017	March 26, 2016	March 28, 2015
United States	\$ 36,024	\$ 73,889	\$ 31,977
European Union (excluding United Kingdom)	9,809	12,745	13,629
United Kingdom	5,741	5,687	2,805
China	1,249,325	823,843	728,413
Hong Kong	181,283	10,647	15,087
Japan	11,819	27,898	14,353
South Korea	2,403	193,388	69,327
Taiwan	14,426	9,249	15,272
Other Asia	16,585	8,657	10,991
Other non-U.S. countries	11,525	3,248	14,714
Total consolidated sales	<u>\$1,538,940</u>	<u>\$1,169,251</u>	<u>\$916,568</u>

The following illustrates property, plant and equipment, net, by geographic locations, based on physical location (in thousands):

	Fiscal Years Ended	
	March 25, 2017	March 26, 2016
United States	\$120,212	\$125,674
European Union (excluding United Kingdom)	793	253
United Kingdom	44,981	34,632
China	565	483
Hong Kong	5	1
Japan	243	260
South Korea	202	110
Taiwan	231	180
Other Asia	50	29
Other non-U.S. countries	<u>857</u>	<u>1,034</u>
Total consolidated property, plant and equipment, net	<u>\$168,139</u>	<u>\$162,656</u>

17. Quarterly Results (Unaudited)

The following quarterly results have been derived from our audited annual consolidated financial statements. In the opinion of management, this unaudited quarterly information has been prepared on the same basis as the annual consolidated financial statements and includes all adjustments, including normal recurring adjustments, necessary for a fair presentation of this quarterly information. This information should be read along with the financial statements and related notes. The operating results for any quarter are not necessarily indicative of results to be expected for any future period.

As a result of the early adoption of ASU 2016-09, discussed in more detail in Note 2, the net income and EPS for the first two quarters of fiscal year 2017 have been recast to conform to the new presentation.

The unaudited quarterly statement of operations data for each quarter of fiscal years 2017 and 2016 were as follows (in thousands, except per share data):

	Fiscal Year 2017			
	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Net sales	\$259,428	\$428,619	\$523,029	\$327,864
Gross profit	126,685	211,699	255,152	164,279
Net income	18,071	86,039	122,041	35,058
Basic income per share	\$ 0.29	\$ 1.37	\$ 1.91	\$ 0.55
Diluted income per share	0.27	1.30	1.83	0.52
	Fiscal Year 2016			
	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
Net sales	\$282,633	\$306,756	\$347,863	\$231,999
Gross profit	132,454	142,221	164,911	115,254
Net income	33,354	34,880	41,384	14,012
Basic income per share	\$ 0.53	\$ 0.55	\$ 0.65	\$ 0.22
Diluted income per share	0.50	0.53	0.63	0.21

18. Subsequent Event

On April 14, 2017, the Company purchased a small, privately-held technology group that augments our product offerings in the voice and speech domains. The immaterial purchase was funded with existing cash.

ITEM 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

ITEM 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(e) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our chief executive officer (CEO) and chief financial officer (CFO), the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(b) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-K. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based upon the evaluation, our management, including our CEO and CFO, has concluded that our disclosure controls and procedures were effective as of March 25, 2017.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined under Rule 13a-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Because of its inherent limitation, internal control over financial reporting may not prevent or detect all errors and all fraud. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment of internal control over financial reporting, management has concluded that our internal control over financial reporting was effective as of March 25, 2017, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on management's assessment of our internal control over financial reporting as of March 25, 2017, included in Item 8 of this report.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended March 25, 2017, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance*

The information set forth in the proxy statement to be delivered to stockholders in connection with our Annual Meeting of Stockholders to be held on July 28, 2017 (the "Proxy Statement") under the headings *Corporate Governance — Board Meetings and Committees, Corporate Governance — Audit Committee, Proposals to be Voted on — Proposal No. 1 — Election of Directors, Summary of Executive Compensation, and Section 16(a) Beneficial Ownership Reporting Compliance* is incorporated herein by reference.

ITEM 11. *Executive Compensation*

The information set forth in the Proxy Statement under the headings *Director Compensation Arrangements, Compensation Discussion and Analysis, Compensation Committee Report, and Proposals to be Voted on — Proposal No. 3 — Advisory Vote to Approve Executive Compensation and Proposal No. 4 — Advisory Vote on the Frequency of Future Advisory Votes to Approve Executive Compensation* are incorporated herein by reference.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information set forth in the Proxy Statement under the headings *Equity Compensation Plan Information and Security Ownership of Certain Beneficial Owners and Management* is incorporated herein by reference.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence*

The information set forth in the Proxy Statement under the headings *Certain Relationships and Related Transactions and Corporate Governance* is incorporated herein by reference.

ITEM 14. *Principal Accountant Fees and Services*

The information set forth in the Proxy Statement under the headings *Audit and Non-Audit Fees and Services and Proposal No. 2 — Ratification of Appointment of Independent Registered Public Accounting Firm* is incorporated herein by reference.

PART IV

ITEM 15. *Exhibits and Financial Statement Schedules*

(a) The following documents are filed as part of this Report:

1. Consolidated Financial Statements

- Reports of Ernst & Young LLP, Independent Registered Public Accounting Firm.
- Consolidated Balance Sheets as of March 25, 2017 and March 26, 2016.
- Consolidated Statements of Income for the fiscal years ended March 25, 2017, March 26, 2016, and March 28, 2015.
- Consolidated Statements of Comprehensive Income for the fiscal years ended March 25, 2017, March 26, 2016, and March 28, 2015.
- Consolidated Statements of Cash Flows for the fiscal years ended March 25, 2017, March 26, 2016, and March 28, 2015.
- Consolidated Statements of Stockholders' Equity for the fiscal years ended March 25, 2017, March 26, 2016, and March 28, 2015.
- Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

All schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or notes thereto.

3. Exhibits

The following exhibits are filed as part of or incorporated by reference into this Annual Report on Form 10-K:

<u>Number</u>	<u>Description</u>
2.1	Cooperation Agreement dated April 29, 2014 between the Company and Wolfson Microelectronics plc. (1)
3.1	Certificate of Incorporation of Registrant, filed with the Delaware Secretary of State on August 26, 1998. (2)
3.2	Amended and Restated Bylaws of Registrant. (3)
10.1+	Cirrus Logic, Inc. 2006 Stock Incentive Plan, amended and restated as of May 26, 2015. (8)
10.2+	Form of Stock Option Agreement for options granted under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (4)
10.3+	Form of Stock Option Agreement for options for U.K. Employees under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (13)
10.4+	Form of Notice of Grant of Stock Option for options granted under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (4)
10.5+	Form of Stock Option Agreement for Outside Directors under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (6)
10.6+	Form of Restricted Stock Unit Agreement for U.S. Employees under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (5)
10.7+	Form of Restricted Stock Unit Agreement for U.K. Employees under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (11)
10.8+	Form of Notice of Grant of Restricted Stock Units granted under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (5)
10.9+	Form of Performance Award Agreement for U.S. Employees under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (10)
10.10+	Form of Notice of Performance Award Agreement for U.S. Employees under the Cirrus Logic Inc. 2006 Stock Incentive Plan (11)
10.11+	Form of Performance Award Agreement for U.K. Employees under the Cirrus Logic, Inc. 2006 Stock Incentive Plan. (13)
10.12+	2007 Executive Severance and Change of Control Plan, effective as of October 1, 2007, as amended and restated on March 4, 2014. (7)
10.13+	2007 Management and Key Individual Contributor Incentive Plan, as amended on May 20, 2016. (13)
10.14	Credit Agreement dated April 29, 2014 among the Company, Wells Fargo Bank and National Association, as Administrative Agent and Lender. (1)
10.15	Credit Agreement dated August 29, 2014 among Registrant, Wells Fargo Bank and National Association, as Administrative Agent and Initial Issuing Lender. (9)
10.16	First Amendment to Credit Agreement among Cirrus Logic, Inc., the Lenders party thereto and Wells Fargo Bank, National Association, as Lender and Administrative Agent. (12)
10.17	Amended and Restated Credit Agreement among the Company, Wells Fargo Bank, National Association, as Administrative Agent and Initial Issuing Lender, and Bank of America, N.A., as Syndication Agent. (14)

<u>Number</u>	<u>Description</u>
14.1	Code of Conduct, dated March 24, 2015. (13)
21.1*	List of Subsidiaries.
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
24.1*	Power of Attorney (see signature page).
31.1*	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

+ Indicates a management contract or compensatory plan or arrangement.

* Filed with this Form 10-K.

- (1) Incorporated by reference from Registrant's Report on Form 8-K filed with the SEC on April 29, 2014 (Registration No. 000-17795).
- (2) Incorporated by reference from Registrant's Report on Form 10-K for the fiscal year ended March 31, 2001, filed with the SEC on June 22, 2001 (Registration No. 000-17795).
- (3) Incorporated by reference from Registrant's Report on Form 8-K filed with the SEC on September 20, 2013.
- (4) Incorporated by reference from Registrant's Statement on Form S-8 filed with the SEC on August 1, 2006 (Registration No. 000-17795), filed with the SEC on March 4, 2014 (Registration No. 000-17795).
- (5) Incorporated by reference from Registrant's Report on Form 8-K filed with the SEC on October 7, 2010.
- (6) Incorporated by reference from Registrant's Report on Form 8-K filed with the SEC on August 1, 2007.
- (7) Incorporated by reference from Registrant's Report on Form 8-K filed with the SEC on March 10, 2014.
- (8) Incorporated by reference to Exhibit A of the Registrant's Definitive Proxy Statement on Schedule 14A filed with the SEC on June 2, 2015.
- (9) Incorporated by reference from Registrant's Report on Form 8-K filed with the SEC on September 3, 2014.
- (10) Incorporated by reference from Registrant's Report on Form 8-K filed with the SEC on September 22, 2014.
- (11) Incorporated by reference from Registrant's Report on Form 10-K filed with the SEC on May 27, 2015 (Registration No. 000-17795).
- (12) Incorporated by reference from Registrant's Report on Form 8-K filed with the SEC on June 26, 2015.
- (13) Incorporated by reference from Registrant's Report on Form 10-K filed with the SEC on May 25, 2016 (Registration No. 000-17795).
- (14) Incorporated by reference from Registrant's Report on Form 8-K with the SEC on July 15, 2016 (Registration No. 000-17795).

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized.

CIRRUS LOGIC, INC.

By: /s/ THURMAN K. CASE

Thurman K. Case
Vice President, Chief Financial Officer and
Chief Accounting Officer
May 24, 2017

KNOW BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Thurman K. Case, his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of the attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant, in the capacities and on the dates indicated have signed this report below:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JASON P. RHODE</u> Jason P. Rhode	President and Chief Executive Officer	May 24, 2017
<u>/s/ THURMAN K. CASE</u> Thurman K. Case	Vice President, Chief Financial Officer and Chief Accounting Officer	May 24, 2017
<u>/s/ JOHN C. CARTER</u> John C. Carter	Director	May 24, 2017
<u>/s/ ALEX DAVERN</u> Alex Davern	Director	May 24, 2017
<u>/s/ TIMOTHY R. DEHNE</u> Timothy R. Dehne	Director	May 24, 2017
<u>/s/ CHRISTINE KING</u> Christine King	Director	May 24, 2017
<u>/s/ ALAN R. SCHUELE</u> Alan R. Schuele	Director	May 24, 2017
<u>/s/ WILLIAM D. SHERMAN</u> William D. Sherman	Director	May 24, 2017
<u>/s/ DAVID J. TUPMAN</u> David J. Tupman	Director	May 24, 2017



CIRRUS LOGIC®

JASON P. RHODE

President and Chief Executive Officer

May 31, 2017

To our Stockholders:

I would like to invite you to participate in the Annual Meeting of Stockholders of Cirrus Logic, Inc. to be held on Friday, July 28, 2017, at 11:00 a.m. Central Time. We are pleased to announce that this year's Annual Meeting will once again be completely virtual. You will be able to participate, vote, and submit your questions during the meeting on a live webcast at www.virtualshareholdermeeting.com/CRUS2017. To access this website and enter the meeting, you should have available your control number, which is included with the proxy materials. You will not be able to attend the Annual Meeting in person.

We also are continuing to provide our stockholders with the proxy materials electronically via the internet. If a stockholder chooses, he or she may obtain paper copies; however, by providing the information online, our stockholders will have immediate access to the proxy materials at their discretion.

Even if you plan to participate in the Annual Meeting by live webcast, I hope you will vote as soon as possible. Although you may vote the day of the Annual Meeting, you may also vote in advance via the internet, as well as by telephone, or by mailing a proxy card. Voting over the internet, by telephone, or by written proxy will ensure your representation at the Annual Meeting if you do not participate in the virtual meeting. Please review the instructions on the Notice of Internet Availability or the proxy card regarding each of these voting options.

Cirrus Logic, Inc. values the participation of its stockholders. Your vote is an important part of our system of corporate governance, and I strongly encourage you to participate.

Sincerely,

Jason P. Rhode

President and Chief Executive Officer

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TABLE OF CONTENTS

	<u>Page</u>
Notice of Annual Meeting of Stockholders	1
Questions and Answers About the Proxy Materials, the Annual Meeting, and Voting Procedures	3
Corporate Governance	8
Proposals To Be Voted On	16
Proposal No. 1: Election of Directors	16
Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm	20
Proposal No. 3: Advisory Vote To Approve Executive Compensation	20
Proposal No. 4: Advisory Vote on the Frequency of Future Advisory Votes To Approve Executive Compensation	21
Other Matters	21
Security Ownership of Certain Beneficial Owners and Management	22
Executive Officers	24
Compensation Discussion and Analysis	25
Compensation Committee Report	46
Consideration of Risk Related to Compensation Programs	47
Executive Compensation Tables	48
Equity Compensation Plan Information	59
Report of the Audit Committee of the Board	60
Audit and Non-Audit Fees and Services	61
Certain Relationships and Related Transactions	62
Householding	63
Communicating with Us	63
Annual Report	65
Annex	66

Important Notice Regarding the Availability of Proxy Materials for the 2017 Annual Meeting of Stockholders to be held July 28, 2017

A copy of Cirrus Logic, Inc.'s Annual Report on Form 10-K is included with this proxy statement. Copies of the Notice of the 2017 Annual Meeting of Stockholders, this proxy statement, and our Annual Report on Form 10-K are also available on our website at www.cirrus.com. You also may receive copies of this document at no charge upon request directed to:

***Cirrus Logic, Inc. Investor Relations
800 W. Sixth Street, Austin, Texas 78701
telephone: (512) 851-4125; email: Investor.Relations@cirrus.com***

**Cirrus Logic, Inc.
800 W. Sixth Street
Austin, Texas 78701**

2017 Annual Meeting of Stockholders

July 28, 2017

YOUR VOTE IS IMPORTANT

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Cirrus Logic, Inc. (the “Company,” “our,” or “we”) will hold its 2017 Annual Meeting of Stockholders as follows:

Friday, July 28, 2017

11:00 A.M. (Central Daylight Time)

Via live webcast available at www.virtualshareholdermeeting.com/CRUS2017

We are pleased to announce that this year’s Annual Meeting will again be completely virtual. You will be able to attend, vote, and submit your questions during the meeting on a live webcast via the internet at www.virtualshareholdermeeting.com/CRUS2017. To access this website and enter the meeting, you must have your control number available. You will not be able to attend the Annual Meeting in person.

At the meeting, stockholders will vote on the following matters:

- (i) the election of eight nominees named in this proxy statement to serve as Company directors for one-year terms;
- (ii) the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2018;
- (iii) an advisory vote to approve executive compensation;
- (iv) an advisory vote on the frequency of future advisory votes to approve executive compensation; and
- (v) such other business as may properly come before the meeting.

You can vote four different ways. You can vote by participating in the virtual meeting online, or you can vote in advance of the virtual meeting by telephone, by the internet, or by proxy card. For specific voting information, please see “Questions and Answers about the Proxy Materials, the Annual Meeting, and Voting Procedures” on page 3.

Stockholders of record at the close of business on May 30, 2017, are entitled to notice of and to vote at the Annual Meeting. On May 30, 2017, approximately 63,730,271 shares of the Company common stock were outstanding. Each share entitles the holder to one vote. A complete list of the stockholders entitled to vote at the meeting will be open to the examination of any stockholder for any purpose germane to the meeting for at least 10 days prior to the meeting and during the meeting.

The Board of Directors of the Company asks you to vote in favor of proposals 1–3 and to vote for an annual advisory vote on executive compensation for proposal 4. This proxy statement provides you with detailed information about each proposal. We are also using this proxy statement to discuss our corporate governance and compensation practices and philosophies.

We encourage you to read this proxy statement carefully. In addition, you may obtain information about the Company from the Annual Report to Stockholders and from other documents that we have filed with the Securities and Exchange Commission.

PROXY STATEMENT

2017 ANNUAL MEETING OF STOCKHOLDERS To Be Held Friday, July 28, 2017

Cirrus Logic, Inc.
800 W. Sixth Street
Austin, Texas 78701
www.cirrus.com

These proxy materials are furnished to you in connection with the solicitation of proxies by the Board of Directors (the “Board”) of Cirrus Logic, Inc. (the “Company,” “our,” or “we”) for use at our 2017 Annual Meeting of Stockholders and any adjournments or postponements of the meeting (the “Annual Meeting”). The Annual Meeting will be held on July 28, 2017, at 11:00 a.m., Central Daylight Time, and may be accessed on a live webcast via the internet at www.virtualshareholdermeeting.com/CRUS2017.

Beginning on June 16, 2017, Cirrus Logic will make these proxy materials available on the internet or deliver paper copies by mail in connection with the solicitation of proxies by the Board for proposals to be voted on at the Annual Meeting.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS, THE ANNUAL MEETING, AND VOTING PROCEDURES

Q: Why am I receiving these materials?

A: The Board, on behalf of the Company, is soliciting your proxy for the Annual Meeting of Stockholders to take place on July 28, 2017. As a stockholder, you are invited to participate in the meeting and are entitled to and requested to vote on the proposals described in this proxy statement.

Q: What information is contained in these materials?

A: The information included in this proxy statement relates to the proposals to be voted on at the meeting, the voting process, the compensation of directors and our most highly paid executive officers, and certain other required information. Our 2017 Annual Report to Stockholders on Form 10-K for the fiscal year ended March 25, 2017, is also included.

If you requested and received a copy of these materials by mail or email, then the proxy materials also include a proxy card or a voting instruction card for the Annual Meeting.

Q: Why did I receive a notice in the mail regarding the internet availability of the proxy materials instead of a paper copy of the proxy materials?

A: We are complying with the U.S. Securities and Exchange Commission (the “SEC”) rule that allows companies to furnish their proxy materials over the internet. As a result, we are mailing to our stockholders a Notice of Internet Availability of the proxy materials instead of a paper copy of the proxy materials. All stockholders receiving the Notice of Internet Availability will have the ability to access the proxy materials over the internet, or alternatively, request to receive a copy of the proxy materials by mail or email.

Q: How can I access the proxy materials over the internet?

A: Your Notice of Internet Availability of the proxy materials contains instructions regarding how to:

- view the proxy materials for the Annual Meeting on the internet;
- request a paper copy of the proxy materials for the Annual Meeting; and
- instruct us to send future proxy materials to you by email.

Q: How may I obtain a paper copy of the proxy materials?

A: Your Notice of Internet Availability of the proxy materials contains instructions regarding how to obtain a paper copy of the proxy materials.

Q: What if I receive more than one Notice of Internet Availability of the proxy materials or more than one paper copy of the proxy materials?

A: If you receive more than one Notice of Internet Availability or set of proxy materials, it means your shares are registered differently or are in more than one account. To vote all your shares by proxy, you must vote all Notices of Internet Availability you receive, or all proxy cards and voting instruction cards you received.

Q: What proposals will be voted on at the meeting?

A: There are four proposals scheduled to be voted on at the meeting:

- (1) the election of eight nominees named in this proxy statement to serve as Company directors for one-year terms;
- (2) the ratification of the appointment of Ernst & Young LLP (“Ernst & Young”) as our independent registered public accounting firm for the fiscal year ending March 31, 2018;
- (3) an advisory (non-binding) vote to approve executive compensation; and
- (4) an advisory (non-binding) vote on the frequency of future advisory votes to approve executive compensation.

Q: Will I be able to attend the Annual Meeting?

A: We will host the Annual Meeting live via the internet. **You will not be able to attend the meeting in person.** Any stockholder can listen to and participate in the Annual Meeting live via the internet at www.virtualshareholdermeeting.com/CRUS2017. The webcast will begin at 11:00 a.m., Central Daylight Time, on July 28, 2017. Stockholders may vote and submit questions while connected to the Annual Meeting via the internet.

Q: What do I need to do to be able to participate in the Annual Meeting online?

A: The Annual Meeting will be held live via the internet. You will not be able to attend the meeting in person. A summary of the information you need to attend the meeting online is provided below:

- Any stockholder can listen to the meeting and participate live via the internet at www.virtualshareholdermeeting.com/CRUS2017.
- Webcast begins at 11:00 a.m. Central Daylight Time on July 28, 2017.
- Stockholders may vote and submit questions while connected to the meeting via the internet.
- Please have your control number to enter the meeting.
- Instructions on how to connect and participate via the internet, including how to demonstrate proof of stock ownership, are posted at www.virtualshareholdermeeting.com/CRUS2017.
- A webcast replay of the meeting will be available after the meeting at www.virtualshareholdermeeting.com/CRUS2017.

Q: What are the Board’s voting recommendations?

A: The Board recommends that you vote your shares as follows:

- “FOR” each of the director nominees;
- “FOR” the ratification of the appointment of Ernst & Young as our independent registered public accounting firm for the fiscal year ending March 31, 2018;
- “FOR” the approval, on a non-binding, advisory basis, of executive compensation; and
- To hold a non-binding, advisory vote on executive compensation every “ONE YEAR”.

Q: Who is entitled to vote at the Annual Meeting?

A: Stockholders of record at the close of business on May 30, 2017 (the “Record Date”) are entitled to notice of and to vote at the Annual Meeting.

Q: What shares owned by me can be voted?

A: All shares owned by you as of the close of business on the Record Date may be voted by you. These shares include (1) shares held directly in your name as the stockholder of record, and (2) shares held for you as the beneficial owner through a stockbroker, bank, or other nominee; however you will need to demonstrate proof of ownership pursuant to the instructions provided at www.virtualshareholdermeeting.com/CRUS2017.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Most stockholders of the Company hold their shares through a stockbroker, bank, or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record

If your shares are registered directly in your name with the Company's transfer agent, Computershare Investor Services, you are considered, with respect to those shares, the *stockholder of record*, and you have the right to vote by proxy by following the instructions in the Notice of Internet Availability of the proxy materials or to vote online at the meeting.

Beneficial Owner

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the *beneficial owner* of shares held in *street name*, and your stockbroker, bank, or other nominee is considered, with respect to those shares, the *stockholder of record*. As the beneficial owner, you have the right to direct your stockbroker, bank, or other nominee how to vote, and you are also invited to participate in the meeting.

Q: How can I vote my shares at the meeting?

A: Shares may be voted at the Annual Meeting via the internet on a live webcast at www.virtualshareholdermeeting.com/CRUS2017. To access the meeting and vote your shares, you must have your control number.

Even if you currently plan to participate in the Annual Meeting via the live webcast, we recommend that you submit your proxy in advance of the meeting so that your vote will be counted if you later decide not to attend the meeting.

Q: How can I vote my shares without participating in the meeting?

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct your vote without participating in the meeting. You may vote by granting a proxy or by submitting voting instructions to your stockbroker, bank, or other nominee for shares held in street name. In most instances, you will be able to do this over the internet, by telephone, or by mail, but if you hold shares in street name, you should refer to the voting instruction card provided to you by your stockbroker, bank, or other nominee for voting instructions specific to your holdings. If you are the stockholder of record, please refer to the summary instructions below and those included on your Notice of Internet Availability of the proxy materials. Stockholders who have requested and received a paper copy of a proxy card or voting instruction card by mail may also vote over the internet by following the instructions included with those materials.

BY INTERNET – If you have internet access, you may vote by following the instructions on the Notice of Internet Availability of the proxy materials. If you have requested and received a paper copy of a proxy card or voting instruction card, you may also vote over the internet by following the instructions included with those materials.

BY TELEPHONE – If you have requested and received a paper copy of a proxy card or voting instruction card, you may vote by telephone by following the instructions on the proxy card. You will need to have the control number that appears on your Notice of Internet Availability of the proxy materials available when voting by telephone.

BY MAIL – If you have requested and received a paper copy of a proxy card or voting instruction card by mail, you may submit a proxy by signing your proxy card and mailing it in the enclosed, postage prepaid and addressed envelope. If you sign but do not provide instructions, your shares will be voted as described in the response to “*What are the Board’s voting recommendations?*” above.

Q: What if I hold shares in street name and do not transmit voting instructions before the stockholder meeting to my stockbroker, bank, or other nominee?

A: Your stockbroker is not permitted to vote on your behalf on non-routine matters if you are a beneficial owner of shares held in street name and you do not transmit your voting instructions before the stockholder meeting to your stockbroker or nominee. The election of directors (Proposal No. 1), the advisory vote to approve executive compensation (Proposal No. 3), and the advisory vote on the frequency of future advisory votes to approve executive compensation (Proposal No. 4) are considered non-routine matters. The ratification of the appointment of independent registered public accounting firm (Proposal No. 2) is the only routine matter, and therefore, the only matter that brokers may vote on without instruction from the beneficial owner. Therefore, if you do not transmit your voting instructions to your stockbroker or other nominee, then they cannot vote on these non-routine matters and your vote will be counted as “broker non-votes” as further described in the response to “*How are abstentions and broker non-votes counted?*” below.

Q: Can I revoke my proxy?

A: You may revoke your proxy instructions at any time prior to the vote at the Annual Meeting. For shares held directly in your name, you may revoke your proxy instructions by granting a new proxy bearing a later date (that automatically revokes the earlier proxy) or by voting during the Annual Meeting. For shares held beneficially by you, you may revoke your proxy by submitting new instructions to your stockbroker, bank, or other nominee.

Q: What is the quorum requirement for the meeting?

A: The quorum requirement for holding the meeting and transacting business is the presence, either in person or represented by proxy, of the holders of a majority of the outstanding shares entitled to be voted at the Annual Meeting. For the Annual Meeting, both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum.

Q: How are votes counted?

A: In the election of directors, you may vote “FOR” all of the nominees or you may “WITHHOLD” your vote with respect to one or more of the nominees. For Proposal No. 4 (the frequency of “say-on-pay” votes), you may vote for “one year,” “two years,” “three years,” or “ABSTAIN.” An “ABSTAIN” vote for Proposal No. 4 has no effect because that proposal considers which time period receives the highest number of votes. For all other proposals you may vote “FOR,” “AGAINST,” or “ABSTAIN,” and if you “ABSTAIN” on any of these matters, it has the same effect as a vote “AGAINST.”

If you sign your proxy card with no further instructions, your shares will be voted in accordance with the recommendations of the Board.

Q: What is the voting requirement to approve each of the proposals?

A: In the election of directors, directors are elected by a plurality of votes cast, which means that, for this year, the eight persons receiving the highest number of “FOR” votes will be elected. For the advisory vote on the frequency of advisory votes on executive compensation (Proposal No. 4), the frequency receiving the most votes cast will be considered the advised frequency. All other proposals require the affirmative “FOR” vote of a majority of those shares present and entitled to vote. If you are a beneficial owner and do not provide your stockbroker, bank, or other nominee with voting instructions on a non-routine matter such as a director election, your shares may constitute broker non-votes, as described in “*How are abstentions and broker non-votes counted?*” below.

Q: How are abstentions and broker non-votes counted?

A: Abstentions and broker non-votes are counted as present for purposes of determining the shares present and entitled to vote. For Proposal No. 4, an abstention is of no effect since that proposal considers which proposed time period receives the most votes. For proposals 2 and 3, an abstention is treated as a vote cast for purposes of counting votes, and therefore the effect of an abstention will be the same as a vote against a proposal as described in “*How are votes counted?*” above. Broker non-votes are not counted as votes cast for, and therefore have no impact on, non-routine matters. Generally, broker non-votes occur when shares held by a stockbroker for a beneficial owner are not voted with respect to a particular proposal because the proposal is not a routine matter, the stockbroker has not received voting instructions from the beneficial owner, and the stockbroker lacks discretionary voting power to vote the shares.

Q: Where can I find the voting results of the meeting?

A: We will announce preliminary voting results at the meeting and will file with the SEC via EDGAR a Current Report on Form 8-K within four business days of the meeting with the final voting results. If final voting results are not available at the time of such filing, the Company intends to disclose preliminary voting results at the time of the filing and file an amended Current Report on Form 8-K within four business days after obtaining the final results.

Q: What happens if additional proposals are presented at the meeting?

A: Other than the proposals described in this proxy statement, we do not expect any matters to be presented for a vote at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Gregory Scott Thomas, our Corporate Secretary, and Thurman Case, our Chief Financial Officer, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen reason any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your shares for such other candidate or candidates as may be nominated by the Board.

Q: What classes of shares are entitled to be voted?

A: Each share of common stock of the Company (“common stock”) outstanding as of the Record Date is entitled to one vote on each item being voted upon at the Annual Meeting. On the Record Date, we had approximately 63,730,271 shares of common stock outstanding.

Q: Is cumulative voting permitted for the election of directors?

A: No.

Q: Who will count the votes?

A: A representative of Broadridge Investor Communications Solutions will tabulate the votes. A representative of the Company will act as the inspector of election.

Q: Is my vote confidential?

A: Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within the Company or to third parties except (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, or (3) to facilitate a successful proxy solicitation by the Board.

Q: Who will bear the cost of soliciting votes for the meeting?

A: The Company will pay the entire cost of soliciting proxies to be voted, along with the costs of preparing, assembling, printing, mailing, and distributing the proxy materials. If you choose to access the proxy materials and/or submit your proxy over the internet or by telephone, however, you are responsible for internet access or telephone charges you may incur. In addition to the mailing of the proxy materials, the solicitation of proxies or votes may be made by our directors, officers, and employees, either in person, by telephone, or by electronic communication. Our directors, officers, and employees will not receive any additional compensation for the solicitation activities. We will also reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to our stockholders.

Q: May I propose actions for consideration at next year's annual meeting of stockholders or nominate individuals to serve as directors?

A: You may make nominations and submit proposals for consideration at future stockholder meetings. Any proposal that a stockholder wishes to include in the Company's proxy materials for the 2018 annual meeting of stockholders, in accordance with the regulations of the SEC, must be received by no later than 120 calendar days prior to the anniversary date that the Company released this proxy statement for the Annual Meeting. The written proposal will need to comply with the regulations of the SEC under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Any proposal or nomination for election of directors that a stockholder wishes to propose for consideration at the 2018 annual meeting of stockholders, other than pursuant to Rule 14a-8, must be submitted in accordance with our Bylaws. To be considered timely, our Bylaws provide that such notice must be received at our principal executive offices no earlier than 120 calendar days (March 30, 2018) and no later than 90 calendar days (April 29, 2018) prior to the first anniversary date of the previous year's annual meeting of stockholders. Proposals and nominations should be addressed to: Corporate Secretary, Cirrus Logic, Inc., 800 W. Sixth Street, Austin, Texas 78701.

Copy of Bylaw Provisions: You may contact the Corporate Secretary at our headquarters, 800 W. Sixth Street, Austin, Texas 78701, for a copy of the relevant Bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

CORPORATE GOVERNANCE

Board Meetings and Committees

During the fiscal year ended March 25, 2017, the Board held 10 meetings. Each director is expected to attend each meeting of the Board and the committees of the Board (the "Committees") on which he or she serves. No director attended less than 75% of the aggregate of (i) the total number of Board meetings and (ii) the total number of meetings held by all Committees on which he or she served. Pursuant to our Corporate Governance Guidelines, directors are also expected to attend the Company's Annual Meeting of Stockholders absent extraordinary circumstances. Seven of our eight directors attended the Company's 2016 annual meeting of stockholders.

We have three Committees: Audit, Compensation, and Governance and Nominating. Each member of the Audit, Compensation, and Governance and Nominating Committees is independent in accordance with the applicable SEC rules and applicable Nasdaq Stock Market, Inc. (the “Nasdaq”) listing standards, including, with respect to members of the Audit and Compensation Committees, the heightened requirements applicable to members of those committees. Each Committee has a written charter that has been approved by the Board.

The current members of the Board and of each Committee are identified in the following table, and the function of each Committee is described below. On occasion, the Board may appoint special committees or designate directors to undertake special assignments on behalf of the Board.

Name of Director	Independent	Audit	Compensation	Governance and Nominating
John C. Carter	Yes	X	X	
Alexander M. Davern	Yes	Chair		
Timothy R. Dehne	Yes		Chair	
Christine King	Yes		X	Chair
Jason P. Rhode	No			
Alan R. Schuele	Yes			X
William D. Sherman	Yes	X		
David J. Tupman	Yes			X
Number of Meetings Held in Fiscal Year ended March 25, 2017		8	8	3

Audit Committee

The Audit Committee is currently composed of three independent directors. The responsibilities of the Audit Committee include:

- selecting, retaining, compensating, overseeing, evaluating, and, where appropriate, terminating the Company’s independent auditors;
- resolving any disagreements between management and the independent auditors regarding financial reporting;
- adopting and implementing pre-approval policies and procedures for audit and non-audit services to be rendered by the independent auditors;
- reviewing with management and the independent auditors the financial information and the Management’s Discussion and Analysis proposed to be included in each of the Company’s Quarterly Reports on Form 10-Q prior to their filing;
- reviewing before release the unaudited interim financial results in the Company’s quarterly earnings release;
- reviewing with management and the independent auditors, at the completion of the annual audit, the audited financial statements and the Management’s Discussion and Analysis proposed to be included in the Company’s Annual Report on Form 10-K prior to its filing and provide or review judgments about the quality, not only the acceptability, of accounting principles, and such other matters required to be discussed with the independent auditors under generally accepted auditing standards;

- reviewing and approving, if appropriate, material changes to the Company’s auditing and accounting principles and practices as suggested by the independent auditors or management;
- establishing procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
- evaluating the professional competency of the financial staff and the internal auditors, as well as the quality of their performance in discharging their respective responsibilities.

The Board has determined that each of the members of the Audit Committee is able to read and understand fundamental financial statements and is independent under applicable SEC rules and applicable Nasdaq listing standards. The Board has determined that Mr. Davern is an “audit committee financial expert” as defined under applicable SEC rules.

For additional information relating to the Audit Committee, see the section of this proxy statement entitled, “*Report of the Audit Committee of the Board*” and the Audit Committee Charter, which is available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com.

Compensation Committee

The Compensation Committee is currently composed of three independent directors. The Compensation Committee reviews and approves salaries and other matters relating to executive compensation; reviews the Company’s leadership development initiatives and succession planning process for our Chief Executive Officer and other executive officers; and administers the Company’s stock incentive plans, including reviewing and granting stock incentive awards to executive officers and other employees and reviewing and approving policies and procedures for awarding grants under these plans. The Compensation Committee also reviews and recommends to the Board for approval various other Company compensation plans, policies, and matters related to the Company’s non-employee directors. For additional information relating to the Compensation Committee, see the Compensation Committee Charter, which is available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com.

Please see the “*Compensation Discussion and Analysis*” section of this proxy statement for additional information regarding the Compensation Committee’s processes and procedures for the consideration and determination of executive officer compensation, including the Compensation Committee’s engagement of Compensia, Inc. (“Compensia”) as its external compensation consultant.

Governance and Nominating Committee

The Governance and Nominating Committee is currently composed of three independent directors. The Governance and Nominating Committee provides counsel to the Board with respect to Board organization, membership, and function, as well as committee structure and membership. The Governance and Nominating Committee is also responsible for defining the qualifications for candidates for director positions, evaluating qualified candidates, recommending candidates to the Board for election as directors, and proposing a slate of directors for election by stockholders at each annual meeting. For more information relating to the Governance and Nominating Committee, see the Governance and Nominating Committee Charter, which is available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com.

The Governance and Nominating Committee annually reviews the needs of the Board for various skills, experience, expected contributions, and other characteristics in determining the director candidates to be nominated at the Annual Meeting of Stockholders. The Governance and Nominating

Committee will evaluate candidates for directors proposed by directors, stockholders, or management in light of the Governance and Nominating Committee's views of the current needs of the Board for certain skills; the candidate's background, skills, experience, or other characteristics; and the expected contributions and the qualification standards established from time to time by the Governance and Nominating Committee. If the Governance and Nominating Committee believes that the Board requires additional candidates for nomination, the Governance and Nominating Committee may engage a third-party search firm to assist in identifying qualified candidates. All directors and nominees will submit a completed form of directors' and officers' questionnaire as part of the nominating process. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Governance and Nominating Committee. Although the Board does not have a formal policy specifying how diversity should be considered in making determinations regarding nominations of directors, the Governance and Nominating Committee does take into account the benefits of diverse backgrounds, viewpoints, and experiences, as well as the benefits of a constructive working relationship among directors, when evaluating candidates for the Board.

The Governance and Nominating Committee believes that members of the Board should possess certain basic personal and professional qualities in order to properly discharge their fiduciary duties to stockholders, provide effective oversight of the management of the Company, and monitor the Company's adherence to principles of sound corporate governance. Therefore, the Governance and Nominating Committee has determined that nominees for election as director should have the following qualifications: (i) possess the highest personal and professional ethics, integrity, and values; (ii) be committed to representing the long-term interests of the Company's stockholders; (iii) have an inquisitive and objective perspective and mature judgment; (iv) possess strong business and financial acumen and judgment acquired through education, training, or experience; (v) possess experience at policy-making levels in business, government, education, or technology, and in areas that are relevant to the Company's global business activities; (vi) have experience in matters of corporate governance; (vii) have experience in positions with a high degree of responsibility in the companies or institutions with which they are affiliated; and (viii) be prepared to devote appropriate time and attention to the Board and Committee duties required of a public company board member. Additionally, for non-employee director candidates, the nominees should have personal and business circumstances that permit them to serve on one or more of the various Committees.

These are not meant to be the exclusive criteria, however, and the Governance and Nominating Committee will also consider the contributions that a candidate can be expected to make to the collective functioning of the Board based upon the totality of the candidate's credentials, experience, and expertise; the composition of the Board at the time; and other relevant circumstances.

Stockholders are able to recommend individuals to the Governance and Nominating Committee for consideration as potential director nominees by submitting their names, together with appropriate biographical information and background materials, and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of common stock for at least one year as of the date such recommendation is made. An eligible stockholder wishing to recommend a candidate must submit the following no later than 120 calendar days prior to the anniversary date that the Company released this proxy statement for the Annual Meeting: (A) a recommendation that identifies the candidate and provides contact information; (B) the written consent of the candidate to serve as a director of the Company, if elected; and (C) documentation establishing that the stockholder making the recommendation is an eligible stockholder.

Recommendations should be submitted to:

Governance and Nominating Committee
c/o Corporate Secretary
Cirrus Logic, Inc.
800 W. Sixth Street
Austin, Texas 78701

The Governance and Nominating Committee will consider stockholder-recommended candidates pursuant to the Director Nominations Process outlined in the Corporate Governance Guidelines, which are available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com.

Stockholders also have the right under the Company’s Bylaws to nominate candidates for election as directors by following the procedures, providing the information, and conforming to the submission deadlines specified in the Company’s Bylaws. Please see the section of this proxy statement entitled, “*Questions and Answers about the Proxy Materials, the Annual Meeting and Voting Procedures: May I propose actions for consideration at next year’s annual meeting of stockholders or nominate individuals to serve as directors?*” for further information.

Determination of Independence

The Board, which currently consists of eight directors, has determined that seven of the eight nominated directors are independent as defined by the applicable listing and regulatory standards. Specifically, the Governance and Nominating Committee has reviewed the independence of each director and determined that nominees Carter, Davern, Dehne, King, Schuele, Sherman, and Tupman qualify as independent directors under these standards. In determining the independence of Mr. Davern—who is the President and Chief Executive Officer of National Instruments Corporation—the Governance and Nominating Committee and the Board reviewed the Company’s transactions with National Instruments and determined that the transactions do not interfere with Mr. Davern’s exercise of independent judgment in carrying out the responsibilities of a director. These transactions included the purchase of certain test equipment and software, along with associated support and maintenance services, for equipment used in the development and testing of our products.

Corporate Governance Guidelines

On an annual basis, the Company reviews its corporate governance practices in light of any changes to applicable law, the rules of the SEC, and the Nasdaq listing standards. Among other matters, the Corporate Governance Guidelines include the following requirements:

- Two-thirds of the members of the Board must be independent directors as defined in the Corporate Governance Guidelines.
- If the Chair of the Board is not an independent director, the Board will designate a “lead independent director.”
- Directors shall retire at the first stockholders’ meeting in which directors will be elected following the director’s 75th birthday.
- Stock Ownership Guidelines require our Chief Executive Officer, non-employee directors, and officers of the Company to accumulate and maintain, after a phase-in period, an ownership position in the Company’s stock to more closely link their interests with those of other Company stockholders.

- The Board will have an Audit Committee, Compensation Committee, and Governance and Nominating Committee, each of which shall consist solely of independent directors.
- The independent directors shall meet in executive session either before or after each regularly scheduled Board meeting.
- In considering stockholder proposals and candidates recommended by stockholders for the Board, the Governance and Nominating Committee will follow the procedures outlined in the Corporate Governance Guidelines.

For additional details, see the Corporate Governance Guidelines, which are available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com.

Board Leadership Structure

The Board is committed to maintaining an independent Board comprised primarily of independent directors. To enhance the independence of the Board from management, we separate the roles of our Chief Executive Officer (“CEO”), Jason P. Rhode, and Chair of the Board, Alan R. Schuele. We believe that this leadership structure demonstrates our commitment to good corporate governance and benefits our stockholders by enhancing the oversight of management by the Board, balancing power on the Board, and encouraging balanced decision making.

The Board’s Role in Risk Oversight

Although management is responsible for identifying, assessing, and managing the material risks facing the Company, the Board plays an ongoing and active role in the oversight of the Company’s risk management processes, along with the oversight of the most significant strategic and operational risks faced by the Company and management’s efforts to mitigate those risks. The Board is involved in the setting of the Company’s business strategy, which necessarily entails a determination of what constitutes an appropriate level of risk for the Company.

Each of the Committees also considers risk within the Committee’s area of responsibility. Our Audit Committee regularly reviews with management the Company’s major financial and regulatory risk exposures, including cybersecurity-related risks, and the steps management has taken to monitor and control such exposures. Also, in designing our compensation programs and structuring awards, the Compensation Committee considers whether such compensation programs may lead to undue risk taking. Finally, our Governance and Nominating Committee oversees risks relating to corporate governance policies and related governance matters.

Code of Conduct

The Company has adopted a Code of Conduct that applies to all of its directors, officers, and employees (including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions). A copy of the Code of Conduct is available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com. The Code of Conduct, as applied to the Company’s senior financial officers, constitutes the Company’s “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and constitutes the Company’s “code of conduct” under the Nasdaq listing standards.

DIRECTOR COMPENSATION ARRANGEMENTS

Non-employee directors receive a combination of cash and equity-based compensation. Directors who are employed by the Company do not receive any additional compensation for their Board service. Non-employee directors may not receive consulting, advisory, or other compensatory fees from the Company in addition to their Board compensation.

The following table sets forth the quarterly cash payments paid to non-employee directors for Board service during the fiscal year ended March 25, 2017:

Director Compensation Retainers	
Quarterly Director Retainer	\$12,500
Board Chair Quarterly Retainer	\$11,250
Audit Chair Quarterly Retainer	\$ 6,250
Audit Committee Member Quarterly Retainer	\$ 2,500
Compensation Committee Chair Quarterly Retainer	\$ 3,750
Compensation Committee Member Quarterly Retainer	\$ 1,875
Governance and Nominating Committee Chair Quarterly Retainer	\$ 2,500
Governance and Nominating Committee Member Quarterly Retainer	\$ 1,250
Lead Independent Director Quarterly Retainer	\$ 2,500

Directors receive cash payments for each retainer category applying to him or her. The Company also reimburses non-employee directors for all reasonable out-of-pocket expenses incurred for attending Board and Committee meetings.

In addition to the cash compensation described above, each non-employee director receives equity-based compensation. Upon re-election to the Board, each non-employee director receives a full value stock award that vests immediately. In fiscal year 2017, the total number of shares subject to this award granted to each non-employee director had a fair market value up to \$170,000 as estimated on the date of grant.

Although not applicable for any director in fiscal year 2017, for newly elected non-employee directors, the Company awards an option to purchase shares of common stock of the Company at an exercise price equal to the fair market value of the stock on the date of grant upon becoming a director, with 25% vesting after one year and the remainder vesting ratably each month over the following 36 months. The total number of stock options granted to newly elected non-employee directors has a fair market value of \$225,000 as estimated on the date of grant.

On May 19, 2017, the independent directors of the Board approved modifications to director compensation based on a recommendation of the Compensation Committee, which had reviewed the Company's director compensation compared to applicable market data. In particular, the independent directors of the Board approved modifications (1) to increase the Quarterly Director Retainer from \$12,500 to \$15,000, (2) to increase the Board Chair Quarterly Retainer from \$11,250 to \$18,750, (3) to increase the Compensation Committee Chair Quarterly Retainer from \$3,750 to \$6,250, and (4) to increase the re-election equity award from a fair market value of up to \$170,000 to a fair market value of up to \$190,000. These modifications become effective as of the 2017 Annual Meeting. For any director who is re-elected after having been appointed to the Board since the previous year's annual meeting, his or her grant upon re-election will be prorated to reflect the actual duration of service as a director since his or her appointment.

The following table sets forth information regarding the cash and equity-based compensation paid to our non-employee directors for services as members of the Board or any Committee during fiscal year 2017.

Note that throughout this proxy statement, amounts may not compute across individual lines of a table, and such differences are due to rounding to the nearest dollar.

DIRECTOR COMPENSATION TABLE FOR FISCAL YEAR 2017

Name (a)	Fees Earned or Paid in Cash ⁽¹⁾ (\$) (b)	Stock Awards ⁽²⁾ (\$) (c)	Total (\$) (h)
John Carter ⁽³⁾	\$67,500	\$169,968	\$237,468
Alex Davern ⁽⁴⁾	\$85,000	\$169,968	\$254,968
Tim Dehne ⁽⁵⁾	\$74,931	\$169,968	\$244,900
Christine King ⁽⁶⁾	\$65,206	\$169,968	\$235,174
Al Schuele ⁽⁷⁾	\$96,676	\$169,968	\$266,644
William D. Sherman ⁽⁸⁾	\$67,294	\$169,968	\$237,262
David Tupman ⁽⁹⁾	\$52,569	\$169,968	\$222,537

- (1) Represents fees earned or paid in cash for services as a director during the fiscal year ended March 25, 2017, including quarterly retainer fees and Committee chair and membership retainer fees.
- (2) On July 26, 2016, upon their re-election as directors at the Company's 2016 annual meeting of stockholders, directors Carter, Davern, Dehne, King, Schuele, Sherman, and Tupman received a full value stock award that vested immediately upon re-election to the Board having a fair market value of up to \$170,000 on the date of grant. Amounts reported in this column represent the aggregate grant date fair value of the stock awards granted in fiscal year 2017, computed in accordance with FASB ASC Topic 718.
- (3) At the end of fiscal year 2017, Mr. Carter had no options outstanding.
- (4) At the end of fiscal year 2017, Mr. Davern had 15,231 options outstanding.
- (5) At the end of fiscal year 2017, Mr. Dehne had no options outstanding.
- (6) At the end of fiscal year 2017, Ms. King had 20,562 options outstanding.
- (7) At the end of fiscal year 2017, Mr. Schuele had 19,447 options outstanding.
- (8) At the end of fiscal year 2017, Mr. Sherman had no options outstanding.
- (9) At the end of fiscal year 2017, Mr. Tupman had 25,346 options outstanding.

PROPOSALS TO BE VOTED ON

Proposal No. 1:

Election of Directors

The Board approved eight nominees for election to the Board this year. Information regarding the business experience of each nominee and the particular experience, qualifications, attributes, or skills that qualify that person to serve as a director of the Company is provided below. All directors are elected annually to serve until the next annual meeting and until their respective successors are elected, or until their earlier resignation or removal. There are no family relationships among the Company's executive officers and directors.

Vote Required

In the election of directors, the eight persons receiving the highest number of "FOR" votes will be elected.

Director Resignation Policy

Any nominee for director who receives a greater number of "WITHHOLD" votes than "FOR" votes in an uncontested election of directors shall tender to the Board his or her resignation as a director promptly following the certification of the election results. For purposes of this policy, (i) an "uncontested" election is one in which the Secretary determines that the number of nominees does not exceed the number of directors to be elected as of the date seven days prior to the scheduled mailing date of the proxy statement for such meeting, and (ii) abstentions and broker non-votes will not be considered as either "WITHHOLD" votes or "FOR" votes. The Governance and Nominating Committee will consider any resignation tendered under this policy and recommend to the Board whether to accept or reject it and the Board will act on such resignation, taking into account the Governance and Nominating Committee's recommendation, within 90 days following the certification of the election results. The Governance and Nominating Committee in making its recommendation, and the Board in making its decision, may consider any information it deems appropriate including without limitation any reasons given by stockholders for their "WITHHOLD" votes, the qualifications of the Director, and his or her contributions to the Board and the Company. The Board will promptly disclose publicly its decision to accept or reject such a resignation and, if rejected, the reasons for doing so.

Information about Nominees

JOHN C. CARTER

Director since 2009

Mr. Carter, age 62, is currently a Principal at TCGen, which is a management consulting and advisory services firm that Mr. Carter founded in 2002 and is located in Menlo Park, California. Between November 2007 and January 2008, Mr. Carter was an Executive in Residence at Vantage Point Venture Partners, a venture capital firm in San Bruno, California, where he assisted in the management of several portfolio companies. Mr. Carter also served as Chief Technical Officer at Klipsch Group, a manufacturer of speakers in Indianapolis, Indiana, between February 2005 and October 2007. Mr. Carter began his career as an engineer at Bose Corporation in 1978, later becoming its Chief Engineer. Mr. Carter holds a B.S. in Engineering from Harvey Mudd College in Claremont, California, and a Master's in Electrical Engineering from Massachusetts Institute of Technology.

The Governance and Nominating Committee believes that Mr. Carter's extensive management experience with companies in the consumer audio market and his knowledge of that market, in addition to his background in venture and private equity investment transactions, make him well qualified to be on the Board. Mr. Carter also has relevant prior engineering and technical experiences in the markets we serve.

ALEXANDER M. DAVERN

Director since 2015

Mr. Davern, age 50, is currently the President and Chief Executive Officer of National Instruments Corporation (“NI”), an Austin-based supplier of measurement and automation products used by engineers and scientists in a wide range of industries. He joined NI in February 1994 and, prior to his current role, served in numerous leadership positions, including as NI’s Chief Operating Officer, Executive Vice President, Chief Financial Officer, Senior Vice President, IT and Manufacturing Operations and Treasurer from December 2002 to December 2016. Prior to joining NI, Mr. Davern worked both in Europe and in the United States for the international accounting firm of Price Waterhouse, LLP. Mr. Davern received his bachelor’s degree in Commerce and a diploma in professional accounting from University College in Dublin, Ireland.

The Governance and Nominating Committee believes that Mr. Davern is well qualified to be on the Board based on his extensive leadership experience in all aspects of managing a high technology company in Austin, Texas. In addition, Mr. Davern has extensive international finance experience within the technology industry. The Governance and Nominating Committee further believes that his experiences, along with his financial expertise, his familiarity with acquisitions and integrations, and his international tax experience make him well qualified to provide valuable insights to the Board and to serve a role in the oversight of our financial reporting and accounting practices as Chair of the Audit Committee.

TIMOTHY R. DEHNE

Director since 2009

Mr. Dehne, age 51, is currently the Vice President of Engineering for Briggo, Inc., a privately held corporation in Austin, Texas. Prior to this position, he served as the Vice President, Global Marketing, at Luminex Corporation between May 2012 and August 2013, an Austin-based company that develops, manufactures, and markets innovative biological testing technologies with applications throughout the life science and diagnostic industries. Prior to his appointment to Vice President, Global Marketing, Mr. Dehne held the position of Vice President of Systems Research and Development, a position he held between July 2009 and May 2012. He previously worked at National Instruments Corporation, an Austin-based supplier of measurement and automation products used by engineers and scientists in a wide range of industries. Mr. Dehne spent over 21 years at National Instruments Corporation where he held many leadership positions while helping to significantly grow the Company to more than 4,000 employees and over \$800 million in annual revenue. At National Instruments Corporation, he held the position of Senior Vice President, Research & Development. Prior to his role as Senior Vice President, Research & Development at National Instruments Corporation, Mr. Dehne served in various executive positions in marketing and engineering. Mr. Dehne holds a B.S. in Electrical Engineering from Rice University and serves on the Board of Directors for Asset Intertech, a privately held company, where he also is Chair of its Compensation Committee.

The Governance and Nominating Committee believes that Mr. Dehne is well qualified to be on the Board based on his extensive leadership experience in all aspects of managing a high technology company in Austin, Texas, and his unique insight into significantly growing revenues at a high technology company while maintaining an innovative corporate culture and a great work environment. His leadership skills, experience in creating and capturing business opportunities, and experience in scaling up a business to enable growth are valuable to the Company and the Board.

CHRISTINE KING

Director since 2013

Ms. King, age 68, was formerly a director and President and Chief Executive Officer of Standard Microsystems Corporation, an analog and mixed signal semiconductor provider for the consumer

electronics, automotive, and industrial markets, from October 2008 until August 2012. From September 2001 until March 2008, Ms. King served as President and Chief Executive Officer of AMI Semiconductor, Inc. Prior to that, Ms. King spent over 23 years at International Business Machines Corporation in various management roles, including her last assignment as Vice President of Semiconductor Solutions. Ms. King currently serves on the Board of Directors of IDACORP, Inc., and its principal operating subsidiary Idaho Power Company, and Skyworks Solutions, Inc., a supplier of high performance analog semiconductors. She previously served on the boards of Qlogic Corporation from April 2013 until August 2016; AMI Semiconductor, Inc. from 2003 until its acquisition by ON Semiconductor Corporation in March 2008; ON Semiconductor Corporation from March 2008 until October 2008; Analog Devices, Inc. from June 2003 to March 2008; and Atheros Communications from April 2008 until its acquisition in May 2011.

The Governance and Nominating Committee believes that Ms. King's senior management and operational experience in a number of high technology and semiconductor companies, prior Board service, and knowledge of the semiconductor industry provide the Board with significant financial, strategic, and operational expertise.

JASON P. RHODE

Director since 2007

Dr. Rhode, age 47, was appointed President and CEO, and a director of the Company in May 2007. Dr. Rhode joined the Company in 1995 and served in various engineering positions until he became Director of Marketing for analog and mixed-signal products in November 2002. He was appointed Vice President, General Manager, Mixed-Signal Audio Products, in December 2004, a role he served in until his appointment as President and CEO. Dr. Rhode holds a B.S. in Electrical Engineering from San Diego State University, as well as M.S. and doctorate degrees in Electrical Engineering from North Carolina State University.

The Governance and Nominating Committee believes that Dr. Rhode's prior experience as a semiconductor designer and his current role as CEO of the Company make him well qualified to be on the Board based on his detailed and unique knowledge of the Company's operations, opportunities, and challenges. In addition, the Governance and Nominating Committee believes that having Dr. Rhode serve on the Board helps to bridge the gap between the Board and management, to facilitate the regular flow of information between management and the Board, and to ensure that the Board and management act with a common purpose to execute our strategic initiatives and business plans.

ALAN R. SCHUELE

Director since 2011

Mr. Schuele, age 71, has been a general partner since 2000 with Sevin Rosen Funds, a high tech venture capital firm. While at Sevin Rosen Funds, Mr. Schuele led the investments in a number of semiconductor companies, including Cicada Semiconductor (acquired by Vitesse), Zilker Labs and D2Audio Corporation (both acquired by Intersil), and Javelin Semiconductor (acquired by Avago Technologies, Ltd.). Prior to working at Sevin Rosen, he was Chief Executive Officer of Benchmark Microelectronics and served as President and Chief Operating Officer of Unitrode Corporation after its merger with Benchmark. Over his nearly 30-year career in the semiconductor industry, he has held various executive and sales management positions in several semiconductor companies including the Company, Crystal Semiconductor, Cypress Semiconductor, and Mostek. Mr. Schuele is currently a director at Vidyo, Inc., which provides a scalable software-based solution for video conferencing. Mr. Schuele was also previously a director at InfoNow Corp., a leading provider of SaaS-based channel management solutions, where he served as a director between 2008 and November 2011.

In addition to Mr. Schuele's extensive executive management and sales experience at semiconductor companies, he has played key roles in major mergers and acquisitions and has worked extensively in Asian markets.

The Governance and Nominating Committee believes that Mr. Schuele's experiences, along with his experience in advising entrepreneurs on how to turn their emerging technologies into winning companies, make him well qualified to contribute strategic, operational, and industry expertise to the Board.

WILLIAM D. SHERMAN

Director since 2001

Mr. Sherman, age 74, is a former partner of the law firm of Morrison & Foerster LLP, where he worked between 1987 and December 2013. He specialized in corporate and corporate securities practice. He has extensive experience working with public companies, the SEC, and the Financial Industry Regulatory Authority, formerly known as the National Association of Securities Dealers. Mr. Sherman is also a recognized specialist on corporate governance matters by way of his representation of various public and private companies, and he regularly participates in panel discussions on executive compensation and corporate governance topics. In 1972, Mr. Sherman received a law degree from the University of California – Berkeley, School of Law, and an MBA degree from the Haas School of Business at the University of California – Berkeley.

During his tenure with Morrison & Foerster LLP, Mr. Sherman had extensive experience with corporate, financial, legal, regulatory, and governance issues faced by a public company, and the Governance and Nominating Committee believes that his background and experience make him well qualified to be on the Board.

DAVID J. TUPMAN

Director since 2015

Dr. Tupman, age 54, is currently the CEO of Details Lab Inc., an advisory firm focusing on scaling organizations for high-growth, technology development and new product introduction. From 2001 to 2011, Dr. Tupman rose from manager to Vice President of hardware engineering at Apple, Inc., where he led the hardware engineering and technology teams for multiple mobile devices. Prior to Apple, Dr. Tupman worked at Psion Computers in London, England, from 1995 to 2001 as a hardware-engineering manager, developing a number of personal digital assistant products. From 1988 to 1995, Dr. Tupman was a Principal Design Engineer at Schlumberger in Farnborough, England, where he developed low power, high precision sensors for the gas, fuel and aerospace industries. Dr. Tupman holds a Bachelor's degree in Electronics Engineering and an honorary doctorate (D.Sc.) from the University of Salford, England. Dr. Tupman is named as an inventor on more than 30 U.S. patents. Dr. Tupman has also served as a director of Pixelworks, Inc., a company that develops video display processing technology, since April 2014.

The Governance and Nominating Committee believes that Dr. Tupman is well qualified to be on the Board based on his extensive engineering and technology experience in the consumer electronics and industrial markets.

The Board recommends a vote “FOR” the election to the Board of each of the foregoing nominees.

Proposal No. 2:
**Ratification of Appointment of Independent Registered Public
Accounting Firm**

The Audit Committee has appointed Ernst & Young LLP (“Ernst & Young”) as the Company’s independent registered public accounting firm to audit the Company’s consolidated financial statements for the fiscal year ending March 31, 2018. During the fiscal year that ended March 25, 2017, Ernst & Young served as the Company’s independent registered public accounting firm and also provided certain tax services.

The Audit Committee pre-approves and reviews all audit and non-audit services provided by Ernst & Young. In considering the services to be provided by Ernst & Young, the Audit Committee considers whether the provision of non-audit services is compatible with maintaining the independence of Ernst & Young.

For additional information relating to the Audit Committee, see the section of this proxy statement entitled, “*Report of the Audit Committee of the Board,*” as well as the Audit Committee Charter, which is available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com.

A representative of Ernst & Young is expected to attend the Annual Meeting and be available to respond to questions and, if he or she desires, to make a statement.

The Board recommends a vote “FOR” Proposal No. 2.

If the appointment is not ratified, the Audit Committee retains the discretion to select other auditors for the following fiscal year or to determine that Ernst & Young will continue to serve as the independent auditor. Ratification of the appointment of Ernst & Young as the Company’s independent registered public accounting firm for the fiscal year ending March 31, 2018, requires the affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote at the meeting.

Proposal No. 3:
Advisory Vote to Approve Executive Compensation

Section 14A of the Securities Exchange Act of 1934 and related rules of the SEC enable our stockholders to vote to approve, on an advisory, non-binding basis, the compensation of our CEO, our Chief Financial Officer (“CFO”), and our three other most highly compensated executive officers (collectively, our “Named Executive Officers”) as disclosed in this proxy statement. This vote is advisory, and, therefore, not binding on the Company, the Compensation Committee, or the Board. However, the Board and the Compensation Committee value the opinions of our stockholders and to the extent there is a significant vote against the compensation of the Named Executive Officers, we will consider our stockholders’ concerns, and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

As described in detail in the section of this proxy statement entitled, “*Compensation Discussion and Analysis,*” our executive compensation program is designed to attract, motivate, and retain executive officers, while aligning their interests with those of our stockholders. Under this program, our executive officers are rewarded for the achievement of strategic and operational objectives and the realization of increased stockholder value. Please read the Compensation Discussion and Analysis and the accompanying compensation tables of this proxy statement for additional information about our executive compensation program, including information about the compensation of the Named Executive Officers for fiscal year 2017.

By way of this proposal, commonly known as a “Say-on-Pay” proposal, we are asking our stockholders to indicate their support for the compensation of the Named Executive Officers as described in this proxy statement. Please note that this vote is not intended to address any specific item of compensation, but rather the overall compensation of the Named Executive Officers and the philosophy, policies, and practices described in this proxy statement.

The stockholders are being asked to approve the following resolution at the Annual Meeting:

“RESOLVED, that the compensation paid to the company’s Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.”

The Board recommends a vote “FOR” Proposal No. 3.

Proposal No. 4:

Advisory Vote on the Frequency of Future Advisory Votes To Approve Executive Compensation

As described in Say-on-Pay Proposal No. 3, the Securities Exchange Act of 1934 and related rules of the SEC enable our stockholders to provide an advisory vote to approve the compensation of our Named Executive Officers. This Proposal No. 4 enables our stockholders to provide an advisory vote on *how often* we should include a Say-on-Pay proposal in future proxy materials for annual meetings of stockholders. Under this Proposal No. 4, commonly known as a “Say-on-Frequency” proposal, stockholders may vote to have a Say-on-Pay vote every one year, every two years, every three years, or may abstain.

In 2011, we had a similar Say-on-Frequency proposal, and our stockholders voted for having Say-on-Pay proposals every one year. In response, we implemented annual Say-on-Pay votes and believe that we should continue having such votes every one year to allow our stockholders to frequently express their views on our executive compensation program.

This vote is advisory, and, therefore, not binding on the Company, the Compensation Committee, or the Board. However, the Board and the Compensation Committee value the opinions of our stockholders and will consider the outcome of the vote when making decisions about the frequency of providing Say-on-Pay proposals in the future.

We expect that our next Say-on-Frequency proposal will occur at our 2023 annual meeting of stockholders.

Stockholders may cast their advisory vote on the frequency of future advisory votes on executive compensation as: every “One Year,” every “Two Years,” every “Three Years,” or “Abstain.”

The Board recommends a vote on Proposal No. 4 to hold Say-on-Pay Votes every “ONE YEAR.”

OTHER MATTERS

The Company knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the Proxy to vote the shares they represent as the Board may recommend. Discretionary authority with respect to such other matters is granted by the execution of the Proxy.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT**

The following table contains information regarding the beneficial ownership of common stock as of May 9, 2017, by:

- The stockholders we know to beneficially own more than 5% of outstanding common stock;
- Each director named in this proxy statement;
- Each executive officer named in the Summary Compensation Table included in this proxy statement; and
- All of our directors and executive officers as a group.

Common stock is the only class of voting securities issued by the Company. Unless otherwise indicated in the footnotes, the beneficial owner has sole voting and investment power with respect to the securities beneficially owned, subject only to community property laws, if applicable. In addition, unless otherwise indicated in the footnotes, the beneficial owner's address is 800 W. Sixth Street, Austin, Texas 78701.

<u>Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	
	<u>Number</u>	<u>Percent ⁽¹⁾</u>
<i>5% or Greater Stockholders:</i>		
FMR LLC ⁽²⁾	7,308,672	11.3466%
Blackrock, Inc. ⁽³⁾	6,611,974	10.2650%
The Vanguard Group, Inc. ⁽⁴⁾	6,554,756	10.1762%
<i>Directors and Named Executive Officers:</i>		
Jason P. Rhode, President, Chief Executive Officer and Director ⁽⁵⁾	726,109	1.1174%
Gregory Scott Thomas, Vice President, General Counsel and Corporate Secretary ⁽⁶⁾	75,345	*
Scott Anderson, Senior Vice President and General Manager, Mixed-Signal Audio Division ⁽⁷⁾	73,949	*
Jo-Dee M. Benson, Vice President and Chief Culture Officer ⁽⁸⁾	67,926	*
Thurman K. Case, Vice President, Chief Financial Officer and Principal Accounting Officer ⁽⁹⁾	51,579	*
Alan R. Schuele, Director ⁽¹⁰⁾	32,556	*
Christine King, Director ⁽¹¹⁾	26,117	*
John C. Carter, Director ⁽¹²⁾	23,044	*
David J. Tupman, Director ⁽¹³⁾	17,759	*
Timothy R. Dehne, Director ⁽¹⁴⁾	15,968	*
Alexander M. Davern, Director ⁽¹⁵⁾	13,481	*
William D. Sherman, Director ⁽¹⁶⁾	4,559	*
<i>All current directors and executive officers as a group (17 persons)</i> ⁽¹⁷⁾	1,255,779	1.9212%

* Less than 1% of the outstanding common stock

(1) Percentage ownership is based on 64,412,661 shares of common stock issued and outstanding on May 9, 2017. Shares of common stock issuable under stock options that are currently exercisable or will become exercisable within 60 days after May 9, 2017, and shares of common stock subject to restricted stock units ("RSUs") and performance-based RSUs ("PBRsUs") that will vest and be issued within 60 days after May 9, 2017, are deemed to be outstanding and beneficially owned by the person holding such options or RSUs or PBRsUs for the purpose of computing the number of shares beneficially owned and the percentage ownership of such person, but are not deemed

outstanding for the purpose of computing the percentage of any other person. This table does not include options, PBRsUs, or RSUs that vest more than 60 days after May 9, 2017.

- (2) Based on a Schedule 13G filed with the SEC on February 14, 2017, FMR LLC, 245 Summer Street, Boston, MA 02210, is the beneficial owner of 7,308,672 shares, with sole voting power as to 1,323,728 shares, and sole dispositive power as to 7,308,672 shares.
- (3) Based on a Schedule 13G filed with the SEC on January 9, 2017, Blackrock Inc., 55 East 52nd Street, New York, NY 10055, is the beneficial owner of 6,611,974 shares, with sole voting power as to 6,466,687 shares, and sole dispositive power as to 6,611,974 shares.
- (4) Based on a Schedule 13G filed with the SEC on February 10, 2017, The Vanguard Group Inc., 100 Vanguard Blvd., Malvern, PA 19355, is the beneficial owner of 6,554,756 shares, with sole voting power as to 124,621 shares, sole dispositive power as to 6,426,525 shares, shared dispositive power as to 128,231 shares, and shared voting power as to 6,755 shares.
- (5) Includes 569,650 shares issuable upon exercise of options held by Dr. Rhode and 156,459 shares held directly.
- (6) Includes 62,582 shares issuable upon exercise of options held by Mr. Thomas and 12,763 shares held directly.
- (7) Includes 60,017 shares issuable upon exercise of options held by Mr. Anderson and 13,932 shares held directly.
- (8) Includes 47,083 shares issuable upon exercise of options held by Ms. Benson and 20,843 shares held directly.
- (9) Includes 39,089 shares issuable upon exercise of options held by Mr. Case and 12,490 shares held directly.
- (10) Includes 19,447 shares issuable upon exercise of options held by Mr. Schuele and 13,109 shares held directly.
- (11) Includes 17,991 shares issuable upon exercise of options held by Ms. King and 8,126 shares held directly.
- (12) Includes 0 shares issuable upon exercise of options held by Mr. Carter and 23,044 shares held directly.
- (13) Includes 11,088 shares issuable upon exercise of options held by Mr. Tupman and 6,671 shares held directly.
- (14) Includes 0 shares issuable upon exercise of options held by Mr. Dehne and 15,968 shares held directly.
- (15) Includes 4,817 shares issuable upon exercise of options held by Mr. Davern and 8,664 shares held directly.
- (16) Includes 0 shares issuable upon exercise of options held by Mr. Sherman and 4,559 shares held directly.
- (17) Includes options held by all executive officers and directors to purchase an aggregate of 951,886 shares of common stock that are exercisable within 60 days of May 9, 2017.

EXECUTIVE OFFICERS

Scott A. Anderson – Senior Vice President and General Manager, Mixed-Signal Audio Division

Mr. Anderson, age 63, was appointed Senior Vice President and General Manager, Mixed-Signal Audio Division, in October 2007. Prior to joining the Company, Mr. Anderson served as the President and Chief Operating Officer of Freescale Semiconductor between March 2004 and February 2005, and as President and Chief Executive Officer of Motorola Semiconductor Products Sector between February 2003 and December 2003.

Jo-Dee M. Benson – Vice President, Chief Culture Officer

Ms. Benson, age 57, was appointed Vice President, Chief Culture Officer, as of July 2011. She joined the Company in July 1995 and served in various marketing communications management roles. Prior to being appointed to her current position, Ms. Benson served as Vice President, Corporate Communications and Human Resources between July 2005 and July 2011, and as Vice President, Corporate Marketing Communications between January 2001 and July 2005.

Andrew Brannan – Vice President Worldwide Sales

Mr. Brannan, age 50, joined Cirrus Logic as part of the Wolfson Microelectronics plc (“Wolfson”) acquisition in August 2014. Mr. Brannan had worked at Wolfson since 2009, where he was Chief Commercial Officer. Immediately before joining Wolfson, Mr. Brannan served as a board member and Executive Vice President of Sales and Customer Operations at Symbian Software Limited.

Randy Carlson – Vice President of Supply Chain

Mr. Carlson, age 51, was appointed Vice President of Supply Chain in February 2010. Mr. Carlson previously worked as Director of Supply Chain between May 2008 and February 2010.

Thurman K. Case – Vice President, Chief Financial Officer and Principal Accounting Officer

Mr. Case, age 60, was appointed CFO in February 2007. He joined the Company in October 2000 and was appointed Vice President, Treasurer, Financial Planning & Analysis, in September 2004. Prior to being appointed to his current position, Mr. Case served as Vice President, Finance between June 2002 and September 2004, and as Director of Finance between October 2000 and June 2002. Mr. Case currently serves as a Director and Audit Committee member of Helen of Troy (Nasdaq: HELE), a consumer products company based in El Paso, Texas.

Brad Fluke – Vice President and General Manager, MEMS Division

Mr. Fluke, age 55, was appointed Vice President and General Manager, MEMS Division in May, 2015. He joined the company in 2013, originally serving as Vice President of Strategy. Previously, from 2008 to 2013, Mr. Fluke served as the President, Chief Executive Officer, and the Chair of the Board at Javelin Semiconductor, Inc.

Allan Hughes – Vice President Cirrus Logic International

Mr. Hughes, age 56, joined Cirrus Logic as part of the Wolfson acquisition in August 2014. Mr. Hughes joined Wolfson in March 2009 as Vice President Marketing and Applications. In 2013, he assumed the role of Chief Operating Officer.

Jason P. Rhode – President and Chief Executive Officer, and Director Nominee

Dr. Rhode, age 47, was appointed President and CEO of the Company in May 2007. Dr. Rhode joined the Company in 1995 and served in various engineering positions until he became Director of Marketing for analog and mixed-signal products in November 2002. He was appointed Vice President, General Manager, Mixed-Signal Audio Products, in December 2004, a role he served in until his appointment as President and CEO.

Rashpal Sahota – Vice President and Audio General Manager, Cirrus Logic International

Mr. Sahota, age 57, joined Cirrus Logic as part of the Wolfson acquisition in August 2014. Mr. Sahota had worked at Wolfson since 2008, where he acted as Vice President, General Manager, Audio.

Gregory Scott Thomas – Vice President, General Counsel and Corporate Secretary

Mr. Thomas, age 51, was appointed Vice President, General Counsel and Corporate Secretary in December 2003. He joined the Company in December 2000 as Vice President and Associate General Counsel, Intellectual Property.

COMPENSATION DISCUSSION AND ANALYSIS

Table of Contents

Purpose and Named Executive Officers	25
Executive Summary	26
Advisory Vote on Executive Compensation and Last Year’s Result	27
Our General Philosophy and Overall Compensation Framework	27
How We Set Target Total Direct Compensation	27
Our Use of a Compensation Consultant	28
The Information We Use for Comparisons	29
The Role of Our Executive Officers in Establishing Compensation	29
The Elements Making Up Compensation and Our Target Compensation Levels	30
Executive Compensation Review for Fiscal Year 2017	30
Base Salary Determinations	30
Annual Cash Incentive Awards: Our Incentive Plan	31
Long-Term Incentive Awards: Equity Grants	38
Use of Stock Options and RSUs	39
Performance-Based Restricted Stock Unit Program	39
Equity Awards and Comparisons to Market Composite Data	40
Administrative and Timing Aspects of Our Equity Awards	43
Stock Ownership Guidelines	44
Perquisites and Other Benefits	44
Post-Employment Compensation	44
Prohibition Against Short Selling, Hedging, and Pledging	45
Tax Considerations Related to Compensation	45
Compensation Committee Interlocks and Insider Participation	46

I. Purpose and Named Executive Officers

The purpose of this Compensation Discussion and Analysis is to explain the Compensation Committee’s philosophy for determining the compensation program for our Chief Executive Officer (“CEO”), our Chief Financial Officer (“CFO”), and the three other most highly compensated executive officers (collectively, the “Named Executive Officers”) for fiscal year 2017 and to discuss why and how the fiscal year 2017 compensation decisions for these executives were reached. As used in this Compensation Discussion and Analysis, all references to the 2017 fiscal year are applicable to the time period that began on March 27, 2016, and ended on March 25, 2017. Following this discussion are tables that include compensation information for the Named Executive Officers. This analysis contains descriptions of various employee compensation and benefit plans. These descriptions are qualified in their entirety by reference to the full text or detailed descriptions of the plans that are filed as exhibits to the Company’s Annual Report on Form 10-K for fiscal year 2017.

The Named Executive Officers for fiscal year 2017 were as follows:

- Jason P. Rhode, President and CEO;
- Thurman K. Case, Vice President, Chief Financial Officer and Principal Accounting Officer;
- Scott A. Anderson, Senior Vice President and General Manager, Mixed-Signal Audio Division;
- Jo-Dee M. Benson, Vice President and Chief Culture Officer; and
- Gregory S. Thomas, Vice President, General Counsel and Corporate Secretary.

The Compensation Committee reviews and approves base salaries and other matters relating to executive compensation and administers the Company's stock incentive plans, including reviewing and granting stock incentive awards to our executive officers and other employees and reviewing and approving policies and procedures for granting awards under these plans.

II. Executive Summary

Listed below are significant actions taken by our Compensation Committee and financial highlights for fiscal year 2017. Additional details are described in the analysis and discussion that follows.

Financial Highlights

- **Record Revenue.** We reported record revenue of \$1.5 billion, up 32% from the prior year, and experienced our third consecutive year of more than 25% revenue growth;
- **Operating Margin.** We achieved a GAAP operating margin of 21%, up from 15% the prior year;
- **Stock Performance.** During fiscal year 2017, our stock price increased by 74%;
- **Share Gains.** Our revenue was again driven by new product introductions and content expansion;
- **Flagship Features.** We continued to make progress driving key flagship features into mid-tier devices; and
- **End-to-End Solutions.** Our ability to provide best in class components that span the complete audio signal chain continued to place us at a competitive advantage.

Compensation Highlights

- **Compensation Adjustments.** We increased the base salaries for our executive officers in view of market data and typical market adjustments, and to reflect Company and individual performance; and
- **Equity Grants.** We approved restricted stock unit ("RSU"), Performance-Based Restricted Stock Unit ("PBRSU"), and stock option grant awards to executive officers under Cirrus Logic Inc.'s 2006 Stock Incentive Plan.

We are committed to paying executive officers based on Company and individual performance. A significant portion of each executive officer's compensation is based on the achievement of short- and long-term profitable growth of the Company.

The Compensation Committee believes that the compensation paid to our executive officers as reflected in this proxy statement is fully supported by the Company's performance over the relevant time periods. As noted in the highlights above, the Company has exceeded 25 percent revenue growth

for three consecutive years. Additionally, for the one-year period and the three-year period preceding the August 2016 data-gathering efforts in support of the Company's annual review of executive compensation, our revenue growth placed us at the 68th and 50th percentile, respectively, of the Proxy Group (as defined below in the section of the proxy statement entitled, "*The Information We Use for Comparisons*").

III. Advisory Vote on Executive Compensation and Last Year's Result

We conducted our annual stockholder advisory vote on named executive officer compensation at our 2016 annual meeting of stockholders. While this vote was not binding on the Company, it gives our stockholders an opportunity to vote on the compensation of our Named Executive Officers on an annual basis as a means to express their views regarding our executive compensation philosophy, our compensation policies and programs, and our decisions regarding executive compensation, all as disclosed in our proxy statements. The Board and the Compensation Committee value the opinions of our stockholders and, to the extent that there is any significant vote against the compensation of our Named Executive Officers as disclosed in this proxy statement, we will consider our stockholders' concerns, and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

At the Company's 2016 annual meeting of stockholders, more than 98% of the votes cast on our executive compensation proposal were voted in favor of our Named Executive Officers' compensation as disclosed in the proxy statement, and as a result, our Named Executive Officers' compensation was approved. The Compensation Committee reviewed the final vote results and determined that, given the significant level of support, no specific changes to our executive compensation philosophy or general policies and decisions were necessary to address any stockholder concerns.

We provide our stockholders with the opportunity to cast an advisory vote on named executive officer compensation each year and have recommended that we continue to hold such an advisory vote on an annual basis. For more information, see "*Proposal No. 3 – Advisory Vote to Approve Executive Compensation*" and "*Proposal No. 4 – Advisory Vote on the Frequency of Future Advisory Votes to Approve Executive Compensation*" within this proxy statement.

IV. Our General Philosophy and Overall Compensation Framework

We provide our executive officers with compensation opportunities that are based on their personal performance, the financial performance of the Company, and their contribution to that performance, through a mix of base salary, annual cash incentive awards, and equity compensation including RSUs, PBRs, and stock options. These opportunities are designed to attract and retain highly skilled individuals and to align management's incentives with the long-term interests of our stockholders.

We believe that the amounts payable under the compensation program for our executive officers should reflect the Company's performance and the value created for our stockholders. In addition, the compensation program should balance the short- and long-term strategic goals and objectives of the Company and reward individual contribution to the Company's success. We are engaged in a very competitive industry, and the Company's success depends on its ability to attract and retain qualified executives through the competitive compensation packages we offer.

A. How We Set Target Total Direct Compensation

The Compensation Committee annually reviews and establishes each executive officer's target total direct compensation package. The Compensation Committee considers a broad range of facts and circumstances in setting executive compensation, including Company performance, individual

performance, external pay practices of peer companies, the strategic importance of the executive officer's position, history of pay adjustments, as well as internal pay equity and the executive officer's time in the position. The weight given to each of these factors by the Compensation Committee may differ from year to year, and among the individual executive officers.

The Company's executive compensation program is heavily weighted toward performance-based compensation that rewards achievement of short- and long-term corporate goals and objectives. In setting target total direct compensation for our executive officers, the Compensation Committee seeks to strike a balance between providing compensation that is competitive with the compensation paid to executives of peer companies, while ensuring that a significant percentage of compensation is coupled to the Company's performance, individual performance, and stock price appreciation. Please see the section of this proxy statement entitled, "*The Elements Making Up Compensation and Our Target Compensation Levels*" for additional information regarding the target total direct compensation for our Named Executive Officers.

B. Our Use of a Compensation Consultant

To support the Compensation Committee in fulfilling its duties, the Compensation Committee directly retained an external compensation consultant to assist with its design and evaluation of compensation for our CEO, executive officers, and directors. Pursuant to its charter, the Compensation Committee is authorized to retain and terminate any consultant, as well as approve the consultant's fees and other terms of retention.

During fiscal year 2017, the Compensation Committee retained Compensia, Inc. ("Compensia") to provide executive and director compensation consulting services. At the direction of the Compensation Committee, Compensia performed a comprehensive review of our CEO's and other executive officers' compensation. In addition to a complete review of executive compensation, Compensia reviewed, developed, and proposed a compensation peer group to use for purposes of analyzing executive and director compensation. The Compensation Committee considered this information in setting executive compensation.

As required by the Nasdaq listing standards, the Compensation Committee performed an independence assessment of Compensia. The Compensation Committee determined that Compensia should be considered independent based on the following factors:

- Compensia provided no services to the Company other than its work for the Compensation Committee;
- The fees paid to Compensia by the Company were less than 1% of Compensia's revenues for the year;
- Compensia has developed and provided to the Company a Conflict of Interest Policy;
- The advisers from Compensia have no business or personal relationship with any members of the Company's Compensation Committee or the Company's executive officers; and
- Compensia has confirmed that none of the advisers from Compensia own any shares of our common stock.

Accordingly, the Compensation Committee determined that the services provided by Compensia to the Compensation Committee for fiscal year 2017 did not give rise to any conflicts of interest.

C. The Information We Use for Comparisons

To aid the Compensation Committee's annual executive compensation review, Compensia prepared and presented a compensation assessment of the Company's executive compensation program. Compensia's assessment was based on (a) publicly available data gathered from a group of specific companies that are considered comparable to the Company (the "Proxy Group") and (b) market data obtained from the Radford Global Technology Survey specific to companies in such Proxy Group (the "Survey Data").

The Proxy Group generally consists of public companies listed on U.S. stock exchanges in the semiconductor industry that are similar in size (approximately \$400 million – \$2.6 billion in revenue and approximately \$600 million – \$11.1 billion in market capitalization) and share common characteristics with the Company, including location and similarity of business model and product lines. In determining the Proxy Group, the Compensation Committee also considered whether a proposed peer was historically in the Company's peer group to maintain some consistency in the executive compensation analysis on a year-over-year basis. Finally, the Compensation Committee also considered the likelihood that the Company might compete for executive talent with companies selected for the Proxy Group.

In March 2016, based on these criteria, and with the direction of the Compensation Committee on companies to consider for inclusion in the Proxy Group, Compensia reviewed the then-existing Proxy Group and made recommendations regarding potential additions and removals.

Specifically, it was recommended that the following two companies be added: Cavium, Inc. and Maxim Integrated Products, Inc.

It was recommended that the following three companies be removed: Atmel, OmniVision Technologies Inc., and PMC-Sierra, Inc. (each due to acquisition or then-pending acquisition).

After review, the Compensation Committee approved such recommendations, and the following group of 13 companies therefore was approved for the Proxy Group: (1) Cavium, Inc.; (2) Cypress Semiconductor; (3) Fairchild Semiconductor; (4) Integrated Device Technology, Inc.; (5) Intersil Corp.; (6) InvenSense Inc.; (7) Knowles Corporation; (8) Maxim Integrated Products, Inc.; (9) Microsemi Corp.; (10) Qorvo, Inc.; (11) Semtech Corp.; (12) Silicon Laboratories, Inc.; and (13) Synaptics Incorporated.

Compensia developed market composite data for each Cirrus Logic executive officer reflecting a blend of the Survey Data and the data derived from the Proxy Group ("Market Composite Data"). If Proxy Group data was not available for an executive officer, Compensia's analysis and subsequent compensation recommendations were based on the Survey Data. For example, Proxy Group data was not available for Ms. Benson, so Survey Data was used.

D. The Role of Our Executive Officers in Establishing Compensation

Our Human Resources and Legal departments support the Compensation Committee's work related to our compensation programs. This support consists of assistance with providing Survey Data, proposals of potential ranges of various components of compensation for our executive officers, and information regarding the Company's Stock Plan. Regular meetings of the Compensation Committee are generally attended by our CEO, CFO, Chief Culture Officer, and our General Counsel. Because the Company's executive officers report directly to the CEO, the Compensation Committee requests input and recommendations from the CEO regarding executive compensation (other than his own). The Compensation Committee considers and sets the compensation of our CEO when no members of management are present. In addition, members of management are not present while their specific compensation is being discussed and determined.

E. The Elements Making Up Compensation and Our Target Compensation Levels

Each executive officer's compensation package comprises the following elements: (i) base salary that reflects individual performance, (ii) annual cash incentive awards tied to the Company's achievement of specific performance objectives, (iii) long-term incentives in the form of equity awards (RSUs and options) designed to strengthen the mutuality of interests between the executive officers and the Company's stockholders, (iv) additional long-term equity incentives explicitly tied to certain Company performance-based criteria (PBRsUs), (v) other benefits that are generally available to the Company's employees, including a 401(k) (or other retirement plan) and medical, vision, and dental plans, and (vi) post-employment compensation (see sections of this proxy statement entitled, "*Our Post-Employment Compensation*" and "*Potential Payments upon Termination or Change of Control*").

In general, we have attempted to establish a strong relationship between total cash compensation, the Company's performance, and individual executive performance by typically setting base salaries with reference to the 50th percentile range of the Market Composite Data and by providing additional incentive opportunities that typically place the target total cash compensation opportunity (base salary plus target annual cash incentive compensation) also within the 50th percentile range, with the potential to earn above the 50th percentile level for higher levels of performance. We also aim to maintain internal pay equity and set the target bonus percentage (discussed in more detail below) for each executive officer other than our CEO at the same level.

We provide additional long-term incentives in the form of equity awards so that an executive officer's target total direct compensation opportunity is analyzed with a view toward setting target total direct compensation with reference to the 50th percentile level. All of these percentiles are intended only as guidelines for evaluating and establishing each executive officer's compensation and are not applied on a rigid or formulaic basis. Sometimes, depending on the totality of the circumstances for particular executive officers, and as determined by the Compensation Committee based on its discretion, compensation levels may fall within different percentile ranges as compared to market data. Other factors such as an executive officer's additional responsibilities, prior work experience, and the number of years of experience with the Company may lead to certain executive officers, particularly our Named Executive Officers, with target total direct compensation above the 50th percentile.

V. Executive Compensation Review for Fiscal Year 2017

The Compensation Committee reviewed our executive officers' compensation at regularly scheduled Compensation Committee meetings in August and September. At that time, the Compensation Committee also reviewed the Company's performance as compared to the Proxy Group. As part of the review, the Compensation Committee considered any changes to an executive officer's base salary or target amounts for his or her annual cash incentive awards. The Compensation Committee further considered any annual equity awards for our executive officers. Ultimately, any decision to adjust compensation was made in the discretion of the Compensation Committee in view of the numerous factors and circumstances discussed in this proxy statement.

The timing of the annual executive compensation review and any proposed equity awards is aligned with the Company's annual grant of equity awards to our key employees, which occurs in November. See the section of this proxy statement entitled, "*Administrative and Timing Aspects of Our Equity Awards*."

A. Base Salary Determinations

The base salary for each executive officer is designed to be commensurate with the salary levels for comparable positions within the Market Composite Data, to reflect each individual's personal

performance during the year, to take into consideration the individual's responsibilities within the Company, and to be consistent with our internal salary alignment. The relative weight given to each factor may vary as determined by the Compensation Committee. In setting base salaries, the Compensation Committee reviews the Market Composite Data, the recommendations of our CEO for base salaries other than his own, and each executive officer's individual performance for the year, as well as factors discussed above in the section entitled, "*How We Set Target Total Direct Compensation.*" The Company's profitability and operational performance and the history of past salary adjustments may also be factors in determining the base salaries of our executive officers. The Compensation Committee looks collectively at all of these factors when making its decisions.

In September 2016, the Compensation Committee made the following adjustments to the base salaries of our Named Executive Officers:

- Raised our CEO's annual base salary 8.7% from \$690,000 to \$750,000;
- Raised our CFO's annual base salary 7.7% from \$338,000 to \$364,000;
- Raised Mr. Anderson's annual base salary 3.0% from \$330,000 to \$340,000;
- Raised Ms. Benson's annual base salary 3.0% from \$330,000 to \$340,000; and
- Raised Mr. Thomas's annual base salary 2.9% from \$340,000 to \$350,000.

The Compensation Committee increased our CEO's base salary in recognition of the Company's strong performance over the prior 12 months as well as individual performance. His base salary is approximately 116% of the 50th percentile value in the applicable Market Composite Data.

Increases of approximately 3% were applied to other executive officers, including three of our Named Executive Officers as shown above, based on similar considerations and typical annual market adjustments. For other executive officers whose salary fell below the 50th percentile, including our CFO, increases ranged from 5–10% to bring their base salaries closer to, while still below, the 50th percentile level of the applicable Market Composite Data.

For each adjustment to our executive officers' base salary, the Compensation Committee also factored into its analysis the history of past salary adjustments and the objective of setting target total cash compensation (including base salary and target incentive plan payments discussed below) with reference to the 50th percentile of applicable Market Composite Data. Additionally, growth in revenue over the past several years has led to corresponding changes in the Proxy Group, which affects the Market Composite Data considered by the Compensation Committee in making its decisions.

B. Annual Cash Incentive Awards: Our Incentive Plan

In fiscal year 2017, our executive officers, including our Named Executive Officers participated in our 2007 Management and Key Individual Contributor Incentive Plan ("Incentive Plan") tied to fiscal year 2017 financial performance. The Incentive Plan is designed to provide employees who are in management or leadership positions in the Company, or who are key individual contributors whose efforts potentially have a material impact on the Company's performance, with incentives to improve the Company's performance through the achievement of financial goals. Pursuant to the Incentive Plan, participants are eligible to earn semi-annual cash bonus payments.

As defined and described in more detail below, a given semi-annual cash bonus is equal to an individual's target semi-annual bonus multiplied by a semi-annual Incentive Plan Pay-Out Percentage. The Incentive Plan Pay-Out Percentage is based on the Company's performance: its operating profit margin as calculated under the Incentive Plan and revenue growth for the given semi-annual performance period. The individual's target semi-annual bonus is, in turn, based on the individual's annual base salary multiplied by his or her target bonus percentage.

For fiscal year 2017, our CEO's target bonus percentage for each semi-annual performance period was maintained at 65% of his annual base salary, and the target bonus percentage for each semi-annual performance period for all other executive officers, including our remaining Named Executive Officers, was maintained at 32.5% of their annual base salary.

The target total cash compensation—base salary plus target cash incentives—for fiscal year 2017 was therefore:

- For our CEO, \$1,725,000;
- For our CFO, \$600,600;
- For Mr. Anderson, \$561,000;
- For Ms. Benson, \$561,000; and
- For Mr. Thomas, \$577,500.

Our CEO's target total cash compensation is approximately 109% of the 50th percentile value in the applicable Market Composite Data. Our other executive officers, including the other Named Executive Officers, fall within a range of approximately 84–110% of the 50th percentile level. As noted above, each executive officer's target bonus percentage was maintained at the same level from last year.

Payments under the Incentive Plan are determined based on, in addition to an individual's target bonus percentage, the achievement of certain internal company performance target levels for operating profit margin and revenue growth, which are set by the Compensation Committee prior to the commencement of each semi-annual performance period. For purposes of the Incentive Plan, "Operating Profit Margin" is defined as the Company's consolidated GAAP operating income excluding (a) Incentive Plan and other bonus accruals and (b) any non-recurring items such as gains on sales of assets not otherwise included in revenue, losses on sales of assets, restructuring charges, merger-related costs including amortization or impairments of acquisition-related intangible assets, deferred tax adjustments, stock compensation expense, asset write-offs, write-downs, and impairment charges, and such other items as the Compensation Committee may determine in its sole discretion (part (b) collectively termed as "Excluded Items").

These performance measures are designed to balance short- and long-term financial and strategic objectives for building stockholder value and are further based on a review of the operating results of other peer companies and competitors, including the performance of the Proxy Group. The Compensation Committee sets the target levels for these performance measures so that participants will earn their target bonuses if the Company's Operating Profit Margin and revenue growth goals are achieved during the measurement period. As designed, the Operating Profit Margin and revenue growth goals were intended by the Compensation Committee to be based on the Company's long-term strategic plan, not the Company's annual operating plan, and to further reflect the Committee's belief that the achievement of both of these levels of performance would reflect performance generally exceeding that of other peer companies. The Incentive Plan further provides that no payments may be made unless a specified Operating Profit Margin threshold level is met. As opposed to the target levels for the Incentive Plan, typically the Compensation Committee has set the threshold levels for payments based in part on a review of the Company's annual operating plan along with current economic and market conditions.

In determining the amount of a bonus payment for an individual participant, the Incentive Plan provides that the Compensation Committee will establish a formula for each measurement period in advance of the period commencing for determining the pay-out percentage (the "Incentive Plan Pay-Out Percentage") based on the actual performance of the Company relative to the target levels for

each of the performance measures. The Incentive Plan further provides that payments may exceed the target payouts when the Company's financial performance exceeds the achievement of those performance target levels. Payments under the Incentive Plan may not exceed 250% of a participant's target bonus for any applicable performance period and are further subject to a cap of 12% of the Company's non-GAAP operating profit on total payments under the Company's variable compensation plans. The Compensation Committee instituted a payment cap because it determined that the proposed targets and thresholds under the Incentive Plan created a risk that a large percentage of the Company's operating profit for a period could be paid out as bonuses. The Compensation Committee set the cap at 12% based on its desire to provide a reasonable payout for achieving the Company's performance target levels while maintaining a reasonable cap on payments under all of the Company's variable compensation plans.

If a participant's employment with the Company is terminated by reason of death or disability (as disability is defined within the Incentive Plan) during a semi-annual performance period, then that participant will still receive the same payment under the Incentive Plan that he or she would have received if he or she were still employed on the last day of the semi-annual performance period, but such amount will be prorated based on the number of calendar days that the participant was employed with the Company during such performance period. Payment under the Incentive Plan would no longer be received if a participant's employment was terminated for some other reason during a semi-annual performance period.

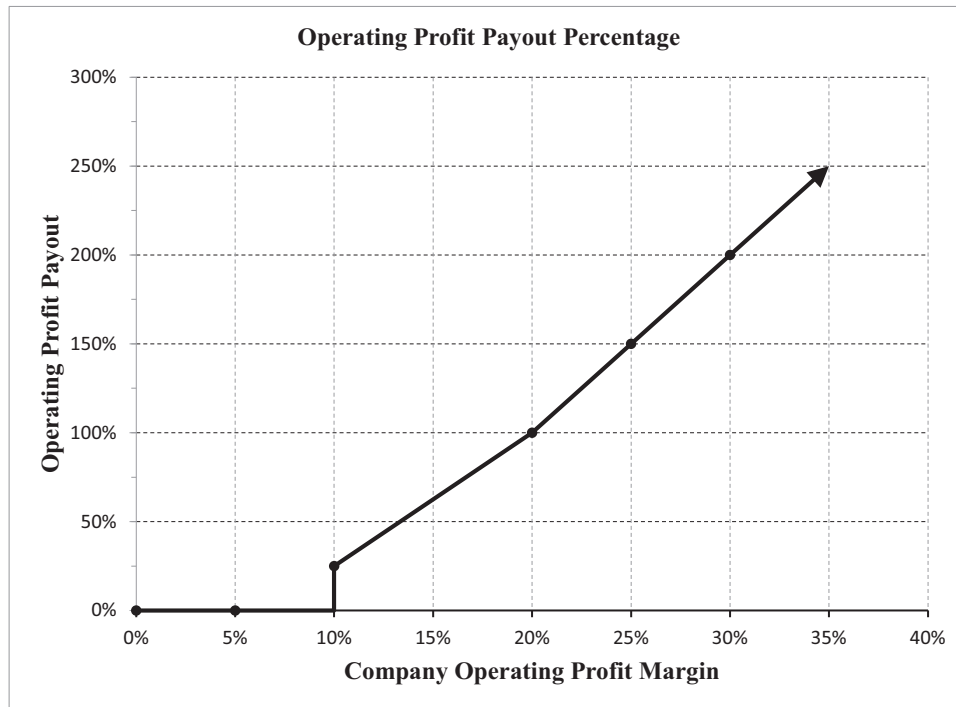
If, in the event of a change of control of the Company, the Incentive Plan is not assumed or replaced with a comparable plan by the Company's successor, each participant under the Incentive Plan will receive a pro rata cash payment of his or her target bonus, based upon the number of calendar days completed in the current semi-annual performance period prior to the occurrence of the change of control. For more information, please see the section of this proxy statement entitled, "*Potential Payments Upon Termination or Change of Control*."

For the first and second semi-annual performance periods in fiscal year 2017, the performance target levels for the two performance measures were set such that a participant would receive 100% of his or her target bonus if the Company achieved an operating profit margin, calculated as set forth in the Incentive Plan (the "Operating Profit Margin") of 20% and annual revenue growth of 15% during the semi-annual performance period.

Specifically, the formula for determining the Incentive Plan Pay-Out Percentage for each semi-annual performance period was set by the Compensation Committee and depends on (1) an operating profit payout percentage and (2) a revenue growth multiplier as follows:

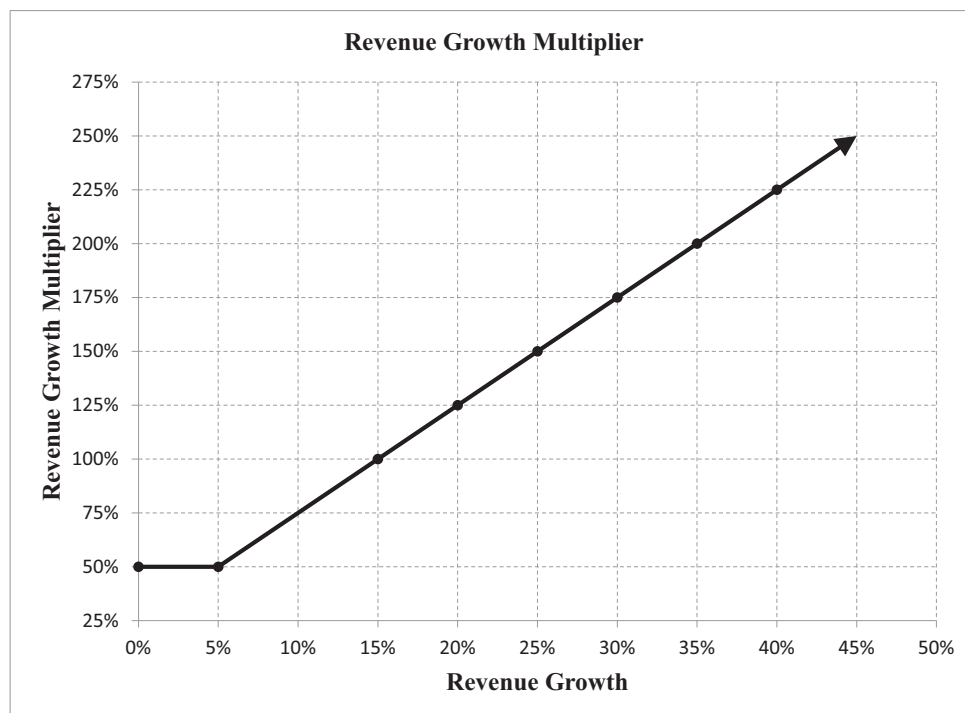
- (1) The operating profit payout percentage was determined based on the Company's Operating Profit Margin for the semi-annual performance period. If the Company failed to achieve a threshold Operating Profit Margin of 10%, then no bonus payments would be made for the performance period.
- (2) At the threshold Operating Profit Margin of 10%, the operating profit payout percentage would be 25%. At the target Operating Profit Margin of 20%, the operating profit payout percentage would be 100%. For Operating Profit Margin performance between the threshold level of 10% and the target level of 20%, the operating profit percentage payout would be determined by using straight-line interpolation between the threshold and target levels. For example, if the Company achieved an Operating Profit Margin of 16%, the operating profit payout percentage would be calculated as 70% (25% + (3/5 x 75%)).

- (3) For performance above the target Operating Profit Margin of 20%, the operating profit payout percentage would increase linearly by 10% for each percentage point of Operating Profit Margin in excess of 20%. For example, if the Company achieved an Operating Profit Margin of 25%, the operating profit payout percentage would be calculated as 150% (100% + (5 x 10%)). In graphical form, the operating profit payout percentage therefore can be summarized as follows:



- (4) Once the operating profit payout percentage is determined, the Incentive Plan Pay-Out Percentage is calculated by multiplying the operating profit payout percentage by a revenue growth multiplier.
- (5) For fiscal year 2017, the revenue growth multiplier was set at 50% for revenue growth below 5% and 100% for target revenue growth of 15%. For revenue growth performance between 5% and 15%, the revenue growth multiplier would be determined using straight-line interpolation between these points. For example, if the Company achieved 10% revenue growth during the period, the revenue growth multiplier would be calculated as 75% (50% + (5/10 x 50%)).

- (6) For performance levels above the target revenue growth of 15%, the revenue growth multiplier would increase linearly by 5% for each percentage point of revenue growth in excess of 15%. For example, if the Company achieved annual revenue growth of 20% in the relevant period, the revenue growth multiplier would be calculated as 125% (100% + (5% x 5)). In graphical form, the revenue growth multiplier therefore can be summarized as follows:



Using the guidelines above, one can determine the Company’s Incentive Plan Pay-Out Percentage for a given semi-annual performance period:

$$\text{Incentive Plan Pay-Out Percentage} = \text{Operating Profit Payout Percentage} \times \text{Revenue Growth Multiplier}$$

The Incentive Plan Pay-Out Percentage may not exceed 250% for any applicable performance period. Multiplying the Incentive Plan Pay-Out Percentage by a particular individual’s target bonus percentage and his/her annual base salary amount yields the specific amount of the cash bonus payment for a given semi-annual performance period:

$$\text{Semi-Annual Cash Bonus} = \text{Incentive Plan Pay-Out Percentage} \times \text{Target Bonus Percentage} \times \text{Annual Base Salary}$$

Since an individual’s target bonus for a semi-annual period is his or her target bonus percentage multiplied by his or her annual base salary, the equation above is equivalent to:

$$\text{Semi-Annual Cash Bonus} = \text{Incentive Plan Pay-Out Percentage} \times \text{Semi-Annual Target Bonus}$$

Again, payments under the Incentive Plan for a given semi-annual performance period are subject to a cap of 12% of the Company’s non-GAAP operating profit on total payments under the Company’s variable compensation plans.

As a result of the Company’s performance in the first half of fiscal year 2017, the Incentive Plan Pay-Out Percentage was 162%; our executive officers subject to the Incentive Plan therefore earned

payments of 162% of each individual’s semi-annual target bonus for the first semi-annual performance period. The Incentive Plan Pay-Out Percentage for the first half of fiscal year 2017 for these individuals was calculated based on an Operating Profit Margin of 25% (which corresponded to a GAAP operating profit margin of 18%) and revenue growth of 17%. For more details, see the section of this proxy statement entitled, “*Annex*,” which includes a reconciliation of the Company’s GAAP operating profit margin to the Operating Profit Margin used in the Incentive Plan calculations.

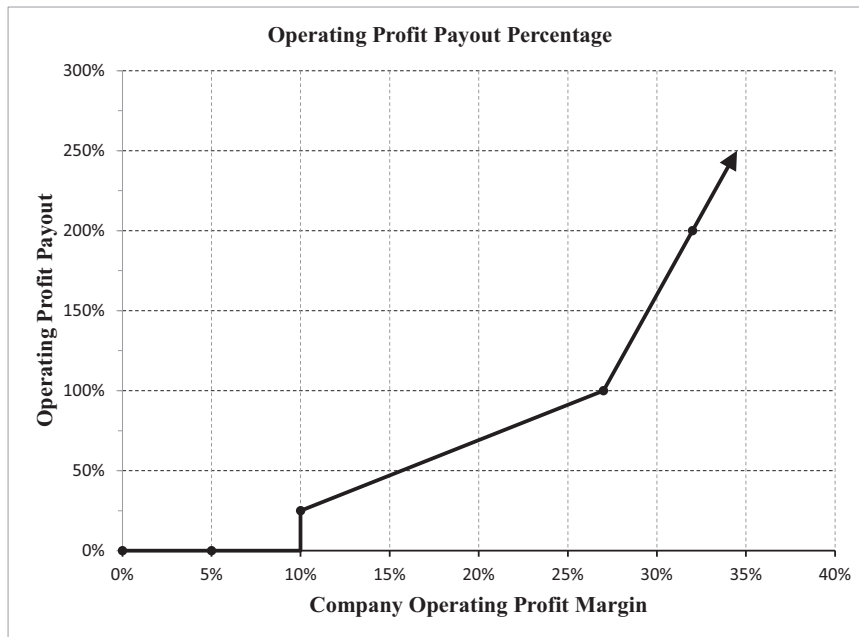
As a result of the Company’s performance in the second half of fiscal year 2017, the Incentive Plan Pay-Out Percentage was 250%; our executive officers subject to the Incentive Plan therefore earned payments of 250% of each individual’s semi-annual target bonus for the second semi-annual performance period. The Incentive Plan Pay-Out Percentage for the second half of fiscal year 2017 for these individuals was calculated based on an Operating Profit Margin of 30% (which corresponded to a GAAP operating profit margin of 22%) and revenue growth of 47%. For more details, see the section of this proxy statement entitled, “*Annex*,” which includes a reconciliation of the Company’s GAAP operating profit margin to the Operating Profit Margin used in the Incentive Plan calculations.

The particularly strong financial results for fiscal year 2017 resulted in the cash incentives actually awarded for fiscal year 2017 being higher than the target bonus values. The following chart summarizes awards under our Incentive Plan for fiscal year 2017:

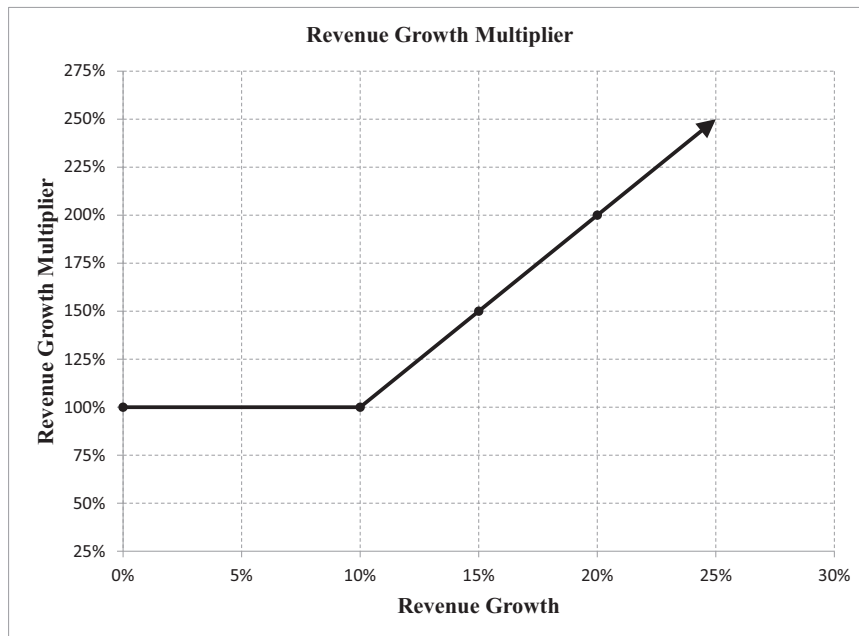
	Base Salary	Target Bonus Percentage	Semi-Annual Target Bonus	First Half FY17 Incentive Plan Pay-Out Percentage	First Half FY17 Incentive Plan Payment	Second Half FY17 Incentive Plan Pay-Out Percentage	Second Half FY17 Incentive Plan Payment	FY17 Incentive Plan Compensation
Jason P. Rhode	\$750,000	65.0%	\$487,500	162%	\$790,521	250%	\$1,218,750	\$2,009,271
Thurman K. Case	\$364,000	32.5%	\$118,300	162%	\$191,833	250%	\$ 295,750	\$ 487,583
Scott A. Anderson	\$340,000	32.5%	\$110,500	162%	\$179,185	250%	\$ 276,250	\$ 455,435
Jo-Dee M. Benson	\$340,000	32.5%	\$110,500	162%	\$179,185	250%	\$ 276,250	\$ 455,435
Gregory S. Thomas	\$350,000	32.5%	\$113,750	162%	\$184,455	250%	\$ 284,375	\$ 468,830

Due also to these strong financial results, the base salary plus cash incentives *actually awarded* for fiscal year 2017 fall above the 75th percentile range of the Market Composite Data concerning *target* total cash compensation.

For the first semi-annual performance period of fiscal year 2018, the Committee has approved revisions to the Company’s Incentive Plan performance targets. These changes are intended to reflect the Company’s accomplishments and revenue growth over the past few years, along with corresponding changes to our peer group and the associated level of performance of that updated peer group. The Company’s recent growth has provided beneficial leverage to our business model, and going forward, we have adjusted our long-term target operating profit model to be in the mid-20 percent range. Similarly, based on a review of the operating results of other peer companies and competitors, including our Proxy Group, the Committee determined that the adjusted Operating Profit Margin target should be increased to reflect outstanding performance relative to such peers in terms of balancing revenue growth with operating profit. Based on its analysis, the Committee approved an increase in the target level of performance for Operating Profit Margin, as calculated as set forth in the Incentive Plan, to 27%, and the following Operating Profit payout percentages:



In addition, the Committee reviewed the historical revenue growth of the Company’s peers and its Proxy Group. Based on its analysis, which also factored in overall semiconductor industry growth forecasts, the Committee determined that the revenue growth multiplier should be set at 100% for revenue growth below 10% and increase thereafter if revenue growth during the performance period exceeds 10%. Accordingly, the Committee adjusted the Revenue Growth Multiplier as follows:



The Committee continues to believe that these performance measures provide an appropriate balance of short- and long-term financial and strategic objectives for building stockholder value. The Committee believes the combination of the performance measures properly rewards the Company’s executives when the Company’s performance meets these levels of performance and provides upside opportunity for participants to be paid in excess of their target payouts, and potentially at the maximum payout level, when the Company’s performance is at the top of its peer group relative to both performance metrics.

C. Long-Term Incentive Awards: Equity Grants

We provide long-term incentive opportunities in the form of equity awards to motivate and reward our executive officers for their contributions to achieving our business objectives by tying incentives to the performance of our common stock over the long term. Our equity awards include RSUs, PBRs, and stock options, and the Compensation Committee reviews and determines possible relative value weights that can be assigned to each component to achieve a suitable, overall compensation package for our Named Executive Officers.

The use of equity further reinforces the link between the interests of our executive officers and our stockholders. Generally, equity awards are made annually by the Compensation Committee to each of our executive officers under our Stock Plan.

1. Use of Stock Options and RSUs

Options are designed to align the interests of our executive officers and employees with those of our stockholders and provide each individual with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. Each option award enables the recipient to purchase shares of our common stock at a fixed price per share (the market price of our common stock on the grant date) over a specified period of time (up to 10 years). Each option typically becomes exercisable in a series of installments over a specified period—over four years, with one-year cliff vesting for 25% of the options on the first anniversary of the grant date and 1/36 of the remaining options vesting on a monthly basis over the following three years—contingent upon the recipient’s continued employment with the Company. Accordingly, the options provide a potential return to the executive officer only if he or she remains employed by the Company during the vesting period, and then only if the market price of common stock appreciates over the option term.

The use of time-vested RSUs balances the benefits of stock options with the executive retention and stockholder dilution benefits that RSUs provide. In particular, the Compensation Committee believes that the use of time-vested RSUs with a three-year cliff vesting requirement helps further our retention objectives by encouraging our executive officers to remain with the Company and fully execute our long-term strategies, which generally take a number of years to be fully implemented and reflected in our financial performance. Because RSUs are typically granted at a lower number of shares than an equivalent option grant, the dilutive impact of our long-term incentive awards as a whole is reduced by using RSUs.

2. Performance-Based Restricted Stock Unit Program

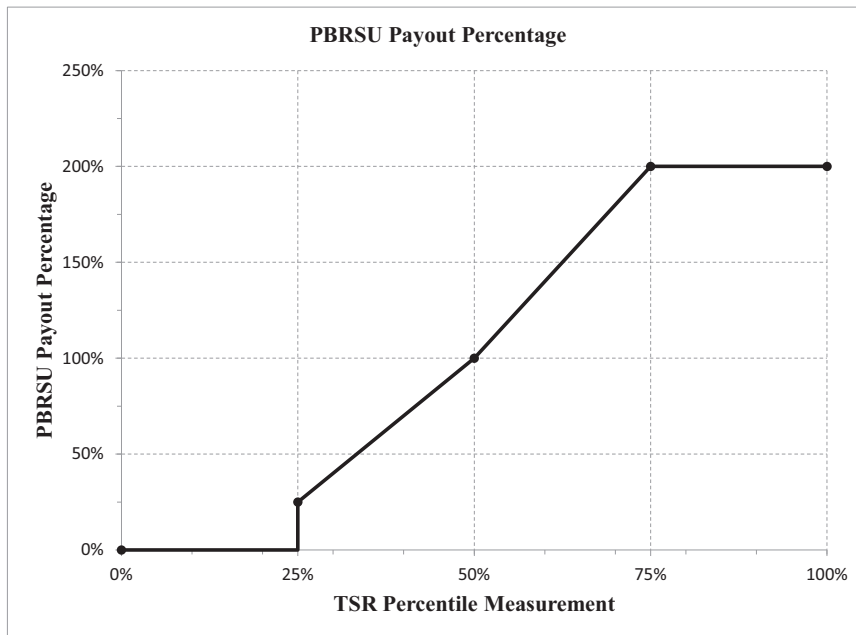
The Compensation Committee believes that the use of PBRsUs further promotes the achievement of our long-term strategic and operational objectives by strengthening the link of our Named Executive Officers’ compensation to stockholder value creation.

PBRsU awards for fiscal year 2017 consisted of RSUs subject to a three-year performance period. The number of shares earned, relative to a target number of shares, will be based on the Company’s total shareholder return (“TSR”) measured relative to the TSR of the component companies of the Philadelphia Semiconductor Index (“Index”). Thus, the measurement entails determining our ranking among the companies that make up the components of the Index. The TSR determines a payout percentage ranging between 0–200%, which is then multiplied by the target number of PBRsUs.

To determine the payout percentage, the Company’s TSR for the performance period is compared against that of the companies in the Index to yield a Percentile Measurement (for example, if our Company would rank in the 75th percentile of the performance of companies in the Index during the performance period, our Percentile Measurement would be 75%). The payout percentage is a function of the Percentile Measurement as follows:

- If our Percentile Measurement is less than 25%, the payout percentage is zero;
- Threshold performance: if our Percentile Measurement is 25%, the payout percentage is 25%;
- Target performance: if our Percentile Measurement is 50%, the payout percentage is 100%;
- Maximum performance: if our Percentile Measurement is 75% or higher, the payout percentage is 200%;
- A straight line connects the threshold, target, and maximum performance points; and
- If the Company’s TSR is negative during the performance period, the maximum payout percentage is 100%.

In graphical form, the PBRSU payout percentage can be summarized as follows:



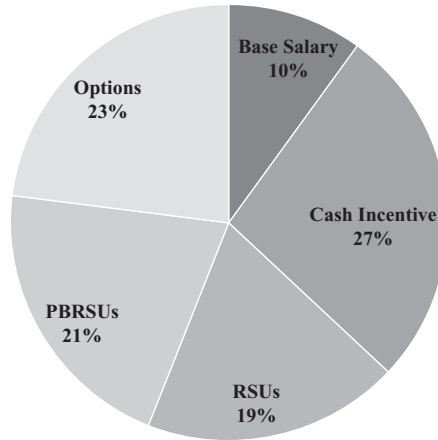
3. *Equity Awards and Comparisons to Market Composite Data*

As discussed above, the Compensation Committee’s long-term incentive compensation philosophy is typically to grant awards to our executive officers that place target total direct compensation approximately at the 50th percentile of the competitive market, subject to other considerations. For example, the Compensation Committee also takes into account past increases or decreases in overall compensation and the number, and current unrealized value, of outstanding options and unvested RSUs and PBRsUs held by each executive officer to maintain an appropriate level of equity-based incentive for that individual. The Compensation Committee further considers the Company’s overall performance, current equity burn rate, and dilution in setting the amount of equity available for grant to our executive officers. The size of the equity award to each executive officer is set by the Compensation Committee at a level that is intended to create a meaningful opportunity for stock price appreciation based upon the individual’s position with the Company, current performance, anticipated future contribution based on that performance, and ability to affect corporate and/or business unit results. The Compensation Committee looks collectively at all of these factors when making its decisions.

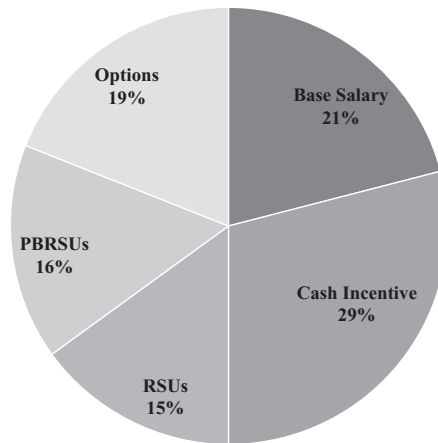
For fiscal year 2017, based on Compensia’s analysis of competitive market practices and the other relevant factors summarized above, the Compensation Committee approved the grant of a mix of approximately one-third stock options, one-third RSUs, and one-third PBRsUs (all relative to valuation) to our executive officers, including our Named Executive Officers, in conjunction with the Company’s annual review of equity awards for all employees. These equity awards were granted in November 2016 on the Company’s Monthly Grant Date (see the section of this proxy statement immediately below entitled, “*Administrative and Timing Aspects of Our Equity Awards*”).

The following charts are based on figures presented in the Summary Compensation Table below and show the primary components of our Named Executive Officers' fiscal year 2017 compensation (excluding values listed under "All Other Compensation"), along with the performance-based percentage of that compensation.

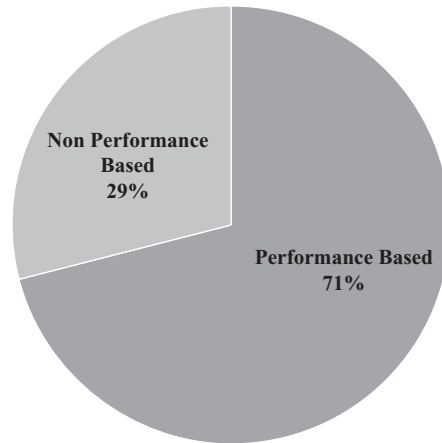
CEO Compensation, FY2017



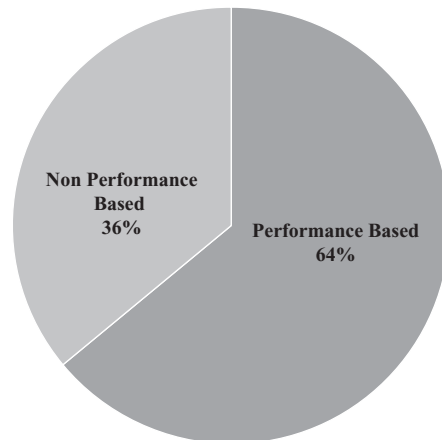
Named Executive Officer Compensation Other Than CEO, FY2017



CEO Percentage of Performance-Based Compensation, FY2017



Named Executive Officer Other Than CEO Percentage of Performance-Based Compensation, FY2017



In the two charts immediately above, the following were considered performance-based compensation: cash incentive awards, stock option awards (which provide a potential return only if the market price of common stock appreciates over the option term), and PBRsUs.

The target total direct compensation (the base salary plus target cash incentive values plus awarded equity for fiscal year 2017) to our Named Executive Officers was:

- For our CEO, \$6,315,664;
- For our CFO, \$1,374,341;
- For Mr. Anderson, \$1,402,112;
- For Ms. Benson, \$1,334,741; and
- For Mr. Thomas, \$1,388,706.

The breakdown of these amounts is as follows:

	<u>Base Salary</u>	<u>FY17 Annual Target Bonus</u>	<u>FY17 RSUs</u>	<u>FY17 PBRsUs</u>	<u>FY17 Options</u>	<u>FY17 Target Total Direct</u>
Jason P. Rhode	\$750,000	\$975,000	\$1,366,250	\$1,511,600	\$1,712,814	\$6,315,664
Thurman K. Case	\$364,000	\$236,600	\$ 234,995	\$ 241,856	\$ 296,890	\$1,374,341
Scott A. Anderson	\$340,000	\$221,000	\$ 256,855	\$ 264,530	\$ 319,727	\$1,402,112
Jo-Dee M. Benson	\$340,000	\$221,000	\$ 234,995	\$ 241,856	\$ 296,890	\$1,334,741
Gregory S. Thomas	\$350,000	\$227,500	\$ 245,925	\$ 256,972	\$ 308,309	\$1,388,706

Our CEO’s target total direct compensation is slightly below the 75th percentile value in the applicable Market Composite Data. Our other executive officers, including the other Named Executive Officers, fall within a range slightly below the 25th percentile (our CFO) to slightly above the 75th percentile.

The Compensation Committee determined that the size of its equity awards for fiscal year 2017 was warranted and appropriate, even in situations where an executive officer’s target total direct compensation was in the 75th percentile range, in view of the totality of circumstances, including the Company’s particularly strong performance. Additionally, the value of equity awarded to the executive officers in fiscal year 2017 was comparable to the value from the previous year, with the number of units granted being adjusted to reflect the Company’s then-current stock price.

As compared to the Market Composite Data concerning *target* total direct compensation, the base salary plus cash incentives *actually awarded* plus awarded equity for fiscal year 2017 for our Named Executive Officers fell within individual ranges from below the 25th percentile to above the 75th percentile, with the Named Executive Officer’s group average falling around the 75th percentile, which again reflects the Company’s strong financial performance over the prior 12 months.

4. Administrative and Timing Aspects of Our Equity Awards

New employee equity awards and special stock awards are granted and priced on the first Wednesday of each calendar month (the “Monthly Grant Date”). The purpose of this process is to minimize the administrative burdens that would be created with multiple monthly grant dates and to ensure that all required approvals are obtained on or before the Monthly Grant Date. If the Monthly Grant Date occurs on a Company holiday, or on other days that the Company or Nasdaq is closed for business, the Monthly Grant Date will be the next regularly scheduled business day. The Compensation Committee does not have any program, plan, or practice to time option grants or other stock awards to our executive officers in coordination with the release of material non-public information.

Annual equity awards to employees and executive officers are granted in November so that the vesting of RSU and PBRsUs grants will likely take place during a period after the Company has reported its financial earnings.

5. Stock Ownership Guidelines

Stock ownership guidelines apply to our CEO, non-employee directors, and executive officers to more closely link their interests with those of other Company stockholders. Within the later of five years from the 2016 Annual Meeting or five years from his or her appointment as an executive officer or initial election to the Board, each individual subject to the guidelines is expected to accumulate and maintain an ownership position in Company shares that is the lesser of the following:

CEO:	Either three times annual salary or 60,000 shares
Other Executive Officers:	Either one time annual salary or 10,000 shares
Non-employee Directors:	Either three times annual cash retainer or 4,500 shares

Additional details concerning our stock ownership guidelines are provided in the Corporate Governance Guidelines, which are available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com.

D. Perquisites and Other Benefits

Our CEO and other executive officers are eligible to participate in our retirement, welfare, and health benefit programs to the same extent as all other salaried employees based in the United States or United Kingdom as applicable. For example, as applicable to the United States or United Kingdom, we provide medical, dental and vision insurance, a retirement/401(k) plan, life and disability insurance, flexible spending accounts, and other plans and programs. Although perquisites are not a material part of our compensation programs for executive officers and are generally not provided, we do reimburse up to \$500 for an annual physical examination for each of our executive officers to the extent the physical examination is not covered under our standard health care plans.

From time to time, employees may request chartered aircraft services to facilitate travel that is directly and integrally related to the performance of their job duties and where the use of a chartered plane will increase efficiency. Occasionally, a spouse or immediate family members may accompany the employee on these flights. When this occurs, we require the employee to pay the greater of the incremental cost, if any, to accommodate such guests on the flight, or the imputed income amount determined using the IRS Standard Industry Fare Level (SIFL) rate. Accordingly, there is no aggregate incremental cost to the Company for accompaniment on chartered business flights, and no amounts are included in our Summary Compensation Table for such travel for any Named Executive Officer.

VI. Post-Employment Compensation

We do not maintain separate individual severance or change of control agreements with our Named Executive Officers; however, on July 26, 2007, after a review of other companies’ practices with respect to management severance plans, the Compensation Committee approved and adopted an Executive Severance and Change of Control Plan (the “2007 Severance Plan”). The 2007 Severance Plan provides certain payments and other benefits to eligible executive officers (“Eligible Executives”), including each of our Named Executive Officers, whose employment is involuntarily terminated by the Company (other than for cause) or whose employment terminates following a change of control of the Company. The 2007 Severance Plan became effective on October 1, 2007.

The 2007 Severance Plan provides that, in the event of an Eligible Executive’s termination of employment by the Company without cause, he or she is eligible to receive: (i) a continuation of base salary for a period of up to six months (up to 12 months for our CEO) following termination, and (ii) payment in full of a reasonable estimate of COBRA premiums for three months of continued health care coverage.

The 2007 Severance Plan further provides that, if an Eligible Executive's employment is terminated within 12 months following a change of control of the Company, either by the Company without cause or by the Eligible Executive for good reason, the Eligible Executive is eligible to receive (in lieu of the payments and benefits described above): (i) a lump sum payment equal to 12 months' base salary (24 months for our CEO), (ii) acceleration in full of any unvested stock options or any other securities or similar incentive awards that have been granted or issued to the Eligible Executive as of the employment termination date, and (iii) payment in full of a reasonable estimate of COBRA premiums for 12 months. In addition, the Eligible Executive will have six months from the employment termination date to exercise any vested options.

The 2007 Severance Plan may not be amended or terminated without the consent of any Eligible Executive during the one year prior to or following the occurrence of a change of control of the Company, if such amendment would be adverse to the interest of such Eligible Executive. In order to receive severance payments and benefits under the 2007 Severance Plan, an Eligible Executive must execute a general release of all claims against the Company. Additional details and specific terms of the Severance Plan are set forth in the section of this proxy statement entitled, "*Potential Payments upon Termination or Change of Control.*"

We maintain the 2007 Severance Plan because we believe it is consistent with the practices of peer companies and helps ensure that we are able to attract and retain top talent. Further, we believe that our plan provides a level of stability to Eligible Executives during volatile business conditions that have historically existed in our industry so that they remain focused on their responsibilities and the long-term interests of the Company during such times.

The 2007 Severance Plan provides for "double-trigger" rather than "single-trigger" payment and benefits in the event of a change of control of the Company. In other words, payments to Eligible Executives are contingent upon an involuntarily termination of employment following a change of control. This plan design is intended to provide a level of security to Eligible Executives negotiating a transaction to avoid any misalignment with the interests of our stockholders without resulting in a windfall to Eligible Executives who remain employed following such a transaction.

VII. Prohibition Against Short Selling, Hedging, and Pledging

The Company prohibits directors, officers, and employees from investing in derivative securities based on or related to the Company's common stock, engaging in any short sale or hedging transactions involving the Company's common stock, and pledging any shares of the Company's common stock as collateral for any margin account or any other similar account or debt instrument where a sale of the Company's stock could occur. Our policy does not restrict the ownership of Company-granted equity awards, such as stock options, restricted stock, RSUs, PBRsUs, or other equity awards issued by the Company.

VIII. Tax Considerations Related to Compensation

Section 162(m) of the Internal Revenue Code ("IRC") disallows a tax deduction to publicly-held companies for compensation paid to our CEO and any of the three most highly compensated officers (other than our CEO and our principal financial officer) to the extent that compensation exceeds \$1,000,000 per covered officer in any fiscal year. The limitation applies only to compensation that is not considered "performance-based compensation." Under the Treasury Regulations implementing Section 162(m), compensation received through the exercise of a stock option will not be subject to the \$1,000,000 limit if it qualifies as "performance-based compensation" within the meaning of Section 162(m).

It is the Compensation Committee's objective, so long as it is reasonable and consistent with the Company's overall business, compensation, and retention objectives, to endeavor to design our executive compensation program to keep executive compensation deductible by the Company for federal income tax purposes. However, the Compensation Committee maintains its ability to approve compensation to covered officers that is not deductible by the Company for purposes of Section 162(m).

In fiscal year 2017 the Company had a tax deduction disallowance under Section 162(m) of approximately \$1,316,226 related to the compensation received by our CEO. This disallowance was the result of his salary in combination with the vesting of RSUs that were not "performance based" for purposes of Section 162(m).

Section 280G of the IRC disallows the deduction of any "excess parachute payment" paid in connection with certain events. A portion of amounts payable under the 2007 Severance Plan may constitute "excess parachute payments" to our executive officers. Accordingly, the 2007 Severance Plan provides for a modified Section 280G "cut back" pursuant to which payments and benefits under the 2007 Severance Plan will be reduced in the event such reduction produces a greater after-tax benefit to an executive officer. See the section of this proxy statement entitled, "*Potential Payments Upon Termination or Change of Control.*"

IX. Compensation Committee Interlocks and Insider Participation

The Compensation Committee currently consists of Timothy R. Dehne (Chair), John C. Carter, and Christine King. During fiscal year 2017, none of our executive officers served on the board of directors or compensation committee of another company whose executive officer served on our Board or Compensation Committee. The members of the Compensation Committee are considered independent under the Board and the Compensation Committee independence standards as set forth in the Corporate Governance Guidelines, which are available under the Corporate Governance section of our "Investors" page on our website at investor.cirrus.com.

COMPENSATION COMMITTEE REPORT

We, the Compensation Committee of the Board of Directors, have reviewed and discussed the Compensation Discussion and Analysis ("CD&A") required by Item 402(b) of Regulation S-K with management of the Company. Based on such review and discussion, we have recommended to the Board of Directors that the CD&A be included as part of this proxy statement.

Submitted by the Compensation Committee of the Board of Directors:

Timothy R. Dehne, Chair
John C. Carter
Christine King

CONSIDERATION OF RISK RELATED TO COMPENSATION PROGRAMS

The Compensation Committee structures our executive compensation program to provide incentives to appropriately reward our executive officers without undue risk taking. Our approach is similar for the compensation practices and policies applicable to all employees throughout the Company. Overall, we believe that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company. In general, we attempt to align our compensation programs with the long-term interests of the Company and its stockholders and mitigate the likelihood of inducing excessive risk-taking behavior. More specifically, we believe the following program features and policies help to mitigate the likelihood of inducing excessive risk-taking behavior:

- The Company pays a mix of fixed and variable compensation, with variable compensation tied both to short-term objectives and the long-term value of our stock price.
- Our annual cash incentive program is based on a mix of bottom-line objectives (e.g., operating profit goals) and top-line objectives (e.g., revenue growth) in order to avoid the risk of excessive focus on one goal or performance measure.
- We review the short-term performance incentive targets used in our incentive program every six months to ensure alignment with our business plans.
- To prevent the risk that our annual cash incentive program pays bonuses despite weak short-term performance, no payout may occur without a threshold level of operating profit performance being met.
- The aggregate payout under our annual cash incentive program for our executive and leadership team is capped at a percentage of overall operating profit to prevent the risk of excessive payout of the Company's operating profit.
- The individual payout under our annual cash incentive program for our executive and leadership team is further capped so that no participant may receive a payout of greater than 250% of his or her target payout.
- Long-term incentives are awarded to our executive officers in the form of equity awards that vest over a significant period of time, typically three or four years. The vesting period is intended to align the interests of our executive officers with the long-term interests of stockholders and to provide an incentive for our executive officers to remain with the Company.
- Long-term incentives are typically granted annually so our executive officers will have unvested awards that may decrease in value if our business is not managed with long-term goals in mind.
- We use a mix of stock options, RSUs, and PBRsUs to create an overall long-term incentive package that aligns with stockholder interests, appropriately balances risk and performance, and provides competitive incentives for the purpose of executive retention.
- We use performance-based equity based on the Company's total shareholder return ("TSR") as a means to align a portion of an executive's compensation with the interests of our shareholders. In addition, we cap the payout of these awards at a 100% payout if the Company's TSR is negative over the performance period (typically, three years).
- Our CEO, non-employee directors, and officers of the Company are obligated to meet certain stock ownership guidelines that require accumulation and maintenance of a prescribed value or number of shares.
- The Compensation Committee retains an independent compensation consultant and uses market data, when available, to inform our focus on pay for performance.

EXECUTIVE COMPENSATION TABLES

Fiscal Year 2017 Summary Compensation Table

The following table provides certain summary information concerning the compensation awarded to, earned by, or paid to our Named Executive Officers. The table sets forth compensation for services rendered by our Named Executive Officers for the fiscal years ended March 25, 2017; March 26, 2016; and March 28, 2015; as applicable.

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Stock Awards ⁽¹⁾ (\$) (e)	Option Awards ⁽¹⁾ (\$) (f)	Non-Equity Incentive Plan Compensation ⁽²⁾ (\$) (g)	All Other Compensation (\$) (i)	Total (\$) (j)
Jason P. Rhode, President and Chief Executive Officer	2017	\$721,154	\$2,877,850	\$1,712,814	\$2,009,271	\$10,838 ⁽³⁾	\$7,331,927
	2016	658,500	2,550,828	1,594,767	1,346,843	9,397	6,160,335
	2015	625,000	1,482,950	594,076	955,625	10,070	3,667,721
Thurman K. Case, Vice President, Chief Financial Officer and Principal Accounting Officer	2017	\$351,500	\$ 476,851	\$ 296,890	\$ 487,583	\$12,448 ⁽⁴⁾	\$1,625,272
	2016	323,171	440,028	275,095	329,879	12,548	1,380,721
	2015	307,400	254,625	165,023	235,007	12,160	974,215
Scott A. Anderson, Senior Vice President and General Manager, Mixed-Signal Audio Division	2017	\$335,193	\$ 521,385	\$ 319,727	\$ 455,435	\$ 4,928 ⁽⁵⁾	\$1,636,668
	2016	322,319	478,294	299,018	322,071	4,906	1,426,608
	2015	314,150	244,440	158,421	240,168	4,928	962,107
Gregory S. Thomas, Vice President, General Counsel and Corporate Secretary	2017	\$345,193	\$ 502,897	\$ 308,309	\$ 468,830	\$11,182 ⁽⁶⁾	\$1,636,411
	2016	325,341	459,146	287,057	331,831	10,870	1,414,245
	2015	309,750	254,625	165,023	236,804	10,454	976,656
Jo-Dee M. Benson, Vice President and Chief Culture Officer	2017	\$335,193	\$ 476,851	\$ 296,890	\$ 455,435	\$12,502 ⁽⁷⁾	\$1,576,871

- (1) The amounts reported in the column entitled “Stock Awards” represent the RSUs and PBRsUs granted to our Named Executive Officers. The amounts reported in the column entitled “Option Awards” represent the stock options granted to our Named Executive Officers. In each case, the value reported is the aggregate grant date fair value calculated pursuant to FASB ASC Topic 718, excluding any assumptions regarding potential forfeitures, and with respect to PBRsUs this valuation entails a Monte Carlo calculation. The assumptions underlying calculations under FASB ASC Topic 718 are discussed under Note 12, Equity Compensation, in our Annual Report on Form 10-K for the fiscal year ended March 25, 2017.
- (2) This column, entitled “Non-Equity Incentive Plan Compensation,” represents the amounts earned for each fiscal year under the Incentive Plan, which is described in further detail in the “*Compensation Discussion and Analysis*” section of this proxy statement. Payments earned in the second semi-annual period of a fiscal year are included in this table for that fiscal year even though they were paid in the following fiscal year.
- (3) This amount includes \$9,277 in matched contributions under our 401(k) plan, \$990 associated with the value of insurance premiums paid with respect to life insurance for the benefit of Dr. Rhode, and \$571 in tax gross-ups paid to all employees of the Company with respect to the Company’s long-term disability plan. In fiscal year 2017, Dr. Rhode reimbursed the Company \$1,160 associated with spousal travel on chartered business flights (corresponding to the Standard Industry Fair Level). Therefore, no spousal travel amount is included within his “All Other Compensation” column.
- (4) This amount includes \$7,520 in matched contributions under our 401(k) plan, \$4,357 associated with the value of insurance premiums paid with respect to life insurance for the benefit of Mr. Case, and \$571 in tax gross-ups paid to all employees of the Company with respect to the Company’s long-term disability plan.

- (5) This amount includes \$4,357 associated with the value of insurance premiums paid with respect to life insurance for the benefit of Mr. Anderson, and \$571 in tax gross-ups paid to all employees of the Company with respect to the Company's long-term disability plan.
- (6) This amount includes \$9,092 in matched contributions under our 401(k) plan, \$1,518 associated with the value of insurance premiums paid with respect to life insurance for the benefit of Mr. Thomas, and \$571 in tax gross-ups paid to all employees of the Company with respect to the Company's long-term disability plan.
- (7) This amount includes \$9,092 in matched contributions under our 401(k) plan, \$2,838 associated with the value of insurance premiums paid with respect to life insurance for the benefit of Ms. Benson, and \$571 in tax gross-ups paid to all employees of the Company with respect to the Company's long-term disability plan.

Fiscal Year 2017 Grants of Plan-Based Awards Table

The following table sets forth certain information with respect to grants of plan-based awards for the fiscal year ended March 25, 2017, to our Named Executive Officers. All of the stock options, RSUs, and PBRsUs that are reflected in the table were granted under our 2006 Stock Incentive Plan.

The amounts reported in the "Estimated Future Payouts Under Non-Equity Incentive Plan Awards" column below set forth potential payouts under the Company's Incentive Plan, which is described further in the "*Compensation Discussion and Analysis*" section of this proxy statement.

The amounts reported in the "Estimated Future Payouts Under Equity Incentive Plan Awards" column below set forth potential payouts that are associated with PBRsUs. The PBRsUs will vest as to the number of shares earned on the third anniversary of the grant date. The number of PBRsUs that vest, if any, is based on Company performance during this three-year period and is determined relative to the target number of shares as described further in the "*Compensation Discussion and Analysis*" section of this proxy statement. Holders of PBRsUs are not eligible to receive any dividends or dividend equivalents with respect to outstanding PBRsUs. Special accelerated vesting provisions applicable to the equity awards upon a Named Executive Officer's termination of employment or upon a change of control of the Company are described in the section of this proxy statement entitled, "*Potential Payments Upon Termination or Change of Control.*"

Each stock option has a maximum term of 10 years, subject to earlier termination if the optionee's services are terminated. Unless noted, the exercisability of options vests with respect to 25% of the shares underlying the option one year after the date of grant and with respect to the remaining shares underlying the option thereafter in 36 equal monthly installments. The exercise price of each stock option is equal to the closing price of our common stock as reported on Nasdaq on the date of grant.

The RSUs will vest with respect to 100% of the shares underlying the award on the third anniversary of the grant date. Holders of RSUs are not eligible to receive any dividends or dividend equivalents with respect to outstanding RSUs. Special accelerated vesting provisions applicable to the equity awards upon a Named Executive Officer’s termination of employment or upon a change of control of the Company are described in the section of this proxy statement entitled, “*Potential Payments Upon Termination or Change of Control.*”

Name (a)	Grant Date ⁽¹⁾ (b)	Approval Date ⁽¹⁾	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽²⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽³⁾			All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards (\$/Sh) (k)	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾ (l)
			Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)				
Jason P. Rhode, President and Chief Executive Officer	11/2/2016 11/2/2016 11/2/2016	10/31/2016 10/31/2016 10/31/2016	\$243,750	\$975,000	\$2,437,500	5,000	20,000	40,000	25,000	75,000	\$54.65	\$1,366,250 \$1,511,600 \$1,712,814
Thurman K. Case, Vice President, Chief Financial Officer and Principal Accounting Officer	11/2/2016 11/2/2016 11/2/2016	10/31/2016 10/31/2016 10/31/2016	\$ 59,150	\$236,600	\$ 591,500	800	3,200	6,400	4,300	13,000	\$54.65	\$ 234,995 \$ 241,856 \$ 296,890
Scott A. Anderson, Senior Vice President and General Manager, Mixed-Signal Audio Division	11/2/2016 11/2/2016 11/2/2016	10/31/2016 10/31/2016 10/31/2016	\$ 55,250	\$221,000	\$ 552,500	875	3,500	7,000	4,700	14,000	\$54.65	\$ 256,855 \$ 264,530 \$ 319,727
Gregory S. Thomas, Vice President, General Counsel and Corporate Secretary	11/2/2016 11/2/2016 11/2/2016	10/31/2016 10/31/2016 10/31/2016	\$ 56,875	\$227,500	\$ 568,750	850	3,400	6,800	4,500	13,500	\$54.65	\$ 245,925 \$ 256,972 \$ 308,309
Jo-Dee M. Benson, Vice President and Chief Culture Officer	11/2/2016 11/2/2016 11/2/2016	10/31/2016 10/31/2016 10/31/2016	\$ 55,250	\$221,000	\$ 552,500	800	3,200	6,400	4,300	13,000	\$54.65	\$ 234,995 \$ 241,856 \$ 296,890

- (1) The Company’s policy is to grant equity awards on the first Wednesday of the month (the “Monthly Grant Date”) after the Compensation Committee approves the award. If the Monthly Grant Date occurs on a Company holiday, or on other days that the Company or Nasdaq is closed for business, the Monthly Grant Date is the next regularly scheduled business day when the Company and Nasdaq are open for business.
- (2) The amounts reported in this column reflect potential payment amounts under the Incentive Plan. Actual amounts earned under this plan are reported in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table above. Payments may be made under the Incentive Plan only if certain financial prerequisites, such as operating profit margin thresholds, are achieved, as described further in the “*Compensation Discussion and Analysis*” section of this proxy statement. The threshold amounts reported in this column reflect the minimum amount payable assuming achievement of the applicable financial-result thresholds. The target amounts reported above reflect the target amount awarded to each Named Executive Officer. The maximum amounts represent 250% of the target amount for each Named Executive Officer.
- (3) The amounts reported in this column reflect potential payment amounts for PBRsUs under the Company’s Performance-Based Restricted Stock Unit Program. The number of PBRsUs that will actually vest, if any, is based on Company performance during a three-year performance period and is determined as further described in the “*Compensation Discussion and Analysis*” section of this proxy statement.
- (4) Amounts in this column represent the aggregate grant date fair value of the equity awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures, and with respect to PBRsUs this valuation entails a Monte Carlo calculation. The assumptions underlying calculations under FASB ASC Topic 718 are discussed under Note 12, Equity Compensation, in the Company’s Form 10-K for the fiscal year ended March 25, 2017.

Fiscal Year 2017 Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information concerning the outstanding equity award holdings of our Named Executive Officers as of March 25, 2017.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable ⁽¹⁾ (#)	Option Exercise Price (\$)	Option Expiration Date ⁽²⁾	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested ⁽³⁾ (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁽⁴⁾ (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽⁵⁾ (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁽⁶⁾ (\$)
(a)	(b)	(c)	(e)	(f)		(g)	(h)	(i)	(j)
Jason P. Rhode, President and Chief Executive Officer	128,847	—	\$16.25	10/6/2020					
	135,000	—	\$15.41	10/5/2021					
	110,000	—	\$38.99	10/3/2022					
	85,746	16,043	\$23.34	10/2/2023					
	54,375	35,625	\$20.37	10/1/2024					
	42,086	84,177	\$31.25	11/4/2025					
	—	75,000	\$54.65	11/2/2026					
					10/1/2014	35,000	\$2,102,100		
					10/1/2014			35,000	\$ 2,102,100
					11/4/2015	41,667	\$2,502,520		
					11/4/2015			31,328	\$ 1,881,560
				11/2/2016	25,000	\$1,501,500			
				11/2/2016			20,000	\$1,201,200	
Thurman K. Case, Chief Financial Officer, Vice President of Finance	5,000	—	\$15.41	10/5/2021					
	15,000	—	\$38.99	10/3/2022					
	3,988	2,917	\$23.34	10/2/2023					
	5,060	9,897	\$20.37	10/1/2024					
	7,259	14,521	\$31.25	11/4/2025					
	—	13,000	\$54.65	11/2/2026					
					10/1/2014	12,500	\$ 750,750		
					11/4/2015	7,188	\$ 431,711		
					11/4/2015			5,404	\$ 324,564
					11/2/2016	4,300	\$ 258,258		
				11/2/2016			3,200	\$ 192,192	
Scott A. Anderson, Senior Vice President and General Manager, Mixed-Signal Audio Division	5,000	—	\$15.41	10/5/2021					
	24,000	—	\$38.99	10/3/2022					
	10,639	3,501	\$23.34	10/2/2023					
	9,500	9,500	\$20.37	10/1/2024					
	7,890	15,784	\$31.25	11/4/2025					
	—	14,000	\$54.65	11/2/2026					
					10/1/2014	12,000	\$ 720,720		
					11/4/2015	7,813	\$ 469,249		
					11/4/2015			5,874	\$ 352,792
					11/2/2016	4,700	\$ 282,282		
				11/2/2016			3,500	\$ 210,210	

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable ⁽¹⁾ (#)	Option Exercise Price (\$)	Option Expiration Date ⁽²⁾	Stock Award Grant Date	Number of Shares or Units of Stock That Have Not Vested ⁽³⁾ (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁽⁴⁾ (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽⁵⁾ (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁽⁶⁾ (\$)
(a)	(b)	(c)	(e)	(f)		(g)	(h)	(i)	(j)
Gregory S. Thomas, Vice President, General Counsel and Corporate Secretary	20,000	—	\$38.99	10/3/2022					
	17,083	2,917	\$23.34	10/2/2023					
	15,103	9,897	\$20.37	10/1/2024					
	7,574	15,153	\$31.25	11/4/2025					
	—	13,500	\$54.65	11/2/2026					
					10/1/2014	12,500	\$ 750,750		
					11/4/2015	7,500	\$ 450,450		
					11/4/2015			5,639	\$ 338,678
					11/2/2016	4,500	\$ 270,270		
					11/2/2016			3,400	\$ 204,204
Jo-Dee M. Benson, Vice President and Chief Culture Officer	18,000	—	\$38.99	10/3/2022					
	15,375	2,625	\$23.34	10/2/2023					
	3,833	9,105	\$20.37	10/1/2024					
	7,260	14,520	\$31.25	11/4/2025					
	—	13,000	\$54.65	11/2/2026					
					10/1/2014	11,500	\$ 690,690		
					11/4/2015	7,188	\$ 431,711		
					11/4/2015			5,404	\$ 324,564
					11/2/2016	4,300	\$ 258,258		
					11/2/2016			3,200	\$ 192,192

- (1) Unless otherwise noted within this table, all stock options vest over four years, with one-year cliff vesting for 25% of the options on the first anniversary of the grant date, and 1/36 of the remaining options vesting on a monthly basis over the following three years.
- (2) Options have a maximum 10-year term. Therefore, the grant date is 10 years prior to the Option Expiration Date listed in this column.
- (3) This column corresponds to RSUs. RSUs will vest with respect to 100% of the shares underlying the award on the third anniversary of the grant date.
- (4) The market value of unvested RSUs reported in column (h) is calculated by multiplying the number of shares of common stock subject to each award reported in column (g) by the closing market price of common stock on March 24, 2017, (the last trading day of fiscal year 2017), which was \$60.06.
- (5) This column corresponds to target numbers of PBRsUs. The number of shares that vest, if any, will be based on Company performance and relative to the target number of shares as further described in the “*Compensation Discussion and Analysis*” section of this proxy statement. Such vesting will occur on the third anniversary of the grant date.
- (6) The market value of unvested PBRsUs reported in this column is calculated by multiplying the target number of shares subject to each award reported in column (i) by the closing market price of common stock on March 24, 2017, (the last trading day of fiscal year 2017), which was \$60.06.

Fiscal Year 2017 Options Exercised and Stock Vested Table

The following table provides information on the value realized by each Named Executive Officer as a result of options that were exercised and stock awards that vested during fiscal year 2017.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ⁽¹⁾ (\$) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ⁽²⁾ (\$) (e)
Jason P. Rhode, President and Chief Executive Officer	341,502	\$14,238,686	30,000	\$1,594,500
Thurman K. Case, Vice President, Chief Financial Officer and Principal Accounting Officer	94,138	\$ 2,922,536	10,000	\$ 531,500
Scott A. Anderson, Senior Vice President and General Manager, Mixed-Signal Audio Division	99,860	\$ 3,299,690	12,000	\$ 637,800
Gregory S. Thomas, Vice President, General Counsel and Corporate Secretary	127,583	\$ 5,095,405	10,000	\$ 531,500
Jo-Dee M. Benson, Vice President and Chief Culture Officer	76,062	\$ 3,045,264	9,000	\$ 478,350

- (1) The value realized on the exercise of stock options was computed by determining the difference between the market price of our common stock underlying each option on the date of exercise and the exercise price of the options for each share exercised.
- (2) The value realized on the vesting of stock awards was computed by multiplying the number of shares acquired on vesting (column d) by the market price of our common stock on the date of vesting.

Pension Benefits and Nonqualified Deferred Compensation

The Company does not sponsor or maintain either a defined benefit pension plan or a nonqualified deferred compensation plan for the benefit of our executive officers.

Potential Payments upon Termination or Change of Control

The Company does not maintain individual employment, severance, or change of control agreements with our Named Executive Officers; however, the Company does maintain its 2007 Severance Plan, which provides for certain payments and benefits to individuals employed by the Company and its subsidiaries at the level of Chief Executive Officer and Vice President or above and reporting directly to the Chief Executive Officer (“Eligible Executives”) in the event that the employment of such an executive officer is involuntarily terminated other than for cause or in certain circumstances following a change of control of the Company. The Named Executive Officers may also receive certain benefits under the Incentive Plan in the event of certain terminations of employment or change of control transactions that occur prior to the payment of the award for the applicable fiscal year.

2007 Severance Plan

Each of our Named Executive Officers is considered an Eligible Executive under the 2007 Severance Plan. The Company maintains the 2007 Severance Plan because we believe it helps to ensure that we are able to attract and retain top talent. Further, we believe that the 2007 Severance Plan provides a level of stability for our executive officers during volatile business conditions that have historically existed so that they remain focused on their responsibilities and the long-term interests of the Company during such times.

The 2007 Severance Plan provides that, in the event of an Eligible Executive's involuntary termination of employment by the Company other than for "cause" (defined below for purposes of the 2007 Severance Plan) he or she will be eligible to receive: (i) a continuation of base salary for a period of up to six months (up to 12 months in the case of our CEO) following termination of employment, and (ii) payment in full of a reasonable estimate of COBRA premiums for three months (collectively, the "Termination Payment").

The 2007 Severance Plan further provides that, if an Eligible Executive's employment is terminated either by the Company without "cause" or by the Eligible Executive for "good reason" within 12 months following a "change of control" (as defined below for purposes of the 2007 Severance Plan) of the Company, he or she will be eligible to receive a "Change of Control Termination Payment," which is comprised of: (i) a lump sum payment equal to 12 months' base salary (24 months in the case of our CEO), (ii) acceleration in full of any unvested stock options or any other securities or similar incentive awards that have been granted or issued to him or her as of the employment termination date, and (iii) payment in full of a reasonable estimate of COBRA premiums for 12 months. In addition, the Eligible Executive will have until six months from the employment termination date to exercise any vested options, except that no option will be exercisable after the option's original expiration date.

In the event of an Eligible Executive's death or "disability" (as such term is defined below for purposes of the 2007 Severance Plan), the Eligible Executive or his or her estate, as applicable, will receive the Termination Payment described above. If the death or disability has occurred within 12 months following a change of control of the Company, he or she or his or her estate, as applicable, will receive the Change of Control Termination Payment described above.

For purposes of the 2007 Severance Plan:

- "cause" means (i) gross negligence or willful misconduct in the performance of an executive officer's duties; (ii) a material and willful violation of any federal or state law that if made public would injure the business or reputation of the Company; (iii) a refusal or willful failure to comply with any specific lawful direction or order of the Company or the material policies and procedures of the Company including but not limited to the Company's Code of Conduct and the Company's Insider Trading Policy as well as any obligations concerning proprietary rights and confidential information of the Company; (iv) a conviction (including a plea of *nolo contendere*) of a felony, or of a misdemeanor that would have a material adverse effect on the Company's goodwill if the executive officer were to continue to be retained as an employee of the Company; or (v) a substantial and continuing willful refusal to perform duties ordinarily performed by an employee in the same position and having similar duties as the executive officer.
- "good reason" means: (i) without the executive officer's express written consent, a material reduction of the executive officer's duties, authority, or responsibilities relative to the executive's duties, authority, or responsibilities as in effect immediately prior to such reduction; (ii) a material reduction by the Company in the base salary of an executive officer as in effect immediately prior to such reduction; or (iii) the relocation of an executive officer's

principal work location to a facility or a location more than 50 miles from executive officer's then present principal work location. "Good reason" shall not exist unless the executive officer provides written notice of the circumstances alleged to give rise to good reason within 30 days of their occurrence and the Company (or our successor) fails to cure such circumstances within 30 days.

- "disability" means a mental or physical disability, illness or injury, evidenced by medical reports from a duly qualified medical practitioner, which renders an Eligible Executive unable to perform any one or more of the essential duties of his or her position after the provision of reasonable accommodation, if applicable, for a period of greater than ninety (90) days within a one year period.
- "change of control" means the occurrence of one or more of the following with respect to the Company: (i) the acquisition by any person (or related group of persons), whether by tender or exchange offer made directly to the Company's stockholders, open market purchases or any other transaction or series of transactions, of stock of the Company that, together with stock of the Company held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the then outstanding stock of the Company entitled to vote generally in the election of the members of the Company's Board of Directors; (ii) a merger or consolidation in which the Company is not the surviving entity, except for a transaction in which both (A) securities representing more than 50% of the total combined voting power of the surviving entity are beneficially owned (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934), directly or indirectly, immediately after such merger or consolidation by persons who beneficially owned common stock of the Company immediately prior to such merger or consolidation, and (B) the members of the Board of Directors immediately prior to the transaction (the "Existing Board") constitute a majority of the Board of Directors immediately after such merger or consolidation; (iii) any reverse merger in which the Company is the surviving entity but in which either (A) persons who beneficially owned, directly or indirectly, common stock of the Company immediately prior to such reverse merger do not retain immediately after such reverse merger direct or indirect beneficial ownership of securities representing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities or (B) the members of the existing Board do not constitute a majority of the Board of Directors immediately after such reverse merger; or (iv) the sale, transfer or other disposition of all or substantially all of the assets of the Company (other than a sale, transfer or other disposition to one or more subsidiaries of the Company).

The 2007 Severance Plan may not be amended or terminated without the consent of any Eligible Executive during the one year prior to or following the occurrence of a change of control, if such amendment would be adverse to the interest of such Eligible Executive. If any payment or benefit under the 2007 Severance Plan would be a "parachute payment" (within the meaning of Section 280G of the IRC) and would therefore result in the imposition of an excise tax, an Eligible Executive's payments and benefits will not exceed the amount that produces the greatest after-tax benefit to the Eligible Executive.

To receive payments and benefits under the 2007 Severance Plan, an Eligible Executive must execute a release of all claims against the Company. If the Eligible Executive is considered a "specified employee" under Section 409A of the IRC at the time of his or her termination of employment, any amounts payable under the 2007 Severance Plan will be delayed for a period of six months if it is determined that such a delay is necessary in order to prevent the payment from imposing excise taxes on the executive officer.

Incentive Plan

In addition, a participant in the Incentive Plan, as described further in the “*Compensation Discussion and Analysis*” of this proxy statement, may also receive payments upon termination of employment or a change of control. Pursuant to the Incentive Plan, a participant, including each of our Named Executive Officers, must be continuously employed through the last day of the applicable semi-annual performance period and through the date that cash bonuses under the Incentive Plan for such semi-annual performance period are actually paid. However, participants whose employment terminates due to death or “disability” during a semi-annual performance period will be eligible to receive a pro rata cash bonus payment based on the number of days the participant was employed during that semi-annual performance period and the Company’s actual performance during the semi-annual performance period. The pro rata bonus amount will be paid to the terminated participant on or before the 15th day of the third month after the later of (i) the last day of the calendar year in which such participant died or incurred a “disability” or (ii) the last day of the Company’s taxable year in which such participant died or incurred a “disability.” In addition, if a change of control occurs and our successor does not assume or comparably replace the Incentive Plan, each participant will receive a pro rata cash payment of his or her target bonus, based on the number of calendar days completed in the current semi-annual performance period prior to the occurrence of the change of control.

For purposes of the Incentive Plan:

- “disability” means total and permanent disability as defined in accordance with the Company’s Long-Term Disability Plan.
- “change of control” means (i) the sale, lease, conveyance or other disposition of all or substantially all of the Company’s assets as an entirety or substantially as an entirety to any person, entity or group of persons acting in concert, (ii) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becoming the “beneficial owner” (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company’s then outstanding voting securities, or (iii) consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least 50% of the voting power represented by the voting securities of the Company or such surviving entity (or parent) outstanding immediately after such merger or consolidation.

The discussion and tables below present an estimate of the amount of compensation and/or other benefits payable to our Named Executive Officers in the event of their termination of employment and/or in the event of a change of control of the Company. The amounts disclosed assume that such termination and/or the occurrence of such change of control was effective as of March 25, 2017, the last day of fiscal year 2017. We also assume that each Named Executive Officer was continuously employed by the Company and under the 2007 Severance Plan and the Incentive Plan throughout at least the second half of fiscal year 2017. The amounts below have been calculated using assumptions, such as these, that we believe to be reasonable, along with further assumptions that are described in more detail below. The actual amounts that would be paid out under each scenario depend on various factors, which may or may not exist at the time a Named Executive Officer’s employment is actually terminated and/or a change of control actually occurs. Therefore, such amounts and disclosures should be considered “forward-looking statements.”

Conditions Involving Involuntary Termination of Employment or Death/Disability

The estimated amount payable to each of our Named Executive Officers pursuant to the 2007 Severance Plan and the Incentive Plan in the event of an involuntary termination of employment by the Company other than for cause, or due to the Named Executive Officer's death or disability, in each case, assuming such termination occurred on March 25, 2017, and in view of the other assumptions above, is set forth in the table below:

Name	Salary Continuation ⁽¹⁾	Health Benefits (up to 3 months) ⁽²⁾	Cash Bonus Under Incentive Plan ⁽³⁾	Total
Jason P. Rhode, President and Chief Executive Officer	\$750,000	\$4,007	\$487,500	\$1,241,507
Thurman K. Case, Vice President, Chief Financial Officer and Principal Accounting Officer	\$182,000	\$1,818	\$118,300	\$ 302,118
Scott A. Anderson, Senior Vice President and General Manager, Mixed-Signal Audio Division	\$170,000	\$3,788	\$110,500	\$ 284,288
Gregory S. Thomas, Vice President, General Counsel and Corporate Secretary	\$175,000	\$5,379	\$113,750	\$ 294,129
Jo-Dee M. Benson, Vice President and Chief Culture Officer	\$170,000	\$4,007	\$110,500	\$ 284,507

- (1) The salary continuation payment for our CEO represents the value of 12 months of his base salary, based on his base salary level in effect on March 25, 2017. For each of the other Named Executive Officers, the amount is based on six months of base salary, at the level in effect on March 25, 2017.
- (2) The valuation of the healthcare benefits has been computed based on an estimate of the COBRA payments required for the three-month period payable by the Company at the rates in effect as of March 25, 2017.
- (3) The Named Executive Officers would only receive the payments enumerated in this column in the event of a termination due to death or disability. In the event employment is terminated for any other reason, the noted executive would forfeit these amounts because the executive would not be employed with the Company on the date of payment. On a termination due to death or disability, the executive would be entitled to a pro rata payment of their bonus under the Incentive Plan. Because March 25, 2017, is the last day of the semi-annual performance period, the executive would be entitled to a full payment of the semi-annual bonus. As such, we have calculated the cash bonus under the Incentive Plan as the target Incentive Plan Payout Percentage (100%) applied to each individual's current target bonus under the Incentive Plan for the semi-annual performance period ending on March 25, 2017.

Conditions Additionally Involving a Change of Control

The estimated amount payable to each of our Named Executive Officers pursuant to (i) the Incentive Plan in the event of a change of control in which the Incentive Plan is not assumed or comparably replaced, and (ii) the 2007 Severance Plan in the event of termination of employment following a change of control of the Company either other than for cause by the Company, by the executive officer for good reason, or due to the executive officer's death or disability, is set forth in the table below. The possible application of any cutback required under the 2007 Severance Plan due to the operation of Sections 280G and 4999 of the IRC has not been included in these calculations:

Name	Lump Sum Salary Payment ⁽¹⁾	Accelerated Vesting of Unvested Equity ⁽²⁾	Health Benefits (up to 12 months) ⁽³⁾	Cash Bonus Under Incentive Plan ⁽⁴⁾	Total
Jason P. Rhode, President and Chief Executive Officer	\$1,500,000	\$16,124,924	\$16,030	\$487,500	\$18,128,454
Thurman K. Case, Vice President, Chief Financial Officer and Principal Accounting Officer	\$ 364,000	\$ 2,946,080	\$ 7,270	\$118,300	\$ 3,435,651
Scott A. Anderson, Senior Vice President and General Manager, Mixed-Signal Audio Division	\$ 340,000	\$ 3,071,342	\$15,152	\$110,500	\$ 3,536,994
Gregory S. Thomas, Vice President, General Counsel and Corporate Secretary	\$ 350,000	\$ 3,023,869	\$21,518	\$113,750	\$ 3,509,137
Jo-Dee M. Benson, Vice President and Chief Culture Officer	\$ 340,000	\$ 2,843,834	\$16,030	\$110,500	\$ 3,310,364

- (1) The lump sum salary payment for our CEO represents the value of 24 months of his base salary, based on his base salary level in effect on March 25, 2017. For each of the other Named Executive Officers, the amount is based on 12 months of base salary, at the level in effect on March 25, 2017.
- (2) The valuation of accelerated vesting of unvested equity awards has been computed based on: (1) the estimated value that would have been realized based on the difference between the exercise price of the options that were subject to accelerated vesting and the closing market price of our common stock on March 24, 2017 (the last trading day prior to March 25, 2017), which was \$60.06 per share, and (2) the value of RSUs and PBRsUs subject to accelerated vesting based on that same closing market price.
- (3) The valuation of healthcare benefits is based on an estimate of the COBRA payments required for the 12-month period payable by the Company at the rates in effect as of March 25, 2017.
- (4) The figures in this column represent a pro rata cash payment of target bonuses under the Incentive Plan, based on the number of calendar days completed in the semi-annual performance period prior to the occurrence of the change of control. Because the change of control is deemed to occur on the last day of the fiscal year, the figures above represent the target Incentive Plan Payout Percentage (100%) applied to each individual's current target bonus under the Incentive Plan for the semi-annual performance period ending on March 25, 2017.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of March 25, 2017 about common stock that may be issued upon the exercise of options, warrants, and rights under the Company's 2006 Stock Incentive Plan, which was first approved by stockholders on July 28, 2006:

	(A) Number of Securities to be issued upon exercise of outstanding options	(B) Weighted-average exercise price of outstanding options	(C) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity Compensation Plans Approved by Security Holders ⁽¹⁾	4,933,080 ⁽²⁾	\$27.25 ⁽³⁾	4,692,526
Equity Compensation Plans Not Approved by Security Holders	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	4,933,080	\$ 27.25	4,692,526

- (1) As of March 25, 2017, the Company was granting equity awards only under the 2006 Stock Incentive Plan. Approximately 3,697,909 shares have been deducted from the shares available for future issuance under the 2006 Stock Incentive Plan due to a 1.5 full value award multiplier applied to restricted stock awards and RSUs granted pursuant to the 2006 Stock Incentive Plan.
- (2) Includes 3,174,606 shares granted under the 2006 Stock Incentive Plan that are issuable upon the vesting of the outstanding RSUs and PBRsUs.
- (3) The weighted average exercise price does not take into account the shares issuable upon the vesting of the outstanding RSUs and PBRsUs, which have no exercise price.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD

The Audit Committee is comprised solely of independent directors, as defined by the applicable Nasdaq listing standards and rules of the SEC, and it operates under a written charter adopted by the Board, which is available under the Corporate Governance section of our “Investors” page on our website at investor.cirrus.com. The composition of the Audit Committee, the attributes of its members, and the responsibilities of the Audit Committee, as reflected in its charter, are intended to comply with applicable requirements for corporate audit committees. The Audit Committee continues to review and assess the adequacy of its charter on an annual basis, and will revise it to comply with new rules and regulations as they are adopted.

As described more fully in its charter, the primary focus of the Audit Committee is to assist the Board in its general oversight of the Company’s financial reporting, internal control, and audit functions. Management is responsible for the preparation, presentation, and integrity of the Company’s financial statements; accounting and financial reporting principles; internal controls; and procedures designed to assure compliance with accounting standards, applicable laws, and regulations. The Company’s independent registered public accounting firm, Ernst & Young, is responsible for performing an independent audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (“PCAOB”).

In accordance with the Sarbanes-Oxley Act and the Nasdaq listing standards, the Audit Committee has ultimate authority and responsibility to select, compensate, evaluate and, when appropriate, replace the Company’s independent registered public accounting firm.

The Audit Committee serves an oversight role for the Board in which it provides advice, counsel, and direction to management and the auditors on the basis of the information it receives, discussions with management and the auditors, and the experience of the Audit Committee’s members in business, financial, and accounting matters. The Audit Committee members are not professional auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent auditors, nor can the Audit Committee certify that the independent auditors are “independent” under applicable rules.

In this context, the Audit Committee has met and held discussions with management and Ernst & Young. Management represented to the Audit Committee that the audited financial statements of the Company contained in the Company’s Annual Report to Stockholders for the fiscal year ended March 25, 2017, were prepared in accordance with U.S. generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee discussed with Ernst & Young matters required to be discussed by Auditing Standards 1301, *Communications with Audit Committees*, as required by the PCAOB.

The Audit Committee has received and reviewed the written disclosures and the letter from Ernst & Young required by applicable PCAOB rules regarding the independent accountant’s communications with the Audit Committee concerning independence, and the Audit Committee discussed with Ernst & Young the firm’s independence. In addition, the Audit Committee has considered whether the provision of non-audit services is compatible with maintaining Ernst & Young’s independence.

Based upon the Audit Committee’s discussions with management and the independent auditors, the Audit Committee’s review of the representations of management, and the report of the independent auditors to the Audit Committee, the Audit Committee recommended that the Board include the audited consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended March 25, 2017, as filed with the SEC.

Submitted by the Audit Committee of the Board:

Alexander M. Davern, Chair
John C. Carter
William D. Sherman

AUDIT AND NON-AUDIT FEES AND SERVICES

Audit and Related Fees

The following table shows the fees accrued by the Company for the audit and other services provided by Ernst & Young for fiscal years 2017 and 2016. All fees were pre-approved by the Audit Committee.

	<u>2017</u>	<u>2016</u>
Audit Fees	\$1,331,953	\$1,161,600
Audit-Related Fees	\$ 17,964	\$ 63,244
Tax Fees	\$ 256,730	\$ 567,763
All Other Fees	\$ 2,160	\$ 2,160
TOTAL	\$1,608,806	\$1,794,766

Audit Fees. Audit services consisted of the audit of the Company's consolidated financial statements and of management's assessment of the operating effectiveness of internal control over financial reporting included in the Company's Annual Report on Form 10-K, the review of the Company's financial statements included in its quarterly reports on Form 10-Q, and statutory audits required internationally.

Audit-Related Fees. Audit-related services generally include fees for accounting consultations and registration statements filed with the SEC.

Tax Fees. The fiscal year 2017 tax fees include \$136,325 in tax compliance and tax return preparation services. The remainder of the fiscal year 2017 tax fees relate to technical tax advice and international tax planning. The fiscal year 2016 tax fees include \$133,719 in tax compliance and tax return preparation services. The remainder of the fiscal year 2016 tax fees relate to technical fees including technical tax advice and international tax planning.

All Other Fees. The other fees correspond to an Ernst & Young research tool.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a written policy for the pre-approval of audit, audit-related, and non-audit services provided by the Company's independent registered public accounting firm.

For audit and audit-related services, the independent auditor will provide the Audit Committee with an engagement letter and estimated budget for formal acceptance and approval. A list of non-audit services and estimated budget for such services for the upcoming fiscal year are submitted to the Audit Committee by Company management for pre-approval. To ensure prompt handling of unexpected non-budgeted non-audit related services, the Audit Committee has delegated to its Chair the authority to amend or modify the list of approved permissible non-audit services and fees if the cost of the service is less than \$100,000. Any such unexpected services for which the cost is more than \$100,000 are approved by the Audit Committee. If the Chair takes any action, the Chair will report such action to the Audit Committee at the next Audit Committee meeting.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Indemnification and Insurance. Our Bylaws require us to indemnify our directors and executive officers to the fullest extent permitted by Delaware law. We have entered into indemnification agreements with all of our directors and executive officers and have purchased directors' and officers' liability insurance.

Procedures for Review, Approval, and Ratification of Related Person Transactions. The Board recognizes that Related Person Transactions (as defined below) can present conflicts of interest and questions as to whether transactions are in the best interests of the Company. Accordingly, the Board has documented and implemented certain procedures for the review, approval, or ratification of all potential Related Person Transactions. Pursuant to these procedures, the Audit Committee must review, approve, or ratify any transactions with Related Persons (as defined below). When it is impractical to wait for a scheduled Audit Committee meeting, a proposed Related Person Transaction may be submitted to the Audit Committee Chair for approval and then subsequently reported to the Audit Committee at the next Audit Committee meeting.

This procedure seeks to promote Company decisions that are based on the merits of the transaction and the interests of the Company and its stockholders. While it is the Company's preference to avoid Related Person Transactions, this procedure sets forth a methodology for considering a proposed Related Person Transaction in which the standard to be applied is whether such transaction is at arm's length and on terms comparable to those terms provided to other unrelated entities in the marketplace.

For these purposes, a "Related Person" is any person who is: (1) a director or executive officer of the Company, (2) a nominee for director (if the information called for is being presented in a proxy or information statement relating to the election of that nominee for director), (3) an immediate family member of a director or executive officer of the Company, (4) an immediate family member of a nominee for director (if the information called for is being presented in a proxy or information statement relating to the election of that nominee for director), (5) a security holder of 5% or more of any class of common stock (or other equity security) (if a transaction in which the person had a direct or indirect material interest occurred or existed), or (6) an immediate family member of a security holder of 5% or more of any class of common stock (or other equity security) (if a transaction in which the person had a direct or indirect material interest occurred or existed).

For these purposes, a "Related Person Transaction" is any transaction, arrangement, or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries) was, is, or will be a participant and in which a Related Person had, has, or will have a direct or indirect interest. The Company has not established a materiality limit for purposes of defining a Related Person Transaction under its related person transaction procedures.

Transactions with Related Persons. Dr. Rhode beneficially owns 100% of an aircraft through a limited liability company (the "LLC"), and the LLC makes the aircraft available for lease through an independent aircraft management company. On occasion we lease, through the aircraft management company, the non-exclusive use of the aircraft for business travel for employees, with no required minimum usage, at a rate of \$3,135 per flight hour plus any additional overnight/landing fees and excise taxes. Our agreement with the aircraft management company contains other terms and conditions normal in such transactions and can be cancelled with 30 days' notice. Our Board of Directors approved this hourly reimbursement rate based upon a competitive analysis of comparable chartered aircraft rates, which showed that the reimbursement rate is at or below market rates for the charter of similar aircraft. During fiscal year 2017, we incurred approximately \$80,148 in rental fees for the aircraft owned through the LLC. These fees are included in general, administrative, and other expenses in the condensed consolidated statements of operations.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors and persons who own more than 10% of a registered class of the Company's equity securities to file an initial report of ownership on Form 3 and changes in ownership on Form 4 or 5 with the SEC. Executive officers, directors, and greater than 10% stockholders are also required by the federal securities rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of copies of the Forms 3, 4 and 5 received by the Company or representations from certain reporting persons, the Company believes that, during the fiscal year 2017, all Section 16(a) filing requirements applicable to its officers, directors, and greater than 10% stockholders were met in a timely manner except with reference to the sale of: 17,224 Restricted Stock Units by Mr. Rashpal Sahota, 14,755 Restricted Stock Units by Mr. Allan Hughes, and 21,498 Restricted Stock Units by Mr. Andrew Brannan. The Form 4 filings for these transactions were due no later than August 24, 2016, but due to administrative error these filings were not made until August 25, 2016.

HOUSEHOLDING

The SEC has adopted rules that permit companies and intermediaries (such as stockbrokers) to implement a delivery procedure called "householding." Under this procedure, multiple stockholders who reside at the same address may receive a single copy of our annual report and proxy materials, including the Notice of Internet Availability of proxy materials, unless the affected stockholder has provided contrary instructions. This procedure reduces printing costs and postage fees.

This year, we expect that a number of stockbrokers with account holders who beneficially own common stock will be "householding" our annual report and proxy materials, including the Notice of Internet Availability of the proxy materials. A single Notice of Internet Availability of the proxy materials and, if applicable, a single set of annual report and other proxy materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your stockbroker that it will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. Stockholders may revoke their consent at any time by contacting Broadridge ICS, either by calling toll-free (866)-540-7095, or by writing to Broadridge ICS, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you contact Broadridge ICS using the contact information above, we will promptly deliver to you a separate copy of our Annual Report, Notice of Internet Availability of the proxy materials, and the proxy materials for the 2017 Annual Meeting, and for future meetings, if you so request. Please also contact Broadridge ICS if you wish to request delivery of a single copy of those materials if you currently receive multiple copies.

COMMUNICATING WITH US

Communicating with the Board

If you would like to contact the Board, including a Committee, you may write to the following address:

Board of Directors
c/o Corporate Secretary
Cirrus Logic, Inc.
800 W. Sixth Street
Austin, Texas 78701

The Corporate Secretary or Chair of the Governance and Nominating Committee, as appropriate, reviews all correspondence addressed to the Board and regularly forwards to the Board all such correspondence that, in the opinion of the Corporate Secretary or Chair of the Governance and Nominating Committee, deals with the functions of the Board or the Committees. Directors may at any time review a log of all correspondence received by the Company that is addressed to the Board or individual Board members. Concerns relating to accounting, internal controls, or auditing issues will be immediately brought to the attention of the Chair of the Audit Committee.

Other Communications

If you would like to receive information about the Company, you may use one of these convenient methods:

1. To have information such as our latest Annual Report on Form 10-K or Quarterly Report on Form 10-Q mailed to you, please call our Investor Relations Department at (512) 851-4125.
2. To view our home page on the internet, use our website address: www.cirrus.com. Our home page provides you access to product, marketing and financial data, job listings, and an online version of this proxy statement, our Annual Report on Form 10-K, and other filings with the SEC.

If you would like to write to us, please send your correspondence to the following address:

Cirrus Logic, Inc.
Attention: Investor Relations
800 W. Sixth Street
Austin, TX 78701

If you would like to inquire about stock transfer requirements, lost certificates, and change of stockholder address, please contact our transfer agent, Computershare Investor Services, at (877) 373-6374 (toll free) or (781) 575-2879 or by visiting their website at www.investorcentre.com (see “contact us” section and other online features).

If you would like to report any inappropriate, illegal, or criminal conduct by any employee, agent, or representative of the Company; any violation of the Company’s Code of Conduct; or any complaint or concern regarding accounting, internal accounting controls or auditing matters, you may file an anonymous and confidential report by contacting EthicsPoint, an independent reporting system provider, by telephone at 1-866-384-4277 (1-866-ETHICSP), or through its website at cirruslogic.ethicspoint.com.

ANNUAL REPORT

On May 24, 2017, we filed with the SEC an Annual Report on Form 10-K for the fiscal year ended March 25, 2017. The Annual Report on Form 10-K has been provided concurrently with this proxy statement to all stockholders entitled to notice of, and to vote at, the Annual Meeting.

Stockholders may also obtain a copy of the Annual Report on Form 10-K and any of our other SEC reports, free of charge, (1) from the SEC's website at www.sec.gov, (2) from our website at investor.cirrus.com, or (3) by writing to Investor Relations, Cirrus Logic, Inc., 800 W. Sixth Street, Austin, TX 78701. The Annual Report on Form 10-K is not incorporated into this proxy statement and is not considered proxy solicitation material.

BY ORDER OF THE BOARD OF DIRECTORS



Jason P. Rhode
President and Chief Executive Officer
Austin, Texas
May 31, 2017

ANNEX
INCENTIVE PLAN RECONCILIATION

	6 Months Ended	
	2H'17	1H'17
Net Revenue	\$850,893	\$688,047
Cost of Sales	\$431,462	\$349,663
Gross Profit	\$419,431	\$338,384
Total Operating Expenses	\$228,529	\$212,236
Total Operating Income	\$190,902	\$126,148
Operating Income Percentage	22%	18%
<i>Operating Income Reconciliation</i>		
GAAP Operating Income	\$190,902	\$126,148
Amortization of acquisition intangibles	\$ 16,563	\$ 16,689
Stock compensation expense	\$ 20,358	\$ 19,234
Other adjustments**	\$ 9,842	\$ (3,566)
Bonus VCP, Executive, Leadership Plan Exclusion	\$ 18,685	\$ 12,947
Non GAAP Operating Income Used for Bonus Plans	\$256,351	\$171,452
Non GAAP Operating Income Percentage Used for Bonus Plans	30%	25%

** *Other adjustments may include certain litigation expenses, facility charges, patent agreements, international sales reorganizations, or other.*



CORPORATE HEADQUARTERS

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