

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended June 25, 2016

OR

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

Commission File Number 001-34192



MAXIM INTEGRATED PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-2896096
(I.R.S. Employer
Identification No.)

160 Rio Robles
San Jose, California 95134
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (408) 601-1000

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

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|---------------------------------|--|
| Common stock, \$0.001 par value | The NASDAQ Global Select Market |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 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 Sections 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 is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant based upon the closing price of the common stock on December 26, 2015 as reported by The NASDAQ Global Select Market was \$6,710,823,712. Shares of voting stock held by executive officers, directors and holders of more than 5% of the outstanding voting stock have been excluded from this calculation because such persons may be deemed to be affiliates. Exclusion of such shares should not be construed to indicate that any of such persons possesses the power, direct or indirect, to control the Registrant, or that any such person is controlled by or under common control with the Registrant.

Number of shares outstanding of the Registrant's Common Stock, \$.001 par value, as of August 5, 2016 : 283,511,274 .

Documents Incorporated By Reference:

- (1) Items 10, 11, 12, 13 and 14 of Part III incorporate information by reference from the Proxy Statement for Maxim Integrated Products, Inc.'s 2016 Annual Meeting of Stockholders, to be filed subsequently.
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MAXIM INTEGRATED PRODUCTS

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Annual Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in Part I, Item I - Business, Part I, Item 1A - Risk Factors, and Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations. These statements relate to, among other things, sales, gross margins, operating expenses, capital expenditures and requirements, liquidity, asset dispositions, product development and R&D efforts, potential growth opportunities, manufacturing plans, pending litigation, effective tax rates, and tax reserves for uncertain tax positions, and are indicated by words or phrases such as “anticipate,” “expect,” “outlook,” “foresee,” “forecast,” “estimate,” “believe,” “should,” “could,” “intend,” “potential,” “will,” “may,” “might,” “plan,” “seek,” “predict,” “project,” and variations of such words and similar words or expressions and the negatives of those terms. These statements involve known and unknown risks, uncertainties, and other factors that could cause actual results, performance, or achievements to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. For a discussion of some of the factors that could cause actual results to differ materially from our forward-looking statements, see the discussion on “Risk Factors” that appears in Part I, Item 1A of this Annual Report and other risks and uncertainties detailed in this and our other reports and filings with the Securities and Exchange Commission (“SEC”). Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our beliefs and assumptions only as of the date of this Annual Report. We undertake no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof and disclaim any obligation to do so except as required by applicable laws.

PART I

ITEM 1. BUSINESS

Overview

Maxim Integrated Products, Inc. (“Maxim Integrated” or the “Company” and also referred to as “we,” “our” or “us”) designs, develops, manufactures and markets a broad range of linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of customers in diverse geographical locations. The analog market is fragmented and characterized by diverse applications, numerous product variations and, with respect to many circuit types, relatively long product life cycles. Our objective is to develop and market both proprietary and industry-standard analog integrated circuits that meet the increasingly stringent quality and performance standards demanded by customers.

We are a Delaware corporation originally incorporated in California in 1983. The mailing address for our headquarters is 160 Rio Robles, San Jose, California 95134, and our telephone number is (408) 601-1000. Additional information about us is available on our website at www.maximintegrated.com. The contents of our website are not incorporated into this Annual Report.

We have a 52-to-53-week fiscal year that ends on the last Saturday in June. Accordingly, every fifth or sixth fiscal year will be a 53-week fiscal year. Fiscal years 2016, 2015 and 2014 were each 52-week fiscal years.

We make available through our website, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and any amendments to those reports or statements filed or furnished pursuant to the Exchange Act, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. We also use our Investor Relations website at www.maximintegrated.com/company/investor as a routine channel for distribution of other important information, such as news releases, analyst presentations and financial information. We assume no obligation to update or revise any forward-looking statements in this Annual Report, whether as a result of new information, future events or otherwise, unless we are required to do so by applicable laws. A copy of this Annual Report is available without charge and can be accessed at our website at www.maximintegrated.com/company/investor.

The Mixed Signal Analog Integrated Circuit Market

All electronic signals generally fall into one of two categories, linear or digital. Linear (or analog) signals represent real world phenomena, such as temperature, pressure, sound, or speed, and are continuously variable over a wide range of values. Digital signals represent the “ones” and “zeros” of binary arithmetic and are either on or off.

Three general classes of semiconductor products arise from this distinction between linear and digital signals:

- digital devices, such as memories and microprocessors that operate primarily in the digital domain;
- linear devices, such as amplifiers, references, analog multiplexers and switches that operate primarily in the analog domain; and
- mixed-signal devices such as data converter devices that combine linear and digital functions on the same integrated circuit and interface between the analog and digital domains.

Our strategy has been to target both the linear and mixed-signal markets, often collectively referred to as the analog market. However, some of our products are exclusively or principally digital. While our focus continues to be on the linear and mixed signal market, our capabilities in the digital domain enable development of new mixed signal and other products with highly sophisticated digital characteristics.

We operate in one reportable segment - the design, development, marketing and manufacturing of a broad range of linear and mixed signal integrated circuits.

Our linear and mixed signal products serve five major end-markets, Automotive, Communications and Data Center, Computing, Consumer, and Industrial. These major end-markets and their corresponding market are noted in the table below:

MAJOR END-MARKET**MARKET****AUTOMOTIVE**

Infotainment
 Powertrain
 Body Electronics
 Safety & Security

COMMUNICATIONS & DATA CENTER

Basestations
 Data Center
 Data Storage
 Network & Datacom
 Servers
 Telecom
 Other Communications

COMPUTING

Desktop Computers
 Notebook Computers
 Peripherals & Other Computer

CONSUMER

Smartphones
 Digital Cameras
 Handheld Computers
 Home Entertainment & Appliances
 Mobility & Fitness Wearables
 Other Consumer

INDUSTRIAL

Automatic Test Equipment
 Control & Automation
 Electrical Instrumentation
 Financial Terminals
 Medical
 Military & Aerospace
 Security
 Utility & Other Meters
 Other Industrial

Product Quality

Based on industry standard requirements, we conduct reliability stress testing on the products we manufacture and sell. Through this testing, we can detect and accelerate the presence of defects that may arise over the life of a product. We employ a system addressing quality and reliability of our products from initial design through wafer fabrication, assembly, testing and final shipment. We have received ISO 9001/2, TS 16949 and ISO 14001 certifications for all wafer fabrication, assembly, final test and shipping facilities.

Manufacturing

We primarily utilize third party foundries as well our own wafer fabrication facilities for the production of our wafers. The broad range of products demanded by the analog integrated circuit market requires multiple manufacturing process technologies. As a result, many different process technologies are currently used for wafer fabrication of our products. Historically, wafer fabrication of analog integrated circuits has not required state-of-the-art processing equipment, although newer processes do utilize and require such state-of-the-art facilities and equipment. In addition, hybrid and module products are manufactured using a complex multi-chip technology featuring thin-film, laser-trimmed resistors and other active or passive components. The majority of processed wafers are subject to parametric and functional testing at either our facilities or third party vendors.

During fiscal years 2016, 2015 and 2014, our internal wafer production occurred at one of our three owned wafer fabrication facilities at Beaverton, Oregon, San Jose, California and San Antonio, Texas. During fiscal year 2016, we completed the previously announced closure of our San Jose facility and transferred the manufacturing requirements to our other existing manufacturing locations and to our third party service providers. In fiscal year 2016 we also announced and completed the sale of our San Antonio

facility to the semiconductor foundry TowerJazz Texas Inc. (“TowerJazz”). We entered into a long term supply agreement with TowerJazz to supply finished wafers on our existing processes and products. The transfer of these activities from internal wafer production to third party foundries is part of our manufacturing transformation initiative (“manufacturing transformation”) to reduce costs and move from a fixed cost to variable cost model, which was first announced in the fourth quarter of fiscal year 2015.

In fiscal year 2007, we entered into a supply agreement with Seiko Epson Corporation (“Epson”). In fiscal year 2010, we entered into a supply agreement with Powerchip Technology Corporation (“Powerchip”) and Maxchip Electronics Corp. (“Maxchip”) to provide 300mm and 200mm wafer capacity, respectively. In fiscal year 2014, we entered into a supply agreement with UMC Corporation (“UMC”). Under these agreements, “partner foundries” (Epson, Powerchip, UMC and Maxchip) have manufactured some of the wafers required for many of our semiconductor products. These products are manufactured under rights and licenses using our proprietary technology at Epson's fabrication facility located in Sakata, Japan and at Powerchip, UMC and Maxchip's fabrication facilities in Taiwan. In fiscal years 2016, 2015 and 2014, the products manufactured by our partner foundries and merchant foundries (example: Taiwan Semiconductor Company Limited) represented 66%, 48% and 50%, respectively, of our total wafer production.

Once wafer manufacturing has been completed, wafers are sorted in order to determine which integrated circuits on each wafer are functional and which are defective. We currently perform the majority of wafer sorting, final testing and shipping activities at two company owned facilities, located in Cavite, the Philippines and Chonburi Province, Thailand, although we also utilize independent subcontractors for some wafer sorting.

Where required, our wafer bump manufacturing facility located in Dallas, Texas is used to process wafers for products that utilize chip scale packaging (“CSP”) also known as wafer level packaging (“WLP”). CSP or WLP enables integrated circuits to be attached directly to a printed circuit board without the use of a traditional plastic package. In addition, we utilize independent subcontractors to perform wafer bump manufacturing to the extent we do not have the internal capacity or capabilities to perform such services. With the introduction of 300mm wafers into our manufacturing network, we have enabled subcontractors located in Taiwan to perform wafer bumping and testing of these wafers. In fiscal year 2016, we announced our intent to shut down our Dallas wafer bump factory. The current manufacturing operations of the Dallas facility will be transferred to our Beaverton, Oregon factory or an assembly subcontractor during fiscal year 2017, which is also a part of our manufacturing transformation.

Integrated circuit assembly is performed by foreign assembly subcontractors, located in China, Japan, Malaysia, the Philippines, Taiwan, Thailand, Singapore and South Korea, where wafers are separated into individual integrated circuits and assembled into a variety of packages.

After assembly has been completed, the majority of the assembled product is shipped to our facilities located in Cavite, the Philippines or Chonburi Province, Thailand, where the packaged integrated circuits undergo final testing and preparation for customer shipment. In addition, we utilize independent subcontractors to perform final testing.

The majority of our finished products ship directly from either Cavite, the Philippines or Chonburi Province, Thailand to customers worldwide or to other Company locations for sale to end-customers or distributors.

Customers, Sales and Marketing

We market our products worldwide through a direct-sales and applications organization and through our own and other unaffiliated distribution channels to a broad range of customers in diverse industries. Our products typically require a sophisticated technical sales and marketing effort. Our sales organization is divided into domestic and international regions. Distributors and direct customers generally buy on an individual purchase order basis, rather than pursuant to long-term agreements.

Certain distributors have agreements with us which allow for certain sales price rebates or price protection on certain inventory if we lower the price of those products. Certain distributor agreements also generally permit distributors to exchange a portion of certain purchases on a periodic basis. As is customary in the semiconductor industry, our distributors may also market other products that compete with our products.

Sales to certain international distributors are made under agreements which permit limited stock return privileges but not sales price rebates or price protection. The agreements generally permit distributors to exchange a portion of their purchases on a periodic basis. See “Critical Accounting Policies” in Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2 to the Consolidated Financial Statements included in Part IV, Item 15(a) of this Annual Report, which contains information regarding our revenue recognition policy.

We derived approximately 38% of our fiscal year 2016 revenue from sales made through distributors which includes distribution sales to Samsung and catalog distributors. Our primary distributor is Avnet Electronics ("Avnet") which accounted for 19% , 19% and 17% of our revenues in fiscal years 2016 , 2015 and 2014 , respectively. Avnet, like our other distributors, is not an end customer, but rather serves as a channel of sale to many end users of our products. Sales to Samsung, our largest single end customer (through direct sales and distributors), accounted for approximately 14% , 15% and 20% of net revenues in fiscal years 2016 , 2015 and 2014 , respectively. No single customer (other than Avnet and Samsung) nor single product accounted for more than 10% of net revenues in fiscal years 2016 , 2015 and 2014 . Based on customers' ship-to locations, international sales accounted for approximately 89% , 88% and 87% of our net revenues in fiscal years 2016 , 2015 and 2014 , respectively. See Note 11: "Segment Information" in the Notes to Consolidated Financial Statements in Part IV, Item 15(a) of this Annual Report.

Seasonality

Our revenue is generally influenced on a quarter to quarter basis by customer demand patterns and new product introductions. A large number of our products have been incorporated into consumer electronic products, which are subject to significant seasonality and fluctuations in demand.

Foreign Operations

We conduct business in numerous countries outside of the United States ("U.S."). Our international business is subject to numerous risks, including fluctuations in foreign currency exchange rates and controls, import and export controls, and other laws, policies and regulations of foreign governments. Refer to our discussion of risks related to our foreign operations as included in Item 1A, Risk Factors and our discussion of foreign income included in Item 7 under "Results of Operations" included in this Annual Report.

Backlog

At June 25, 2016 and June 27, 2015 , our current quarter backlog was approximately \$363.4 million and \$365.7 million , respectively. Our current quarter backlog includes customer request dates to be filled within the next three months. As is customary in the semiconductor industry, these orders may be canceled in most cases without penalty to customers. In addition, backlog includes orders from certain domestic distributors for which revenues are not recognized until the products are sold by the distributors. Accordingly, we believe that our backlog is not a reliable measure of future revenues. All backlog numbers have been adjusted for estimated future U.S. distribution ship and debit pricing adjustments.

Research and Development

We believe that research and development is critical to our future success. Objectives for the research and development function include:

- new product definition and development of differentiated products;
- design of products with performance differentiation that achieve high manufacturing yield and reliability;
- development of, and access to, manufacturing processes and advanced packaging;
- development of hardware and software to support the acceptance and design-in of our products in the end customer's system; and
- development of high-integration products across multiple end markets.

Our research and development plans require engineering talent and tools for product definition, electronic design automation ("EDA"), circuit design, process technologies, test development, test technology, packaging development, software development and applications support. Research and development expenses were \$467.2 million , \$521.8 million and \$558.2 million in fiscal years 2016 , 2015 and 2014 , respectively. See "Research and Development" under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for more information.

Competition

The mixed signal analog integrated circuit industry is intensely competitive, and virtually all major semiconductor companies presently compete with, or conceivably could compete with, some portion of our business.

We believe the principal elements of competition include:

- technical innovation;

- service and support;
- time to market;
- differentiated product performance and features;
- quality and reliability;
- product pricing and delivery capabilities;
- customized design and applications;
- business relationship with customers;
- experience, skill and productivity of employees and management; and
- manufacturing competence and inventory management.

Our principal competitors include, but are not limited to, Analog Devices, Inc., Cirrus Logic, Inc., Intersil Corporation, Linear Technology Corporation, NXP Semiconductors NV, Semtech Corporation, Silicon Laboratories and Texas Instruments Inc. In addition, we compete with digital chipset providers, including Broadcom Ltd., Samsung Semiconductor, Inc., and Qualcomm Inc. We expect increased competition in the future from other emerging and established companies as well as through consolidation of our competitors within the semiconductor industry.

Patents, Licenses, and Other Intellectual Property Rights

We rely upon both know-how and patents to develop and maintain our competitive position.

It is our policy to seek patent protection for significant inventions that may be patented, though we may elect, in certain cases, not to seek patent protection even for significant inventions if other protection, such as maintaining the invention as a trade secret, is considered by us to be more advantageous. In addition, we have registered certain of our mask sets under the Semiconductor Chip Protection Act of 1984, as amended. We hold a number of patents worldwide with expiration dates ranging from calendar year 2016 to 2034. We have also registered several of our trademarks and copyrights with the U.S. Patent and Trademark Office and in foreign jurisdictions.

Employees

As of June 25, 2016, we employed 7,213 persons.

Environmental Regulations

Our compliance with foreign, federal, state and local laws and regulations that have been enacted to regulate the environment has not had a material adverse effect on our capital expenditures, earnings, or competitive or financial position.

Executive Officers

For information regarding our current executive officers, see Part III, Item 10 of this Annual Report.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also adversely affect our business.

The sale of our products and our results of operations are dependent upon demand from the end markets of our customers, which is cyclical.

Our products are sold in the following major end-markets: Automotive, Communications and Data Center, Computing, Consumer and Industrial. The demand for our products is subject to the strength of these five major end-markets that we serve and to some extent the overall economic climate. We often experience decreases and increases in demand for our products primarily due to the end-market demand of our customers. Our business and results of operations may be adversely affected if demand for our products decreases or if we are unable to meet an increase in demand without significantly increasing the lead-time for the delivery of our products. The semiconductor market historically has been cyclical with periods of increased demand and rapid growth followed by periods of oversupply and subsequent contraction and subject to significant and often rapid increases and decreases in product demand. As a result, changes could have adverse effects on our results of operation.

Incorrect forecasts, reductions, cancellations or delays in orders for our products and volatility in customer demand could adversely affect our results of operations.

As is customary in the semiconductor industry, customer orders may be canceled in most cases without penalty to the customers. Some customers place orders that require us to manufacture products and have them available for shipment, even though the customer may be unwilling to make a binding commitment to purchase all, or even any, of the products. In other cases, we manufacture products based on forecasts of customer demands. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales and are subject to the risk of cancellations of orders, potentially leading to an initial inflation of backlog followed by a sharp reduction. In addition, backlog includes orders from certain domestic distributors for which revenues are not recognized until the ordered products are sold by the distributors. Because of the possibility of order cancellation, backlog should not be used as a measure of future revenues. Furthermore, canceled or unrealized orders, especially for products meeting unique customer requirements, may also result in an inventory of unsaleable products, causing potential inventory write-offs, some of which could be substantial and could have a material adverse effect on our gross margins and results of operations.

We are dependent on a few large customers for a substantial portion of our revenues, the loss of which could materially affect our revenues and results of operations.

We depend on a few large customers for a substantial portion of our net revenues. Sales to Samsung, our largest single end customer (through direct sales and distributors), accounted for approximately 14% , 15% and 20% of net revenues in fiscal years 2016 , 2015 and 2014 , respectively. The delay, significant reduction in, or loss of, orders from large customers (including curtailments of purchases due to a change in the design, manufacturing or sourcing policies or practices of these customers or the timing of customer inventory adjustments) or demands of price concessions from large customers could have a material adverse effect on our net revenues and results of operations.

Our operating results may be adversely affected by our inability to timely develop new products through our research and development efforts. We may be unsuccessful in developing and selling new products necessary to maintain or expand our business.

The marketplace for our products is constantly changing and we are required to make substantial ongoing investments in our research and development. The semiconductor industry is characterized by rapid technological change, variations in manufacturing efficiencies of new products, and significant expenditures for capital equipment and product development. New product introductions are a critical factor for maintaining or increasing future revenue growth and sustained or increased profitability. However, they can present significant business challenges because product development commitments and expenditures must be made well in advance of the related revenues. The success of a new product depends on a variety of factors including accurate forecasts of long-term market demand and future technological developments, accurate anticipation of competitors' actions and offerings, timely and efficient completion of process design and development, timely and efficient implementation of manufacturing and assembly processes, product performance, quality and reliability of the product, and effective marketing, revenue and service.

Our operating results may be adversely affected by increased competition and consolidation of competitors in our market.

The semiconductor industry has experienced significant consolidation in recent years. As a result, we experience intense competition from a number of companies, some of which have significantly greater financial, manufacturing, and marketing resources than us, as well as greater technical resources and proprietary intellectual property rights than us. The principal elements of competition include product performance, functional value, quality and reliability, technical service and support, price, diversity of product line, and sale of integrated system solutions which combine the functionality of multiple chips on one chip for a price as part of a complete system solution and delivery capabilities. We believe we compete favorably with respect to these factors, although we may be at a disadvantage in comparison to companies with broader product lines, greater technical service and support capabilities and larger research and development budgets. We may be unable to compete successfully in the future against existing or new competitors and our operating results may be adversely affected by increased competition or our inability to timely develop new products to meet the needs of our customers.

If we fail to attract and retain qualified personnel, our business may be harmed.

Our success depends to a significant extent upon the continued service of our chief executive officer, our other executive officers, and key management and technical personnel, particularly our experienced engineers and business unit managers, and on our ability to continue to attract, retain, and motivate qualified personnel. The loss of the services of one or several of our executive officers could have a material adverse effect on our Company. In addition, we could be materially adversely affected if the turnover rates for engineers and other key personnel increases significantly or we are unsuccessful in attracting, motivating and retaining qualified personnel. Should we lose one or more engineers who are key to a project's completion during the course of a particular project, the completion of such project may be delayed which could negatively affect customer relationships and goodwill and have a material adverse effect on our results of operations.

Our results of operations could be adversely affected by warranty claims and product liability.

We face an inherent risk of exposure to product liability suits in connection with reliability problems or other product defects that may affect our customers. Our products are used by a variety of industries, including the automotive and medical industries. Failure of our products to perform to specifications, or other product defects, could lead to substantial damage to both the end product in which our device has been placed and to the user of such end product. Although we take measures to protect against product defects, if a product liability claim is brought against us, the cost of defending the claim could be significant and any adverse determination could have a material adverse effect on our results of operations.

We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively.

We rely upon know-how, trade secrets, and patents to develop and maintain our competitive position. There can be no assurance that others will not develop or patent similar technology or reverse engineer our products or that the confidentiality agreements upon which we rely will be adequate to protect our interests. Moreover, the laws of some foreign countries generally do not protect proprietary rights to the same extent as the United States, and we may encounter problems in protecting our proprietary rights in those foreign countries. Periodically, we have been asked by certain prospective customers to provide them with broad licenses to our intellectual property rights in connection with the sale of our products to them. Such licenses, if granted, may have a negative impact on the value of our intellectual property portfolio. Other companies have obtained patents covering a variety of semiconductor designs and processes, and we could be required to obtain licenses under some of these patents or be precluded from making and selling the infringing products, if such patents are valid and other design and manufacturing solutions are not available. There can be no assurance that we would be able to obtain licenses, if required, upon commercially reasonable terms or at all.

We may suffer losses and business interruption if our products infringe the intellectual property rights of others.

In the past, it has been common in the semiconductor industry for patent holders to offer licenses on reasonable terms and rates. Although the practice of offering licenses appears to be generally continuing, in some situations, typically where the patent directly relates to a specific product or family of products, patent holders have refused to grant licenses. In any of those cases, there can be no assurance that we would be able to obtain any necessary license on terms acceptable to us, if at all, or that we would be able to re-engineer our products or processes in a cost effective manner to avoid infringement. Any litigation in such a situation could involve an injunction to prevent the sales of a material portion of our products, the reduction or elimination of the value of related inventories and the assessment of a substantial monetary award for damages related to past sales, all of which could have a material adverse effect on our results of operations and financial condition.

We may experience losses related to intellectual property indemnity claims.

We provide intellectual property indemnification for certain customers, distributors, suppliers and subcontractors for attorney fees and damages and costs awarded against these parties in certain circumstances in which our products are alleged to infringe third party intellectual property rights, including patents, registered trademarks and copyrights. In certain cases, there are limits on and exceptions to our potential liability for indemnification relating to intellectual property infringement claims. We cannot estimate the amount of potential future payments, if any, that we might be required to make as a result of these agreements. To date, we have not been required to pay significant amounts for intellectual property indemnification claims. However, there can be no assurance that we will not have significant financial exposure under those intellectual property indemnification obligations in the future.

Our dependence on subcontractors for assembly, test, freight, wafer fabrication and logistic services and certain manufacturing services may cause delays beyond our control in delivering products to our customers.

We rely on subcontractors located in various parts of the world for assembly and CSP packaging services, freight and logistic services, wafer fabrication and sorting and testing services. For example, in connection with the sale of our semiconductor wafer fabrication facility in San Antonio, Texas to TowerJazz Texas, Inc. (formerly known as TJ Texas, Inc.) ("TowerJazz"), an indirect wholly-owned subsidiary of Tower Semiconductor Ltd. ("Tower"), in the third quarter of fiscal year 2016, we entered into a long-term supply agreement with TowerJazz, pursuant to which we will procure from TowerJazz certain quantities of silicon wafers upon which integrated circuits are made that are designed by us. None of the subcontractors we currently use are affiliated with us. Reliability problems experienced by our subcontractors or the inability to promptly replace any subcontractor could cause serious problems in delivery and quality resulting in potential product liability to us. Such problems could impair our ability to meet our revenue plan in the fiscal year period impacted by the disruption. Failure to meet the revenue plan may materially adversely impact our results of operations.

Any disruptions in our sort, assembly, test, freight and logistic operations or in the operations of our subcontractors, including, but not limited to, the inability or unwillingness of any of our subcontractors to produce or timely deliver adequate supplies of processed wafers, integrated circuit packages or tested products conforming to our quality standards, or other required products or services could damage our reputation, relationships and goodwill with customers. Furthermore, finding alternate sources of supply or initiating internal wafer processing for these products may not be economically feasible.

Exiting certain product lines or businesses, or restructuring our operations, may adversely affect certain customer relationships and produce results that differ from our intended outcomes.

The nature of our business requires strategic changes from time to time, including restructuring our operations, divesting and consolidating certain product lines and businesses. For example, we completed the sale of our Dallas, Texas campus, including our wafer level packaging ("WLP") manufacturing facility in Dallas, Texas in the fourth quarter of fiscal year 2016. In connection with this sale agreement, we entered into a lease and facility sharing agreement to lease back portions of the Dallas, Texas campus. We intend to complete the transition of design, administration and manufacturing activities during fiscal year 2017 and close our WLP manufacturing facility in Dallas, Texas by the fourth quarter of fiscal year 2017. The sale of facilities, or the exiting of certain product lines or businesses, may adversely affect certain customer relationships, which may have a material adverse effect on our business, financial condition and results of operations. Additionally, our ability to timely shut down our WLP factory or otherwise exit product lines and businesses, or to close or consolidate operations, depends on a number of factors, many of which are outside of our control. If we are unable to exit a product line or business in a timely manner, or to restructure our operations in a manner we deem to be advantageous, this could have a material adverse effect on our business, financial condition and results of operations. Even if a divestment is successful, we may face indemnity and other liability claims by the acquirer or other parties.

Our manufacturing operations may be interrupted or suffer yield problems.

Given the nature of our products, it would be time consuming, difficult, and costly to arrange for new manufacturing facilities to supply such products. Any prolonged inability to utilize one of our or a third party's manufacturing facilities due to damages resulting from fire, natural disaster, unavailability of electric power, labor unrest, political conditions or other causes, could have a material adverse effect on our results of operations and financial condition.

The manufacture and design of integrated circuits is highly complex. We may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, equipment malfunctioning, construction delays, upgrading or expanding existing facilities, changing our process technologies, or new technology qualification delays, particularly in our internal fabrication facilities, any of which could result in a loss of future revenues or increases in fixed costs. To the extent we do not achieve acceptable manufacturing yields or we experience delays in

wafer fabrication, our results of operations could be adversely affected. In addition, operating expenses related to increases in production capacity may adversely affect our operating results if revenues do not increase proportionately.

Our critical information systems are subject to attacks, interruptions and failures.

We rely on several information technology systems to provide products and services, process orders, manage inventory, process shipments to customers, keep financial, employee and other records, and operate other critical functions. We currently have, and are in the process of developing several more, systems and procedures that include, among other things, ongoing internal risk assessments to identify vulnerabilities, the creation of an internal group dedicated to reviewing cybersecurity threats, and the adoption of an information security policy. Despite our efforts to mitigate risks associated with cybersecurity events, our information technology systems may be susceptible to adaptive persistent threats (“APT”), catastrophic cybersecurity attacks, damage, disruptions or shutdowns due to power outages, hardware failures, computer malware and viruses, telecommunication failures, user errors, or other unforeseen events. Risks associated with these threats include, but are not limited to, loss of intellectual property, impairment of our ability to conduct our operations, disruption of our customers’ operations, loss or damage to our customer data delivery systems, and increased costs to prevent, respond to or mitigate catastrophic cybersecurity events. A prolonged systemic disruption in the information technology systems could result in the loss of sales and customers and significant consequential costs, which could adversely affect our business. In addition, cybersecurity breaches of our information technology systems could result in the misappropriation or unauthorized disclosure of confidential information belonging to us or to our customers, partners, suppliers, or employees which could result in our suffering significant financial or reputational damage.

Shortage of raw materials or supply disruption of such raw materials could harm our business.

The semiconductor industry has experienced a large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor, solar and other manufacturers, availability of certain basic materials and supplies, and of subcontract services, has been limited from time to time over the past several years, and could come into short supply again if overall industry demand exceeds the supply of these materials and services in the future.

We purchase materials and supplies from many suppliers, some of which are sole-sourced. If the availability of these materials and supplies is interrupted, we may not be able to find suitable replacements. In addition, from time to time natural disasters can lead to a shortage of some materials due to disruption of the manufacturer's production. We continually strive to maintain availability of all required materials, supplies and subcontract services. However, we do not have long-term agreements providing for all of these materials, supplies and services, and shortages could occur as a result of capacity limitations or production constraints on suppliers that could have a material adverse effect on our ability to achieve our production requirements.

Extensions in lead-time for delivery of products could adversely affect our future growth opportunities and results of operations.

Supply constraints, which may include limitations in manufacturing capacity, could impede our ability to grow revenues and meet increased customer demands for our products. Our results of operations may be adversely affected if we fail to meet such increase in demand for our products without significantly increasing the lead-time required for our delivery of such products. Any significant increase in the lead-time for delivery of products may negatively affect our customer relationships, reputation as a dependable supplier of products and ability to obtain future design wins, while potentially increasing order cancellations, aged, unsaleable or otherwise unrealized backlog, and the likelihood of our breach of supply agreement terms. Any of the foregoing factors could negatively affect our future revenue growth and results of operations.

We may be liable for additional production costs and lost revenues to certain customers with whom we have entered into customer supply agreements if we are unable to meet certain product quantity and quality requirements.

We enter into contracts with certain customers whereby we commit to supply quantities of specified parts at a predetermined scheduled delivery date. The number of such arrangements continues to increase as this practice becomes more commonplace. Should we be unable to supply the customer with the specific part at the quantity and product quality desired and on the scheduled delivery date, the customer may incur additional production costs. In addition, the customer may lose revenues due to a delay in receiving the parts necessary to have the end-product ready for sale to its customers or due to product quality issues. Under certain customer supply agreements, we may be liable for direct additional production costs or lost revenues. If products are not shipped on time or are quality deficient, we may be liable for penalties and resulting damages. Such liability, should it arise, and/or our inability to meet these commitments to our customers may have a material adverse impact on our results of operations and financial condition and could damage our relationships, reputation and goodwill with the affected customers.

If we fail to enter into future vendor managed inventory arrangements or fail to supply the specific product or quantity under such arrangements, the results of our operations and financial condition may be materially adversely impacted.

We enter into arrangements with certain original equipment manufacturers (“OEMs”) and Electronic Manufacturing Services (“EMS”) partners to consign quantities of certain products within proximity of the OEMs and EMS partners' manufacturing location. The inventory is physically segregated at these locations and we retain title and risk of loss related to this inventory until such time as the OEM or EMS partner pulls the inventory for use in its manufacturing process. Once the inventory is pulled by the OEM or EMS partner, title and risk of loss pass to the customer, at which point we relieve inventory and recognize revenue and the related cost of goods sold. The specific quantities to be consigned are based on a forecast provided by the OEM or EMS partner. Generally, the arrangements with the OEMs and EMS partners provide for transfer of title and risk of loss once product has been consigned for a certain length of time.

We believe these arrangements will continue to grow in terms of number of customers and products and will increase in proportion to consolidated net revenues. Should we be unable or unwilling to enter into such agreements as requested by OEMs or EMS partners, our results of operations may be materially adversely impacted. In addition, should we be unable to supply the specific product in the quantity needed by the OEM or EMS partner as reflected in their forecast, we may be liable for damages, including, but not limited to, lost revenues and increased production costs which could have a material adverse impact on our results of operations and financial condition. Should we supply product in excess of the OEM or EMS partners actual usage, any inventory not consumed may become excess or obsolete, which would result in an inventory write off that could materially adversely affect our results of operations.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.

Many of our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products developed by major systems manufacturers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards or requirements, we could miss opportunities to achieve crucial design wins which in turn could have a material adverse effect on our business, operations and financial results

Our independent distributors and sales representatives may terminate their relationship with us or fail to make payments on outstanding accounts receivable to us, which would adversely affect our financial results.

A portion of our sales is realized through independent electronics distributors that are not under our direct control. These independent sales organizations generally represent product lines offered by several companies and thus could reduce their sales efforts applied to our products or terminate their distribution relationship with us. In fiscal 2016, 38% of our revenues were generated from distributors the largest of which was Avnet, our primary world-wide distributor, which accounted for 19% of our revenues. We require certain foreign distributors to provide a letter of credit to us in an amount up to the credit limit set for accounts receivable from such foreign distributors. The letter of credit provides for collection on accounts receivable from the foreign distributor should the foreign distributor default on their accounts receivable to us. Where credit limits have been established above the amount of the letter of credit, we are exposed for the difference. We do not require letters of credit from any of our domestic distributors and are not contractually protected against accounts receivable default or bankruptcy by these distributors. The inability to collect open accounts receivable could adversely affect our results of operations and financial condition. Termination of a significant distributor, whether at our or the distributor's initiative, could be disruptive and harmful to our current business.

We may encounter difficulties in the implementation of a new global execution system, which may adversely affect our operations and financial reporting.

We are in the process of implementing in phases a new global execution system (“GES”) as part of our efforts to integrate inventory movement with our financial reporting system. Any difficulties in the implementation or operation of GES could disrupt our supply chain execution which may lead to our inability to effectively supply products to our customers. Such developments could materially adversely affect our results of operations and financial reporting.

Material impairments of our goodwill or intangible assets could adversely affect our results of operations.

Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise or upon the disposition of a significant portion of a reporting unit. The review compares the fair value for each reporting unit to its associated book value

including goodwill. A decrease in the fair value associated with a reporting unit resulting from, among other things, unfavorable changes in the estimated future discounted cash flow of the reporting unit, may require us to recognize impairments of goodwill. Most of our intangible assets are amortized over their estimated useful lives, but they are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the future undiscounted cash flows expected to result from the use of the intangible asset and its eventual disposition is less than the carrying amount of the asset, we would recognize an impairment loss to the extent the carrying amount of the asset exceeds its fair value.

Our operating results may be adversely affected by unfavorable economic and market conditions.

The global economic environment could subject us to increased credit risk should customers be unable to pay us, or delay paying us, for previously purchased products. Accordingly, reserves for doubtful accounts and write-offs of accounts receivable may increase. In addition, weakness in the market for end users of our products could harm the cash flow of certain of our distributors and resellers who could then delay paying their obligations to us or experience other financial difficulties. This would further increase our credit risk exposure and potentially cause delays in our recognition of revenue on sales to these customers.

If economic or market conditions deteriorate globally, in the United States or in other key markets, our business, operating results, and financial condition may be materially and adversely affected.

Our quarterly operating results may fluctuate, which could adversely impact our common stock price.

We believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicators of future performance. Our operating results have in the past been, and will continue to be, subject to quarterly fluctuations as a result of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include, but are not limited to, the following:

- Fluctuations in demand for our products and services;
- Loss of a significant customer or significant customers electing to purchase from another supplier;
- Reduced visibility into our customers' spending plans and associated revenue;
- The level of price and competition in our product markets;
- Our pricing practices, including our use of available information to maximize pricing potential;
- The impact of the uncertain economic and credit environment on our customers, channel partners, and suppliers, including their ability to obtain financing or to fund capital expenditures;
- The overall movement toward industry consolidations among our customers and competitors;
- Below industry-average growth of the non-consumer segments of our business;
- Announcements and introductions of new products by our competitors;
- Our ability to generate sufficient earnings and cash flow to pay dividends to our stockholders;
- Deferrals of customer orders in anticipation of new products or product enhancements (introduced by us or our competitors);
- Our ability to meet increases in customer orders in a timely manner;
- Striking an appropriate balance between short-term execution and long-term innovation;
- Our ability to develop, introduce, and market new products and enhancements and market acceptance of such new products and enhancements; and
- Our levels of operating expenses.

Our stock price may be volatile.

The market price of our common stock may be volatile and subject to wide fluctuations. Fluctuations have occurred and may continue to occur in response to various factors, many of which are beyond our control.

In addition, the market prices of securities of technology companies, including those in the semiconductor industry, generally have been and remain volatile. This volatility has significantly affected the market prices of securities of many technology companies for reasons frequently unrelated to the operating performance of the specific companies. If our actual operating results or future forecasted results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of our common stock may decline. Accordingly, you may not be able to resell shares of our common stock at a price equal to or higher than the price you paid for them.

Due to the nature of our compensation programs, some of our executive officers sell shares of our common stock each quarter or otherwise periodically, including pursuant to trading plans established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Regardless of the reasons for such sales, analysts and investors could view such actions in a negative light and the market price of our stock could be adversely affected as a result of such periodic sales.

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

A number of factors may increase our future effective tax rates, including, but not limited to:

- the jurisdictions in which profits are determined to be earned and taxed;
- changes in our global structure that involve an increased investment in technology outside of the United States to better align asset ownership and business functions with revenues and profits;
- the resolution of issues arising from tax audits with various tax authorities, and in particular, the outcome of the Internal Revenue Service audit of our tax returns for fiscal years 2009-2011;
- changes in the valuation of our deferred tax assets and liabilities;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including impairments of goodwill in connection with acquisitions;
- changes in available tax credits;
- changes in share-based compensation;
- changes in tax laws or the interpretation of such tax laws, including the Base Erosion and Profit Shifting (“BEPS”) project being conducted by the Organization for Economic Co-operation and Development (“OECD”);
- changes in generally accepted accounting principles; and
- the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes.

We are subject to taxation in various countries and jurisdictions. Significant judgment is required to determine tax liabilities on a worldwide basis. Any significant increase in our future effective tax rates could reduce net income for future periods and may have a material adverse impact on our results of operations.

Political conditions could materially affect our revenues and results of operations.

We are subject to the political and legal risks inherent in international operations. Exposure to political instabilities, different business policies and varying legal standards could impact economic activity, which in turn could lead to a contraction of customer demand or a disruption in our operations. We have been impacted by these problems in the past, but none have materially affected our results of operations. Problems in the future or not-yet-materialized consequences of past problems could affect deliveries of our products to our customers, possibly resulting in substantially delayed or lost sales and/or increased expenses that cannot be passed on to customers.

Environmental, safety and health laws and regulations could force us to expend significant capital and incur substantial costs.

Various foreign and domestic federal, state, and local government agencies impose a variety of environmental, safety and health laws and regulations on the storage, handling, use, discharge and disposal of certain chemicals, gases and other substances used or produced in the semiconductor manufacturing process. Historically, compliance with these regulations has not had a material adverse effect on our capital expenditures, earnings, or competitive or financial position. There can be no assurance, however, that interpretation and enforcement of current or future environmental, safety and health laws and regulations will not impose costly requirements upon us. Any failure by us to adequately control the storage, handling, use, discharge or disposal of regulated substances could result in fines, suspension of production, alteration of wafer fabrication processes and legal liability, which may materially adversely impact our financial condition, results of operations or liquidity.

Employee health benefit costs may negatively impact our profitability.

With a large number of employees participating in our health benefit plans, our expenses relating to employee health benefits are substantial. In past years, we have experienced significant increases in certain of these costs, largely as a result of economic factors beyond our control, including, in particular, ongoing increases in health care costs well in excess of the rate of inflation. While we have attempted to control these costs in recent years, there can be no assurance that we will be as successful in controlling such costs in the future. Continued increases in health care costs, as well as changes in laws, regulations and assumptions used to calculate health and benefit expenses, may adversely affect our business, financial position and results of operations.

Business interruptions from natural disasters could harm our ability to produce products.

We operate our business in worldwide locations. Some of our facilities and those of our subcontractors are located in geologically unstable areas of the world and are susceptible to damage from natural disasters. In the event of a natural disaster, we may suffer a disruption in our operations that could adversely affect our results of operations.

Our financial condition, operations and liquidity may be materially adversely affected in the event of a catastrophic loss for which we are self-insured.

We are primarily self-insured with respect to many of our commercial risks and exposures. Based on management's assessment and judgment, we have determined that it is generally more cost effective to self-insure these risks. The risks and exposures we self-insure include, but are not limited to, fire, property and casualty, natural disasters, product defects, political risk, general liability, theft, counterfeits, patent infringement, certain employment practice matters and medical benefits for many of our U.S. employees. Should there be catastrophic loss from events such as fires, explosions or earthquakes or other natural disasters, among many other risks, or adverse court or similar decisions in any area in which we are self-insured, our financial condition, results of operations and liquidity may be materially adversely affected.

We may pursue acquisitions and investments that could harm our operating results and may disrupt our business.

We have made and will continue to consider making strategic business investments, alliances and acquisitions we consider necessary or desirable to gain access to key technologies that we believe will complement our existing technical capability and support our business model objectives. Acquisitions, alliances and investments involve risks and uncertainties that may negatively impact our future financial performance and result in an impairment of goodwill. If integration of our acquired businesses is not successful, we may not realize the potential benefits of an acquisition or suffer other adverse effects that we currently do not foresee. We may also need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions.

We also invest in early-to-late stage private companies to further our strategic objectives and support key business initiatives and may not realize a return on our investments. All of our investments are subject to a risk of a partial or total loss of investment capital.

Any of the foregoing, and other, factors could harm our ability to achieve anticipated levels of profitability from acquired businesses or to realize other anticipated benefits of acquisitions. In addition, because acquisitions of high technology companies are inherently risky, no assurance can be given that our previous or future acquisitions will be successful and will not adversely affect our business, operating results, or financial condition.

Our debt covenants may limit us from engaging in certain transactions or other activities.

We have entered into debt arrangements that contain certain covenants. The debt indentures that govern our outstanding notes include covenants that limit our ability to grant liens on its facilities and to enter into sale and leaseback transactions, which could limit our ability to secure additional debt funding in the future. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the notes, we would be required to make an offer to repurchase the affected notes at a purchase price greater than the aggregate principal amount of such notes, plus accrued and unpaid interest. Our ability to repurchase the notes in such events may be limited by our then-available financial resources or by the terms of other agreements to which we are a party. Although we currently have the funds necessary to retire this debt, funds might not be available to repay the notes when they become due in the future.

We have access to a revolving credit facility with certain institutional lenders. The credit agreement requires us to comply with certain covenants, including a requirement that we maintain a maximum debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) ratio and a minimum interest coverage ratio (EBITDA divided by interest expense). We remain subject to these covenants although we have not borrowed any amounts from this credit facility as it may be necessary or appropriate to do so in the future.

We may be materially adversely affected by currency fluctuations or changes in trade policies.

We conduct our manufacturing and other operations in various worldwide locations. A portion of our operating costs and expenses at foreign locations are paid in local currencies. Many of the materials used in our products and much of the manufacturing process for our products are supplied by foreign companies or by our foreign operations, such as our test operations in the Philippines and Thailand. Approximately 89% , 88% and 87% of our net revenues in fiscal years 2016 , 2015 and 2014 , respectively, were from international sales. Accordingly, both manufacturing and sales of our products may be adversely affected by political or economic conditions abroad. In addition, various forms of protectionist trade legislation are routinely proposed in the United States and certain foreign countries. A change in current tariff structures or other trade policies could adversely affect our foreign manufacturing or marketing strategies. Currency exchange fluctuations could also decrease revenue and increase our operating costs, the cost of components manufactured abroad, and the cost of our products to foreign customers, or decrease the costs of products produced by our foreign competitors.

We are subject to a variety of domestic and international laws and regulations, including the use of “conflict minerals”, U.S. Customs and Export Regulations, and the Foreign Corrupt Practices Act.

Pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC promulgated disclosure requirements for manufacturers of products containing certain minerals that are mined from the Democratic Republic of Congo and adjoining countries. These “conflict minerals” are commonly found in metals used in the manufacture of semiconductors. Manufacturers are also required to disclose their efforts to prevent the sourcing of such minerals and metals produced from them. The implementation of these new regulations may limit the sourcing and availability of some of the metals used in the manufacture of our products. The regulations may also reduce the number of suppliers who provide conflict-free metals, and may affect our ability to obtain products in sufficient quantities or at competitive prices. Finally, some of our customers may elect to disqualify us as a supplier if we are unable to verify that the metals used in our products are free of conflict minerals.

Among other laws and regulations, we are also subject to U.S. Customs and Export Regulations, including U.S. International Traffic and Arms Regulations and similar laws, which collectively control import, export and sale of technologies by companies and various other aspects of the operation of our business, and the Foreign Corrupt Practices Act and similar anti-bribery laws, which prohibit companies from making improper payments to government officials for the purposes of obtaining or retaining business. While our Company’s policies and procedures mandate compliance with such laws and regulations, there can be no assurance that our employees and agents will always act in strict compliance. Failure to comply with such laws and regulations may result in civil and criminal enforcement, including monetary fines and possible injunctions against shipment of product or other activities of the Company, which could have a material adverse impact on our results of operations and financial condition.

Our certificate of incorporation contains certain anti-takeover provisions that may discourage, delay or prevent a hostile change in control of our Company.

Our certificate of incorporation permits our Board of Directors to authorize the issuance of up to 2,000,000 shares of preferred stock and to determine the rights, preferences and privileges and restrictions applicable to such shares without any further vote or action by our stockholders. Any such issuance might discourage, delay or prevent a hostile change in control of our Company, which may be considered beneficial to our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our worldwide headquarters is in San Jose, California. Manufacturing and other operations are conducted in several locations worldwide. The following table provides certain information regarding our principal offices and manufacturing facilities at June 25, 2016 :

| <u>Principal Properties</u> | <u>Use(s)</u> | <u>Approximate Floor Space (sq. ft.)</u> |
|------------------------------|---|--|
| San Jose, California | Corporate headquarters, office space, engineering, manufacturing, administration, customer services, shipping and other | 435,000 |
| N. Chelmsford, Massachusetts | Engineering, office space and administration | 30,000 |
| Beaverton, Oregon | Wafer fabrication, engineering, office space and administration | 312,000 |
| Farmers Branch, Texas†* | Office space, engineering, manufacturing, administration, bump facility, customer service, warehousing, shipping, and other (49,000 sq. ft. are not being utilized currently) | 507,000 |
| Cavite, the Philippines | Manufacturing, engineering, administration, office space, customer service, shipping and other | 489,000 |
| Chonburi Province, Thailand | Manufacturing, engineering, administration, office space, customer service, shipping and other | 144,000 |
| Chandler, Arizona | Office space, engineering and test | 65,000 |
| Hillsboro, Oregon†* | Engineering, testing, office space and administration | 325,000 |
| Dublin, Ireland† | Office space, administration and customer services | 20,000 |
| Colorado Springs, Colorado† | Office space, engineering, and administration | 24,000 |
| Rozanno, Italy† | Office space, engineering, administration and other | 32,000 |
| Bangalore, India† | Office space, engineering, administration and other | 35,000 |

† Leased.

* During fiscal year 2016, we sold and entered into a lease-back arrangement of our Farmers Branch, Texas campus. The lease will expire during fiscal year 2017 with some of the remaining operations relocating to a newly leased facility in Addison, Texas. Additionally, the Company commenced activities to consolidate our Hillsboro, Oregon facility into our Beaverton, Oregon facility which is expected to complete during fiscal year 2017.

In addition to the property listed in the above table, we also lease sales, engineering, administration and manufacturing offices and other premises at various locations in the United States and internationally under operating leases, none of which are material to our future cash flows. These leases expire at various dates through 2030 . We anticipate no difficulty in retaining occupancy of any of our other manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy or in replacing them with equivalent facilities.

We expect these facilities to be adequate for our business purposes through at least the next 12 months.

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings

We are party or subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including proceedings and claims that relate to intellectual property matters. While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized or reserved, if any.

Indemnifications

We indemnify certain customers, distributors, suppliers and subcontractors for attorney fees, damages and costs awarded against such parties in certain circumstances in which our products are alleged to infringe third party intellectual property rights, including patents, registered trademarks or copyrights. The terms of our indemnification obligations are generally perpetual from the effective date of the agreement. In certain cases, there are limits on and exceptions to our potential liability for indemnification relating to intellectual property infringement claims.

Pursuant to our charter documents and separate written indemnification agreements, we have certain indemnification obligations to our current officers, employees and directors, as well as certain former officers and directors.

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 ("NASDAQ") under the symbol MXIM. As of August 5, 2016, there were approximately 717 stockholders of record of our common stock.

The following table sets forth the range of the high and low closing prices by quarter for fiscal years 2016 and 2015 :

| | <u>High</u> | <u>Low</u> |
|--|-------------|------------|
| Fiscal Year ended June 25, 2016 | | |
| First Quarter | \$34.64 | \$30.23 |
| Second Quarter | \$42.01 | \$32.00 |
| Third Quarter | \$38.79 | \$30.74 |
| Fourth Quarter | \$38.28 | \$35.10 |
| | <u>High</u> | <u>Low</u> |
| Fiscal Year ended June 27, 2015 | | |
| First Quarter | \$34.46 | \$29.31 |
| Second Quarter | \$31.97 | \$25.78 |
| Third Quarter | \$36.23 | \$31.02 |
| Fourth Quarter | \$35.65 | \$32.26 |

The following table sets forth the dividends paid per share for fiscal years 2016 and 2015 :

| | Fiscal Years | |
|----------------|--------------|--------|
| | 2016 | 2015 |
| First Quarter | \$0.30 | \$0.28 |
| Second Quarter | \$0.30 | \$0.28 |
| Third Quarter | \$0.30 | \$0.28 |
| Fourth Quarter | \$0.30 | \$0.28 |

Issuer Purchases of Equity Securities

The following table summarizes the activity related to stock repurchases for the three months ended June 25, 2016 :

| | Issuer Purchases of Equity Securities | | | |
|-------------------------------|--|------------------------------|--|--|
| | (in thousands, except per share amounts) | | | |
| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Amount That May Yet Be Purchased Under the Plans or Programs |
| Mar. 27, 2016 - Apr. 23, 2016 | 695 | \$ 36.29 | 695 | \$ 394,925 |
| Apr. 24, 2016 - May 21, 2016 | 643 | \$ 36.38 | 643 | \$ 371,543 |
| May 22, 2016 - Jun. 25, 2016 | 1,123 | \$ 37.26 | 1,123 | \$ 329,695 |
| Total | 2,461 | \$ 36.76 | 2,461 | \$ 329,695 |

In July 2013, the Board of Directors authorized us to repurchase up to \$1.0 billion of the Company's common stock from time to time at the discretion of our management. This stock repurchase authorization has no expiration date. All prior authorizations by the Board of Directors for the repurchase of common stock were superseded by this authorization.

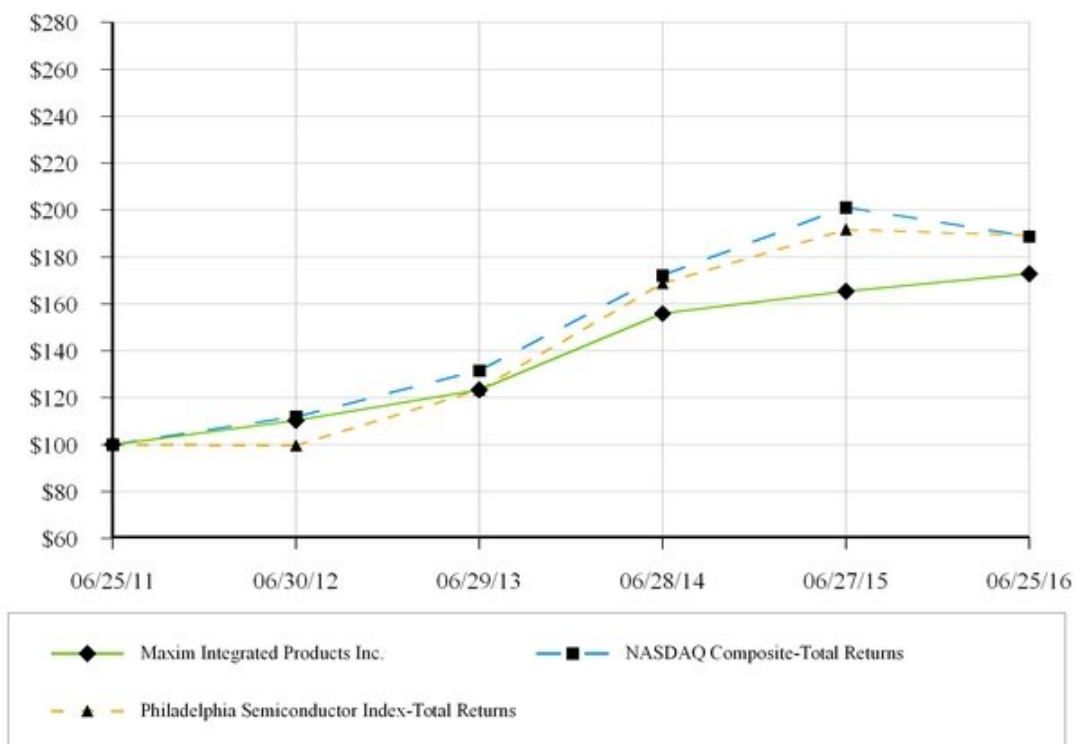
During fiscal year 2016 , we repurchased approximately 6.8 million shares of our common stock for \$237.1 million . As of June 25, 2016 , we had a remaining authorization of \$329.7 million for future share repurchases. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and liquidity and general market and business conditions.

Stock Performance Graph

The line graph below compares the cumulative total stockholder return on our common stock with the cumulative total return of the NASDAQ Composite Stock Index and the Philadelphia Semiconductor Index for the five years ended June 25, 2016 . The graph and table assume that \$100 was invested on June 24, 2011 (the last day of trading for the fiscal year ended June 25, 2011) in each of our common stock, the NASDAQ Composite Stock Index and the Philadelphia Semiconductor Index, and that all dividends were reinvested. Cumulative total stockholder returns for our common stock, the NASDAQ Composite Stock Index and the Philadelphia Semiconductor index are based on our fiscal year.

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or incorporated by reference into any of our filings under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing. The returns shown are based on historical results and are not intended to suggest or predict future performance.

Comparison of Cumulative Five Year Total Return



| | Base Year | Fiscal Year Ended | | | | |
|---|------------------|-------------------|------------------|------------------|------------------|------------------|
| | June 25, 2011 | June 30, 2012 | June 29, 2013 | June 28, 2014 | June 27, 2015 | June 25, 2016 |
| Maxim Integrated Products, Inc. | 100.00 | 110.21 | 123.33 | 155.84 | 165.35 | 172.81 |
| NASDAQ Composite-Total Return | 100.00 | 111.87 | 131.57 | 172.15 | 201.17 | 188.73 |
| Philadelphia Semiconductor-Total Return | 100.00 | 99.63 | 123.30 | 168.78 | 191.66 | 189.13 |

ITEM 6. SELECTED FINANCIAL DATA

Set forth below is a summary of certain consolidated financial information with respect to the Company as of the dates and for the periods indicated. The data set forth below for the five-year period ended June 25, 2016 are derived from and should be read in conjunction with, and are qualified by reference to, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 - Financial Statements and Supplementary Data, and notes thereto included elsewhere in Part IV, Item 15(a) of this Annual Report. The following selected financial data as of June 28, 2014, June 29, 2013, and June 30, 2012 and for the two years in the period ended June 29, 2013 have been derived from our consolidated financial statements not included herein. The historical results are not necessarily indicative of the results to be expected in any future period.

| | Fiscal Year Ended | | | | |
|--|-------------------|------------------|------------------|------------------|------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 | June 29, 2013 | June 30, 2012 |

(in thousands, except percentages and per share data)

Consolidated Statements of Income Data:

| | | | | | |
|--------------------|--------------|--------------|--------------|--------------|--------------|
| Net revenues | \$ 2,194,719 | \$ 2,306,864 | \$ 2,453,663 | \$ 2,441,459 | \$ 2,403,529 |
| Cost of goods sold | 950,331 | 1,034,997 | 1,068,898 | 944,892 | 952,677 |
| Gross margin | \$ 1,244,388 | \$ 1,271,867 | \$ 1,384,765 | \$ 1,496,567 | \$ 1,450,852 |
| Gross margin % | 56.7% | 55.1% | 56.4% | 61.3% | 60.4% |

| | | | | | |
|-------------------|------------|------------|------------|------------|------------|
| Operating income | \$ 313,849 | \$ 237,280 | \$ 422,291 | \$ 588,319 | \$ 534,797 |
| % of net revenues | 14.3% | 10.3% | 17.2% | 24.1% | 22.3% |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Income from continuing operations | \$ 227,475 | \$ 206,038 | \$ 354,810 | \$ 452,309 | \$ 354,918 |
| Income from discontinued operations, net of tax | — | — | — | 2,603 | 31,809 |
| Net income | \$ 227,475 | \$ 206,038 | \$ 354,810 | \$ 454,912 | \$ 386,727 |

Earnings per share: Basic

| | | | | | |
|------------------------------|---------|---------|---------|---------|---------|
| From continuing operations | \$ 0.80 | \$ 0.73 | \$ 1.25 | \$ 1.55 | \$ 1.21 |
| From discontinued operations | — | — | — | 0.01 | 0.11 |
| Basic net income per share | \$ 0.80 | \$ 0.73 | \$ 1.25 | \$ 1.56 | \$ 1.32 |

Earnings per share: Diluted

| | | | | | |
|------------------------------|---------|---------|---------|---------|---------|
| From continuing operations | \$ 0.79 | \$ 0.71 | \$ 1.23 | \$ 1.51 | \$ 1.18 |
| From discontinued operations | — | — | — | 0.01 | 0.11 |
| Diluted net income per share | \$ 0.79 | \$ 0.71 | \$ 1.23 | \$ 1.52 | \$ 1.29 |

Shares used in the calculation of earnings per share:

| | | | | | |
|---------|---------|---------|---------|---------|---------|
| Basic | 285,081 | 283,675 | 283,344 | 291,835 | 292,810 |
| Diluted | 289,479 | 288,949 | 289,108 | 298,596 | 300,002 |

| | | | | | |
|---------------------------------------|---------|---------|---------|---------|---------|
| Dividends declared and paid per share | \$ 1.20 | \$ 1.12 | \$ 1.04 | \$ 0.96 | \$ 0.88 |
|---------------------------------------|---------|---------|---------|---------|---------|

As of

| | June 25, 2016 | June 27, 2015 | June 28, 2014 | June 29, 2013 | June 30, 2012 |
|--|------------------|------------------|------------------|------------------|------------------|
|--|------------------|------------------|------------------|------------------|------------------|

(in thousands)

Consolidated Balance Sheet Data:

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Cash, cash equivalents and short-term investments | \$ 2,230,668 | \$ 1,626,119 | \$ 1,372,425 | \$ 1,200,046 | \$ 956,386 |
| Working capital | \$ 2,197,645 | \$ 1,936,226 | \$ 1,687,292 | \$ 1,534,477 | \$ 943,977 |
| Total assets | \$ 4,234,616 | 4,216,071 | \$ 4,391,558 | \$ 3,926,535 | \$ 3,737,946 |
| Long-term debt, excluding current portion | \$ 990,090 | \$ 987,687 | \$ 986,966 | \$ 494,198 | \$ 5,592 |
| Total stockholders' equity | \$ 2,107,814 | \$ 2,290,020 | \$ 2,429,911 | \$ 2,507,998 | \$ 2,538,277 |

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

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and notes thereto included in Part IV, Item 15(a), the risk factors included in Part I, Item 1A, and the "forward-looking statements" and other risks described herein and elsewhere in this Annual Report.

Overview

We are a global company with manufacturing facilities in the United States, the Philippines and Thailand, and sales offices and design centers throughout the world. We design, develop, manufacture and market linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of customers in diverse geographical locations. The analog market is fragmented and characterized by diverse applications, a great number of product variations and, with respect to many circuit types, relatively long product life cycles. The major end-markets in which we sell our products are the automotive, communications and data center, computing, consumer and industrial markets. We are incorporated in the State of Delaware.

Critical Accounting Policies

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. The Securities and Exchange Commission ("SEC") has defined the most critical accounting policies as the ones that are most important to the presentation of our financial condition and results of operations, and that require us to make our most difficult and subjective accounting judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our most critical accounting policies include revenue recognition, which impacts the recording of net revenues; valuation of inventories, which impacts costs of goods sold and gross margins; the assessment of recoverability of long-lived assets, which impacts impairment of long-lived assets; assessment of recoverability of intangible assets and goodwill, which impacts impairment of goodwill and intangible assets; accounting for income taxes, which impacts the income tax provision; and assessment of litigation and contingencies, which impacts charges recorded in cost of goods sold, selling, general and administrative expenses and income taxes. These policies and the estimates and judgments involved are discussed further below. We have other significant accounting policies that either do not generally require estimates and judgments that are as difficult or subjective, or it is less likely that such accounting policies would have a material impact on our reported results of operations for a given period. Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements included in this Annual Report.

Revenue Recognition

We recognize revenue for sales to direct customers and sales to certain distributors upon shipment, provided that persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title and risk of loss has transferred, collectability of the resulting receivable is reasonably assured, there are no customer acceptance requirements and we do not have any significant post-shipment obligations. We estimate returns for sales to direct customers and certain distributors based on historical return rates applied against current period gross revenue. Specific customer returns and allowances are considered within this estimate.

Sales to certain distributors are made pursuant to agreements allowing for the possibility of certain sales price rebates or price protection and for non-warranty product return privileges. The non-warranty product return privileges include allowing certain distributors to return a small portion of our products in their inventory based on their previous purchases. Given the uncertainties associated with the levels of non-warranty product returns, sales price rebates, and price protection that could be issued to certain distributors, we defer recognition of such revenue and related cost of goods sold until receipt of notification from these distributors that product has been sold to their end-customers.

Accounts receivable from direct customers and distributors are recognized and inventory is relieved upon shipment as title to inventories generally transfers upon shipment at which point we have a legally enforceable right to collection under normal terms. Accounts receivable related to consigned inventory is recognized when the customer takes title to such inventory from its consigned location at which point inventory is relieved, title transfers, and we have a legally enforceable right to collection under the terms of our agreement with the related customers.

We estimate potential future returns and sales allowances related to current period product revenue. Management analyzes historical returns, changes in customer demand and acceptance of products when evaluating the adequacy of returns and sales allowances. Estimates made by us may differ from actual returns and sales allowances. These differences may materially impact reported revenue and amounts ultimately collected on accounts receivable. Historically, such differences have not been material. At June 25, 2016 and June 27, 2015, we had \$31.5 million and \$17.4 million accrued for returns and allowances against accounts

receivable, respectively. During fiscal years 2016 and 2015, we recorded \$80.0 million and \$81.5 million for estimated returns and allowances against revenues, respectively. These amounts were offset by \$65.9 million and \$80.2 million for actual returns and allowances given during fiscal years 2016 and 2015, respectively.

Inventories

Inventories are stated at the lower of (i) standard cost, which approximates actual cost on a first-in-first-out basis, or (ii) market value. Our standard cost revision policy is to monitor manufacturing variances and revise standard costs on a quarterly basis. Because of the cyclical nature of the market, inventory levels, obsolescence of technology, and product life cycles, we generally write-down inventories to net realizable value based on forecasted product demand. Actual demand and market conditions may be lower than those projected by us. This difference could have a material adverse effect on our gross margin should inventory write-downs beyond those initially recorded become necessary. Alternatively, should actual demand and market conditions be more favorable than those estimated by us, gross margin could be favorably impacted as we release these reserves upon the ultimate product shipment. During fiscal years 2016, 2015 and 2014, we had net inventory write-downs of \$26.2 million, \$28.6 million and \$35.1 million, respectively. When the Company records a write-down on inventory, it establishes a new, lower cost basis for that inventory, and subsequent changes in facts and circumstances will not result in the restoration or increase in that newly established cost basis.

Long-Lived Assets

We evaluate the recoverability of property, plant and equipment in accordance with Accounting Standards Codification (“ASC”) No. 360, *Property, Plant, and Equipment* (“ASC 360”). We perform periodic reviews to determine whether facts and circumstances exist that would indicate that the carrying amounts of property, plant and equipment might not be fully recoverable. If facts and circumstances indicate that the carrying amount of property, plant and equipment might not be fully recoverable, we compare projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining useful lives against their respective carrying amounts. In the event that the projected undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets. Evaluation of impairment of property, plant and equipment requires estimates in the forecast of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our property, plant and equipment could differ from our estimates used in assessing the recoverability of these assets. These differences could result in impairment charges, which could have a material adverse impact on our results of operations.

Intangible Assets and Goodwill

We account for intangible assets in accordance with ASC No. 350, *Intangibles-Goodwill and Other* (“ASC 350”). We review goodwill and purchased intangible assets with indefinite lives for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable, such as when reductions in demand or significant economic slowdowns in the semiconductor industry are present.

Intangible asset reviews are performed when indicators exist that could indicate the carrying value may not be recoverable based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate consistent with the guidance provided in FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*. Impairment is based on the excess of the carrying amount over the fair value of those assets.

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. In accordance with ASC 350 we test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis or more frequently if we believe indicators of impairment exist. During the fourth quarter of fiscal year 2015, we changed our annual goodwill impairment testing date from the first quarter to the fourth quarter of each year. This change ensures the completion of the annual goodwill impairment test prior to the end of the annual reporting period, thereby aligning impairment testing procedures with year-end financial reporting. This change did not accelerate, delay, avoid, or cause an impairment charge, nor did this change result in adjustments to previously issued financial statements. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as the market approach which includes the guideline company method. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment.

loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

Accounting for Income Taxes

We must make certain estimates and judgments in the calculation of income tax expense, determination of uncertain tax positions, and in the determination of whether deferred tax assets are more likely than not to be realized. The calculation of our income tax expense and income tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations.

ASC 740-10, *Income Taxes* ("ASC 740-10"), prescribes a recognition threshold and measurement framework for financial statement reporting and disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, a tax position is recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals or litigation processes. A tax position that meets the recognition threshold is then measured to determine the largest amount of the benefit that has a greater than 50% likelihood of being realized upon settlement. Although we believe that our computation of tax benefits to be recognized and realized are reasonable, no assurance can be given that the final outcome will not be different from what was reflected in our income tax provisions and accruals. Such differences could have a material impact on our net income and operating results in the period in which such determination is made. See Note 16: "Income Taxes" in the Notes to Consolidated Financial Statements included in Part IV, Item 15(a) of this Annual Report for further information related to ASC 740-10.

We evaluate our deferred tax asset balance and record a valuation allowance to reduce the net deferred tax assets to the amount that is more likely than not to be realized. In the event it is determined that the deferred tax assets to be realized in the future would be in excess of the net recorded amount, an adjustment to the deferred tax asset valuation allowance would be recorded. This adjustment would increase income, or additional paid in capital, as appropriate, in the period such determination was made. Likewise, should it be determined that all or part of the net deferred tax asset would not be realized in the future, an adjustment to increase the deferred tax asset valuation allowance would be charged to income in the period such determination is made. In assessing the need for a valuation allowance, historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and practicable tax planning strategies are considered. Realization of our deferred tax asset is dependent primarily upon future U.S. taxable income. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. These changes, if any, may require material adjustments to the net deferred tax asset and an accompanying reduction or increase in net income in the period in which such determinations are made.

Litigation and Contingencies

From time to time, we receive notices that our products or manufacturing processes may be infringing the patent or other intellectual property rights of others, notices of stockholder litigation or other lawsuits or claims against us. We periodically assess each matter in order to determine if a contingent liability in accordance with ASC No. 450, *Contingencies* ("ASC 450"), should be recorded. In making this determination, management may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. We expense legal fees associated with consultations and defense of lawsuits as incurred. Based on the information obtained, combined with management's judgment regarding all of the facts and circumstances of each matter, we determine whether a contingent loss is probable and whether the amount of such loss can be estimated. Should a loss be probable and estimable, we record a contingent loss in accordance with ASC 450. In determining the amount of a contingent loss, we take into consideration advice received from experts in the specific matter, the current status of legal proceedings, settlement negotiations which may be ongoing, prior case history and other factors. Should the judgments and estimates made by management be incorrect, we may need to record additional contingent losses that could materially adversely impact our results of operations. Alternatively, if the judgments and estimates made by management are incorrect and a particular contingent loss does not occur, the contingent loss recorded would be reversed thereby favorably impacting our results of operations.

Results of Operations

The following table sets forth certain Consolidated Statements of Income data expressed as a percentage of net revenues for the periods indicated:

| | For the Year Ended | | |
|--|---------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| Net revenues | 100 % | 100 % | 100 % |
| Cost of goods sold | 43.3 % | 44.9 % | 43.6 % |
| Gross margin | 56.7 % | 55.1 % | 56.4 % |
| Operating expenses: | | | |
| Research and development | 21.3 % | 22.6 % | 22.8 % |
| Selling, general and administrative | 13.2 % | 13.4 % | 13.2 % |
| Intangible asset amortization | 0.6 % | 0.7 % | 0.7 % |
| Impairment of long-lived assets | 7.3 % | 2.9 % | 0.5 % |
| Impairment of goodwill and intangible assets | 1.3 % | 4.0 % | 0.1 % |
| Severance and restructuring expenses | 1.1 % | 1.3 % | 1.0 % |
| Acquisition-related costs | — % | — % | 0.3 % |
| Other operating expenses (income), net | (2.4)% | (0.1)% | 0.6 % |
| Total operating expenses | 42.4 % | 44.8 % | 39.2 % |
| Operating income | 14.3 % | 10.3 % | 17.2 % |
| Interest and other income (expense), net | (1.3)% | 0.4 % | (0.5)% |
| Income before provision for income taxes | 13.0 % | 10.7 % | 16.7 % |
| Provision for income taxes | 2.6 % | 1.7 % | 2.2 % |
| Net income | 10.4 % | 9.0 % | 14.5 % |

The following table shows pre-tax stock-based compensation included in the components of the Consolidated Statements of Income reported above as a percentage of net revenues for the periods indicated:

| | For the Year Ended | | |
|-------------------------------------|---------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| Cost of goods sold | 0.4% | 0.5% | 0.5% |
| Research and development | 1.7% | 1.8% | 1.9% |
| Selling, general and administrative | 1.1% | 1.1% | 1.1% |
| | 3.2% | 3.4% | 3.5% |

Net Revenues

We reported net revenues of \$2,194.7 million , \$2,306.9 million and \$2,453.7 million in fiscal years 2016 , 2015 and 2014 , respectively. Our net revenues in fiscal year 2016 decreased by 4.9% compared to our net revenues in fiscal year 2015 . Revenue from communications and data center products was down 15% , mainly due to lower demand for server, basestation and data storage products. Revenue from consumer products was down 10% , primarily driven by lower demand for smartphone products. This decrease was partially offset by an increase in net revenues in automotive of 32% , primarily driven by infotainment.

Our net revenues in fiscal year 2015 decreased by 6.0% , compared to our net revenues in fiscal year 2014 . Revenues from consumer products were down 23% mainly due to lower demand for products in the consumer end market primarily from smartphone customers. This decrease was partially offset by an increase in net revenues in automotive of 38% , mainly due to products offered in the automotive end market with new design win ramps across multiple applications and customers.

Approximately 89% , 88% and 87% of our net revenues in fiscal years 2016 , 2015 and 2014 , respectively, were derived from customers located outside the United States, primarily in Asia and Europe. While less than 1.0% of our sales are denominated in currencies other than U.S. dollars, we enter into foreign currency forward contracts to mitigate our risks on firm commitments

and net monetary assets denominated in foreign currencies. The impact of changes in foreign exchange rates on net revenues and our results of operations for fiscal years 2016 , 2015 and 2014 were immaterial.

Gross Margin

Our gross margin percentage as a percentage of net revenue was 56.7% in fiscal year 2016 compared to 55.1% in fiscal year 2015 . Our gross margin increased by 1.6% , primarily from a \$73.8 million , or 8.1% , decrease, in production related costs (1.3% increase to gross margin). These reduced production related costs were primarily due to the realization of benefits from the manufacturing transformation and cost savings initiatives, as well as due to the 4.9% decrease in net revenue, and to a lesser extent due to the mix of products sold.

Our gross margin as a percentage of net revenue was 55.1% in fiscal year 2015 compared to 56.4% in fiscal year 2014 . Our gross margin decreased by 1.3% , primarily resulted from a \$51.5 million increase in accelerated depreciation relating to the San Jose wafer fabrication facility shut down, and, a \$9.9 million increase in incremental amortization related to intangible assets due to a full year of amortization in fiscal year 2015 as compared to nine months of amortization in fiscal year 2014. This decrease was mitigated by a \$19.0 million reduction in product warranty related expenses.

Research and Development

Research and development expenses were \$467.2 million and \$521.8 million for fiscal years 2016 and 2015 , respectively, which represented 21.3% and 22.6% of net revenues, respectively. The \$54.6 million decrease in research and development expenses was primarily attributable to a decrease in salaries and related expenses of \$44.0 million as a result of headcount reductions related to restructuring programs and spending control efforts.

Research and development expenses were \$521.8 million and \$558.2 million for fiscal years 2015 and 2014 , respectively, which represented 22.6% and 22.8% of net revenues, respectively. The \$36.4 million decrease in research and development expenses was primarily attributable to a decrease in salaries and related expenses of \$19.4 million as a result of headcount reductions related to restructuring programs and spending control efforts.

The level of research and development expenditures as a percentage of net revenues will vary from period to period depending, in part, on the level of net revenues and on our success in recruiting the technical personnel needed for our new product introductions and process development. We view research and development expenditures as critical to maintaining a high level of new product introductions, which in turn are critical to our plans for future growth.

Selling, General and Administrative

Selling, general and administrative expenses were \$288.9 million and \$308.1 million in fiscal years 2016 and 2015 , respectively, which represented 13.2% and 13.4% of net revenues, respectively. The \$19.2 million decrease in selling, general and administrative expenses was primarily attributable to a decrease in salaries and related expenses of \$11.0 million as a result of headcount reductions related to restructuring programs and spending control efforts.

Selling, general and administrative expenses were \$308.1 million and \$324.7 million in fiscal years 2015 and 2014 , respectively, which represented 13.4% and 13.2% of net revenues, respectively. The \$16.6 million decrease in selling, general and administrative expenses was primarily attributable to a decrease in salaries and related expenses of \$10.2 million as a result of headcount reductions related to restructuring programs and spending control efforts.

The level of selling, general and administrative expenditures as a percentage of net revenues will vary from period to period, depending on the level of net revenues and our success in recruiting sales and administrative personnel needed to support our operations.

Impairment of Long-lived Assets

Impairment of long-lived assets was \$160.6 million in fiscal year 2016 and \$67.0 million in fiscal year 2015 , which represented 7.3% and 2.9% of net revenues, respectively. The \$93.6 million increase was primarily due to a \$157.7 million increase in classification of our wafer manufacturing facility in San Antonio, Texas as held for sale in the first quarter of fiscal year 2016 and therefore written down to fair value, less cost to sell.

Impairment of long-lived assets was \$67.0 million in fiscal year 2015 and \$11.6 million in fiscal year 2014 , which represented 2.9% and 0.5% of net revenues, respectively. The \$55.4 million increase was primarily due to the equipment impairment associated with the Sensing Solutions reporting unit.

For further details of the asset impairments, please refer to Note 10: “Impairment of long-lived assets” in our consolidated financial statements included in Part IV, Item 15(a) to this Annual Report.

Impairment of Goodwill and Intangible Assets

Impairment of goodwill and intangible assets was \$27.6 million in fiscal year 2016 and \$93.0 million in fiscal year 2015 , which represented 1.3% and 4.0% of net revenues, respectively. The \$65.4 million decrease was primarily driven by a \$93.0 million impairment to goodwill and in-process research and development for the Sensing Solutions reporting unit in fiscal year 2015 compared to a \$27.6 million impairment of in-process research and development obtained in previous acquisitions, primarily from the acquisition of Volterra.

Impairment of goodwill and intangible assets was \$93.0 million in fiscal year 2015 and \$2.6 million in fiscal year 2014 . The \$90.4 million increase was primarily driven by impairments to goodwill and in-process research and development for the Sensing Solutions reporting unit. The Sensing Solutions reporting unit develops integrated circuits that are primarily sold in the consumer and automotive end customer markets. The impairment was the result of our decision within the quarter ended December 27, 2014 to exit certain market offerings that have competitive dynamics which are no longer consistent with our business objectives.

For further details on impairments recorded of goodwill and intangible assets, please refer to Note 8: “Goodwill and intangible assets” in our consolidated financial statements included in Part IV, Item 15(a) to this Annual Report.

Severance and Restructuring Expenses

Severance and restructuring expenses were \$24.5 million in fiscal year 2016 and \$30.6 million in fiscal year 2015 , which represented 1.1% and 1.3% of net revenues, respectively. The \$6.1 million decrease was primarily due to the timing of restructuring activities initiated by the Company. During fiscal year 2016, the Company incurred \$24.0 million of severance and restructuring expenses associated with continued reorganization of certain business units and functions and the planned closure of the Dallas wafer level packaging (“WLP”) manufacturing facilities and \$0.4 million associated with the completion of the shut down our San Jose wafer fabrication facility.

Severance and restructuring expenses were \$30.6 million in fiscal year 2015 and \$24.9 million in fiscal year 2014 , which represented 1.3% and 1.0% of net revenues, respectively. The \$5.7 million increase was primarily due to restructuring activities which took place during fiscal 2015, primarily \$23.9 million associated with the major reorganization of the Company's business units as well as \$6.7 million associated with the decision to shut down our San Jose wafer fabrication facility.

For further details on our restructuring plans and charges recorded, please refer to Note 17: “Restructuring Activities” in our consolidated financial statements included in Part IV, Item 15(a) to this Annual Report.

Other Operating Expenses (Income), Net

Other operating expenses (income), net were \$(50.4) million and \$(2.0) million in fiscal year 2016 and 2015 , respectively, which represented (2.4)% and (0.1)% of net revenues, respectively. The net decrease in other operating expenses of \$48.4 million was primarily driven by the gain of \$58.9 million on the asset sale of our energy metering business to Silergy Corp recorded in fiscal year 2016.

Other operating expenses (income), net were \$(2.0) million and \$15.8 million in fiscal years 2015 and 2014 , respectively, which represented (0.1)% and 0.6% of net revenues, respectively. The net decrease in other operating expenses of \$17.8 million was primarily driven by a change in estimate to an expected loss on rent expense for vacated office space of \$3.4 million as well as the absence of one-time expenses incurred in fiscal year 2014 such as the \$6.0 million intellectual property infringement legal settlement and the impairment of notes receivable of \$4.1 million related to a divestiture.

Interest and Other Income (Expense), Net

Interest and other income (expense), net were \$(28.8) million in fiscal year 2016 and \$8.9 million in fiscal year 2015 , which represented (1.3)% and 0.4% of net revenues, respectively. The change in interest and other expense of \$(37.7) million was primarily

attributable to the gain of \$35.8 million on the sale of our Capacitive Touch business, which occurred in the fourth quarter of fiscal year 2015.

Interest and other income (expense), net were \$8.9 million in fiscal year 2015 and \$(13.1) million in fiscal year 2014, which represented 0.4% and (0.5)% of net revenues, respectively. The net decrease in expenses of \$22.0 million to an income position was primarily attributable to the gain of \$35.8 million on the sale of our Capacitive Touch business, which occurred in June 2015. This gain was partially offset by a \$14.0 million decrease in income from licensing intellectual property and \$5.5 million in additional interest expense resulting from the issuance of long-term notes.

Provision for Income Taxes

Our annual income tax expense was \$57.6 million, \$40.1 million, and \$54.4 million, in fiscal years 2016, 2015 and 2014, respectively. The effective tax rate was 20.2%, 16.3% and 13.3% for fiscal years 2016, 2015 and 2014, respectively. Our federal statutory tax rate is 35%.

Our fiscal year 2016 effective tax rate was lower than the statutory tax rate primarily because earnings of foreign subsidiaries, generated primarily by our international operations managed in Ireland, were taxed at lower rates, partially offset by stock-based compensation for which no tax benefit is expected, interest accruals for unrecognized tax benefits and \$20.4 million of non-deductible goodwill included in the sale of the energy metering business.

Our fiscal year 2015 effective tax rate was lower than the statutory tax rate primarily because earnings of foreign subsidiaries, generated primarily by our international operations managed in Ireland, were taxed at lower tax rates, a \$2.9 million tax benefit for fiscal year 2014 research tax credits that were generated by the retroactive extension of the federal research tax credit to January 1, 2014 by legislation that was signed into law on December 19, 2014, and a \$24.8 million tax benefit for the favorable settlement of a Singapore tax issue, partially offset by a \$84.1 million goodwill impairment charge that generated no tax benefit and stock-based compensation for which no tax benefit is expected.

Our fiscal year 2014 effective tax rate was lower than the statutory tax rate primarily because earnings of foreign subsidiaries, generated primarily by our international operations managed in Ireland, were taxed at lower tax rates and a \$35.6 million one-time benefit for fixed asset Federal tax basis adjustments generated by prior year depreciation expense that did not provide a tax benefit in prior years, partially offset by stock-based compensation for which no tax benefit is expected.

We have various entities domiciled within and outside the United States. The following is a breakout of our U.S. and Foreign income (loss) before income taxes:

| | For the Year Ended | | |
|--------------------------------|---------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands) | | |
| Domestic pre-tax income (loss) | \$ (48,985) | \$ 68,289 | \$ 87,630 |
| Foreign pre-tax income (loss) | 334,039 | 177,881 | 321,596 |
| Total | \$ 285,054 | \$ 246,170 | \$ 409,226 |

A relative increase in earnings in lower tax jurisdictions, such as Ireland, may lower our consolidated effective tax rate, while a relative increase in earnings in higher tax jurisdictions, such as the United States, may increase our consolidated effective tax rate.

In fiscal year 2016 the percentage of pre-tax income from our foreign operations increased, which was primarily due to a \$157.7 million fiscal year 2016 impairment of long-lived assets associated with the Company's wafer manufacturing facility in San Antonio, Texas that reduced domestic pre-tax income and a \$93.0 million fiscal year 2015 goodwill and in-process research and development impairment charge realized by a foreign affiliate, partially offset by a \$24.1 million fiscal year 2016 in-process research and development impairment charge realized by a foreign affiliate. The impact of pre-tax income from foreign operations reduced our effective tax rate by 21.7 percentage points in fiscal year 2016 as compared to 24.6 percentage points in fiscal year 2015. The decreased fiscal year 2016 tax rate benefit from foreign operations was primarily attributable to a \$24.8 million tax benefit in fiscal year 2015 for the favorable settlement of a Singapore tax issue, partially offset by the relative increase in fiscal year 2016 pre-tax income from foreign operations.

In fiscal year 2015 the percentage of pre-tax income from our foreign operations declined, which was primarily due to a \$93.0 million goodwill and in-process research and development impairment charge realized by a foreign affiliate and \$46.3 million of accelerated depreciation generated by the San Jose wafer fabrication facility shutdown that was charged to a foreign affiliate. The impact of pre-tax income from foreign operations reduced our effective tax rate by 24.6 percentage points in fiscal year 2015 as compared to 19.1 percentage points in fiscal year 2014. The increased fiscal year 2015 tax rate benefit from foreign operations was primarily attributable to a \$24.8 million tax benefit in fiscal year 2015 for the favorable settlement of a Singapore tax issue, partially offset by the relative decrease in fiscal year 2015 pre-tax income from foreign operations.

Recently Issued Accounting Pronouncements

Refer to our discussion of recently issued accounting pronouncements as included in Part IV, Item 15. Exhibits and financial statement schedules, Note 2: "Summary of Significant Accounting Policies".

Financial Condition, Liquidity and Capital Resources

Financial Condition

Our primary source of liquidity is our cash flows from operating activities resulting from net income and management of working capital. In fiscal year 2016, additional sources of liquidity was cash provided by investing activities, generated by the sale of certain non-core businesses and operating assets sold as part of our manufacturing transformation.

Cash flows were as follows:

| | For the Year Ended | | |
|--|--------------------|-------------------|-------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| (in thousands) | | | |
| Net cash provided by (used in) operating activities | \$ 721,885 | \$ 693,706 | \$ 776,107 |
| Net cash provided by (used in) investing activities | 62,722 | (36,073) | (609,439) |
| Net cash provided by (used in) financing activities | (230,343) | (429,140) | (19,182) |
| Net increase (decrease) in cash and cash equivalents | <u>\$ 554,264</u> | <u>\$ 228,493</u> | <u>\$ 147,486</u> |

Operating Activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain assets and liabilities.

Cash provided by operating activities was \$721.9 million in fiscal year 2016, an increase of \$28.2 million compared with fiscal year 2015. This increase was primarily driven by decreases in inventory of \$41.9 million resulting from the sale of our San Antonio wafer manufacturing facility and sale of our energy metering business, as well as actions to keep inventory balances in line with current revenue levels. In addition, the increase was due to changes in our deferred tax balances and other current asset balance of \$24.4 million and \$11.7 million respectively. These increases were partially offset by reductions in non-cash adjustments to net income of depreciation and amortization of \$54.8 million.

Cash provided by operating activities was \$693.7 million in fiscal year 2015, a decrease of \$82.4 million compared with fiscal year 2014. This decrease was primarily a result of \$206.0 million of net income, a \$148.8 million decrease from fiscal year 2014, a net change in assets and liabilities of \$61.0 million, and a \$50.0 million decrease in cash provided by operating activities from fiscal year 2015. These decreases were partially offset by non-cash adjustments to net income of \$426.7 million, which increased cash provided by operating activities by \$116.4 million compared with fiscal year 2014. The movement in non-cash adjustments primarily resulted from impairment of the Sensing Solutions reporting unit goodwill of \$84.1 million and increased depreciation of \$54.8 million, primarily associated with accelerated depreciation for the San Jose wafer fabrication facility shut down.

Investing Activities

Investing cash flows consist primarily of capital expenditures, net investment purchases and maturities and acquisitions.

Cash provided by investing activities increased by \$98.8 million for fiscal year 2016 compared with fiscal year 2015. The change was primarily due to \$105.0 million in proceeds from the sale of our energy metering business in fiscal year 2016, compared to

\$35.6 million from the sale of our Capacitive Touch business in fiscal year 2015, a \$69.4 million increase. Also, cash provided by the sale of property, plant and equipment increased \$56.1 million, the majority of which was from the sale of our San Jose wafer manufacturing facility. Fiscal year 2016 also included \$50.0 million of proceeds from the maturity of available for sale securities. These cash inflows were partially offset by a \$74.8 million increase in purchases of U.S. treasury securities.

Cash used in investing activities decreased by \$573.4 million for fiscal year 2015 compared with fiscal year 2014. The decrease was due primarily to relative decrease in cash used for acquisitions of \$451.5 million relating to the Volterra acquisition in fiscal year 2014, \$56.7 million of reduction in capital expenditures relating to property, plant and equipment due to spending control efforts and \$35.6 million in cash proceeds from the sale of our Capacitive Touch business.

Financing Activities

Financing cash flows consist primarily of new borrowings, repurchases of common stock, issuance and repayment of notes payables, payment of dividends to stockholders, proceeds from stock option exercises and employee stock purchase plan and withholding tax payments associated with net share settlements of equity awards.

Net cash used in financing activities decreased by approximately \$198.8 million for fiscal year 2016 compared with fiscal year 2015. This decrease was due primarily to the issuance of the \$249.7 million short term debt. This decrease was offset primarily due to an increase of \$42.0 million in repurchases of common stock and an increase of \$24.1 million in dividend payments.

Net cash used in financing activities decreased by approximately \$410.0 million for fiscal year 2015 compared with fiscal year 2014. This increase was due primarily to the issuance of the \$500 million notes net of issuance cost and discount in fiscal year 2014, offset by less repurchases of common stock of \$110.2 million.

Liquidity and Capital Resources

As of June 25, 2016, our available funds consisted of \$2.2 billion in cash, cash equivalents and short-term investments. We anticipate that the available funds and cash generated from operations will be sufficient to meet cash and working capital requirements, including the anticipated level of capital expenditures, common stock repurchases, debt repayments and dividend payments for at least the next twelve months.

Long Term Debt Levels

On November 21, 2013, the Company completed a public offering of \$500 million aggregate principal amount of the Company's 2.5% senior unsecured and unsubordinated notes due on November 15, 2018 ("2018 Notes").

On March 18, 2013, the Company completed a public offering of \$500 million aggregate principal amount of the Company's 3.375% senior unsecured and unsubordinated notes due on March 15, 2023 ("2023 Notes").

The debt indentures that govern the 2023 Notes and the 2018 Notes, respectively, include covenants that limit our ability to grant liens on our facilities and to enter into sale and leaseback transactions, which could limit our ability to secure additional debt funding in the future. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the 2023 Notes or the 2018 Notes, we would be required to make an offer to repurchase the affected notes at a purchase price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest.

Short Term Credit Agreement

On June 23, 2016, a wholly-owned foreign subsidiary of the Company entered into a short-term credit agreement (the "Credit Agreement") with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the "Lender"), in order to facilitate the return of capital to the Company. The Credit Agreement provides for, among other things, the Lender making an unsecured term loan in an amount equal to \$250.0 million and has a maturity date of June 22, 2017. The net proceeds of this credit agreement was approximately \$249.7 million, after deducting paid issuance costs. The interest rate on the note is based on LIBOR plus a margin. The initial interest rate is 1.69% per annum and will be adjusted quarterly. The credit agreement requires the Company to comply with certain covenants, including a requirement that the Company maintain a ratio of debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) of not more than 3 to 1 and a minimum interest coverage ratio (EBITDA divided by interest expense) greater than 3.5 to 1. As of June 25, 2016, the Company was in compliance with all covenants.

Available Borrowing Resources

We have access to a \$350 million senior unsecured revolving credit facility with certain institutional lenders that expires on June 27, 2019 . The facility fee is at a rate per annum that varies based on the Company's index debt rating and any advances under the credit agreement will accrue interest at a base rate plus a margin based on the Company's index debt rating. The credit agreement requires us to comply with certain covenants, including a requirement that we maintain a ratio of debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) of not more than 3 to 1 and a minimum interest coverage ratio (EBITDA divided by interest expense) greater than 3.5 to 1 . As of June 25, 2016 , we had not borrowed any amounts from this credit facility and we were in compliance with all debt covenants.

Contractual Obligations

The following table summarizes our significant contractual obligations at June 25, 2016 , and the effect such obligations are expected to have on our liquidity and cash flows in future periods. This table excludes amounts already recorded on our Consolidated Balance Sheet as current liabilities at June 25, 2016 , except for short-term debt obligations:

| | Payment due by period | | | | |
|--|-----------------------|------------------|------------|------------|-------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| | (in thousands) | | | | |
| Contractual Obligations: | | | | | |
| Operating lease obligations (1) | \$ 53,568 | \$ 8,778 | \$ 11,933 | \$ 9,316 | \$ 23,541 |
| Short-term debt obligations (2) | 250,000 | 250,000 | — | — | — |
| Long-term debt obligations (3) | 1,000,000 | — | 500,000 | — | 500,000 |
| Interest payments associated with debt obligations (4) | 147,388 | 33,699 | 51,111 | 33,750 | 28,828 |
| Inventory related purchase obligations (5) | 725,987 | 100,875 | 163,045 | 137,425 | 324,642 |
| Total | \$ 2,176,943 | \$ 393,352 | \$ 726,089 | \$ 180,491 | \$ 877,011 |

(1) We lease some facilities under non-cancelable operating lease agreements that expire at various dates through 2030 .

(2) Short-term debt represents amounts primarily due for our short-term credit agreement.

(3) Long-term debt represents amounts primarily due for our long-term notes.

(4) Interest payments calculated based on contractual payment requirements under the debt agreements.

(5) We order some materials and supplies in advance or with minimum purchase quantities. We are obligated to pay for the materials and supplies when received. Additionally, in 2016 we entered into a long term supply agreement with the semiconductor foundry TowerJazz to supply finished wafers on our existing processes and products, which contains minimum purchase requirements.

Purchase orders for the purchase of the majority of our raw materials and other goods and services are not included above. Our purchase orders generally allow for cancellation without significant penalties. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected short-term requirements.

As of June 25, 2016 , our gross unrecognized income tax benefits were \$482.7 million which excludes \$49.0 million of accrued interest and penalties. At this time, we are unable to make a reasonably reliable estimate of the timing of payments of these amounts, if any, in individual years due to uncertainties in the timing or outcomes of either actual or anticipated tax audits. As a result, these amounts are not included in the table above.

Off-Balance-Sheet Arrangements

As of June 25, 2016 , we did not have any material off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents, short-term investments and notes payable. See Note 5: "Financial Instruments" in the Notes to Consolidated Financial Statements included in this Annual

Report. We do not use derivative financial instruments to hedge the ongoing risk of interest rate volatility. At June 25, 2016, we maintained a significant portfolio of money market fund investments, which are included in cash and cash equivalents. These money market funds are generally invested only in U.S. government or agency securities and are all available on a daily basis. Our short term investments are in U.S. government securities and our long term notes are all fixed rate securities.

To assess the interest rate risk associated with our investment portfolio, we performed sensitivity analysis for our long term notes as of June 25, 2016, using a modeling technique that measures the change in the fair values arising from a hypothetical 100 basis points increase in the levels of interest rates across the entire yield curve, with all other variables held constant. The discount rates used were based on the market interest rates in effect at June 25, 2016. The sensitivity analysis indicated that a hypothetical 100 basis points increase in interest rates would result in a reduction in the fair values of our long term notes of \$44.1 million.

Foreign Currency Risk

We generate less than 1.0% of our revenues in various global markets based on orders obtained in currencies other than the U.S. Dollar. We incur expenditures denominated in non-U.S. currencies, primarily the Philippine Peso associated with our manufacturing activities in the Philippines, and expenditures for sales offices and research and development activities undertaken outside of the U.S. We are exposed to fluctuations in foreign currency exchange rates primarily on orders, cash flows for expenditures and accounts receivable from sales in these foreign currencies. We have established risk management strategies designed to reduce the impact of volatility of future cash flows caused by changes in the exchange rate for these currencies. These strategies reduce, but do not entirely eliminate, the impact of currency exchange rates movements. We do not use derivative financial instruments for speculative or trading purposes. We routinely hedge our exposure to certain foreign currencies with various financial institutions in an effort to minimize the impact of certain currency exchange rate fluctuations. If a financial counterparty to any of our hedging arrangements experiences financial difficulties or is otherwise unable to honor the terms of the foreign currency hedge, we may experience financial losses.

For derivative instruments that are designated and qualify as cash flow hedges under ASC No. 815- *Derivatives and Hedging* (“ASC 815”), the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income or loss and reclassified into earnings into the same financial statement line as the item being hedged, and in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized each period in interest and other income (expense), net.

For derivative instruments that are not designated as hedging instruments under ASC 815, gains and losses are recognized each period in interest and other income (expense), net. All derivatives are foreign currency forward contracts to hedge certain foreign currency denominated assets or liabilities. The gains and losses on these derivatives largely offset the changes in the fair value of the assets or liabilities being hedged.

As of June 25, 2016, we had outstanding foreign currency derivative contracts with a total notional amount of \$120.6 million. If overall foreign currency exchange rates appreciated (depreciated) uniformly by 10% against the U.S. dollar, our foreign currency derivative contracts outstanding as of June 25, 2016 would experience a loss (gain) of approximately \$6.6 million.

Foreign Exchange Contracts

The net unrealized gain or loss, if any, is potentially subject to market and credit risk as it represents appreciation (decline) of the hedge position against the spot exchange rates. The net realized and unrealized gains or losses from hedging foreign currency denominated assets and liabilities were immaterial during the fiscal years ended June 25, 2016 and June 27, 2015.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item are set forth at the pages indicated in Part IV, Item 15(a) of this Annual Report and incorporated by reference herein.

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

Our management, with the participation of our chief executive officer (“CEO”) and our chief financial officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of June 25, 2016 . The purpose of these controls and procedures is to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules, and that such information is accumulated and communicated to our management, including our CEO and our CFO, to allow timely decisions regarding required disclosures. Based on the evaluation, our management, including our CEO and our CFO, concluded that our disclosure controls and procedures were effective as of June 25, 2016 .

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 defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's CEO and CFO and effected by the Company's Board of Directors, management, and others to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our management, with the participation of our CEO and our CFO, assessed the effectiveness of our internal control over financial reporting as of June 25, 2016 . Management's assessment of internal control over financial reporting was conducted using the criteria in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has concluded that, as of June 25, 2016 , our internal control over financial reporting was effective, in all material respects, based on these criteria. Deloitte & Touche LLP, an Independent Registered Public Accounting Firm, audited the effectiveness of the Company's internal control over financial reporting, as stated within their report which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 25, 2016 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Internal Controls

A system of internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP and no control system, no matter how well designed and operated, can provide absolute assurance. The design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of its inherent limitations, internal control over financial reporting may not prevent or detect financial statement errors and misstatements. Also, projection of any evaluation of effectiveness to future periods is 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Maxim Integrated Products, Inc.
San Jose, California

We have audited the internal control over financial reporting of Maxim Integrated Products, Inc. and subsidiaries (the "Company") as of June 25, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company'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 by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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, the Company maintained, in all material respects, effective internal control over financial reporting as of June 25, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and consolidated financial statement schedule as of and for the year ended June 25, 2016 of the Company and our report dated August 12, 2016 expressed an unqualified opinion on those consolidated financial statements and the consolidated financial statement schedule.

/s/ Deloitte & Touche LLP

San Jose, California

August 12, 2016

ITEM 9B. OTHER INFORMATION

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On August 11, 2016, Maxim Integrated Products, Inc. (the “Company”) announced that Bruce E. Kiddoo, the Company’s Senior Vice President and Chief Financial Officer, will assume the responsibility of serving as the Company’s principal accounting officer effective as of August 18, 2016. David A. Caron, who previously held the role of the Company’s principal accounting officer as the Company’s Chief Accounting Officer, will continue with the Company as Vice President, Internal Audit.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than as follows, the information required by this Item is incorporated by reference from the Company’s Proxy Statement for the 2016 Annual Meeting of Stockholders under the headings “Audit Committee and Audit Committee Financial Expert,” “Proposal No. 1 - Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance.”

Executive Officers of the Registrant

The following is information regarding our executive officers, including their positions and ages as of July 15, 2016.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|---------------------|------------|---|
| Tunc Doluca | 58 | President and Chief Executive Officer |
| Bruce E. Kiddoo | 55 | Senior Vice President and Chief Financial Officer |
| David A. Caron | 56 | Vice President and Chief Accounting Officer |
| Vivek Jain | 56 | Senior Vice President, Technology and Manufacturing Group |
| Edwin B. Medlin | 59 | Senior Vice President and General Counsel |
| Christopher J. Neil | 50 | Senior Vice President, Head of Maxim Ventures |
| Steven Yamasaki | 62 | Vice President, Human Resources |

Tunç Doluca has served as a director of Maxim Integrated as well as the President and Chief Executive Officer since January 2007. He joined Maxim Integrated in October 1984 and served as Vice President from 1994 to 2004. He was promoted to Senior Vice President in 2004 and Group President in May 2005. Prior to 1994, he served in a number of integrated circuit development positions. Mr. Doluca holds a BSEE degree from Iowa State University and an MSEE degree from the University of California, Santa Barbara.

Bruce E. Kiddoo joined Maxim Integrated in September 2007 as Vice President of Finance. On October 1, 2008, Mr. Kiddoo was appointed Chief Financial Officer and Principal Accounting Officer of Maxim Integrated and was appointed Senior Vice President in September 2009. Prior to joining Maxim Integrated, Mr. Kiddoo held various positions at Broadcom Corporation, a global semiconductor company, beginning in December 1999. Mr. Kiddoo served as Broadcom’s Corporate Controller and Principal Accounting Officer from July 2002 and served as Vice President from January 2003. He also served as Broadcom’s Acting Chief Financial Officer from September 2006 to March 2007. Mr. Kiddoo holds a BS degree in Applied Science from the United States Naval Academy and an MBA degree from the College of William & Mary.

David A. Caron has served as Maxim Integrated’s Corporate Controller since July 2003 and, prior to that, served as Maxim Integrated’s Director of Accounting from December 1998 to July 2003. Mr. Caron was appointed Vice President and Chief Accounting Officer in August 2010. Mr. Caron, who worked at Ernst & Young LLP from 1988 to 1995, is a Certified Public Accountant in the state of California (inactive).

Vivek Jain joined Maxim Integrated in April 2007 as Vice President responsible for our wafer fabrication operations. In June 2009, Mr. Jain was promoted to Senior Vice President with expanded responsibility for managing test and assembly operations in addition to wafer fabrication operations. Prior to joining Maxim Integrated, Mr. Jain was with Intel Corporation as Plant Manager for Technology Development and Manufacturing Facility in Santa Clara, California from 2000. Mr. Jain holds a BS degree in Chemical Engineering from the Indian Institute of Technology at New Delhi, an MS degree in Chemical Engineering from Penn State University, and an MS degree in Electrical Engineering from Stanford University.

Edwin B. Medlin joined Maxim Integrated in November 1999 as Director and Associate General Counsel. He was promoted to Vice President and Senior Counsel in April 2006, was appointed General Counsel in September 2010, and he was promoted to Senior Vice President, and General Counsel in May 2015. Prior to joining Maxim Integrated, he was with the law firm of Ropers, Majeski, Kohn and Bentley between 1987 and 1994 where he held various positions, including director. Between 1994 and 1997, he held the positions of General Counsel, and later, General Manager, at Fox Factory, Inc., a privately held manufacturing company. Between 1997 and 1999 he held the positions of General Counsel and later, Vice President of Global Sales and Marketing, at RockShox, Inc., a publicly traded corporation. Mr. Medlin holds a degree in Economics from the University of California, Santa Barbara, and a Juris Doctorate from Santa Clara University.

Christopher J. Neil joined Maxim Integrated in September 1990, was promoted to Vice President in April 2006, was named Division Vice President in September 2009 and was promoted to Senior Vice President in September 2011. In May 2015, Mr. Neil was appointed to create and lead the Maxim Ventures, the Company's venture arm. Prior to 2006, he held several engineering and executive management positions. Mr. Neil holds BSEE and MSEE degrees from the Massachusetts Institute of Technology.

Mr. Yamasaki joined Maxim Integrated in April 2010 as Vice President of Human Resources. Prior to joining Maxim Integrated, he was Corporate Vice President of Human Resources of Applied Materials from 2008 to 2010, and was Executive Vice President of Human Resources of YRC Worldwide from 2004 to 2008. Before joining YRC Worldwide, Mr. Yamasaki was Vice President of Human Resources at ConAgra Foods Inc. and Honeywell International. Mr. Yamasaki has a Bachelor of Business Administration degree from the University of Michigan.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics (the "Code of Ethics"), which applies to all directors and employees, including, but not limited to, our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is designed to promote: (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest arising from personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in reports and documents that we are required to file with the SEC and in other public communications, (iii) compliance with applicable governmental laws, rules and regulations, (iv) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or group, and (v) accountability for adherence to the Code of Ethics. A copy of the Code of Ethics is available on our website at <http://www.maximintegrated.com/company/policy>. The Company intends to satisfy the disclosure requirement regarding any amendment to, or a waiver from, a provision of the Code of Ethics for the Company's principal executive officer, principal financial officer or principal accounting officer by posting such information on its website. The contents of our website are not incorporated into this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders under the headings "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report" and "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders under the heading "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners, Directors and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders under the headings "Corporate Governance and Board of Directors Matters" and "Certain Relationships and Related Transactions."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders under the headings "Report of the Audit Committee of the Board of Directors" and "Independent Public Accountants."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

| | Page |
|---|--------------------|
| (1) <i>Financial Statements.</i> | 39 |
| Consolidated Balance Sheets at June 25, 2016 and June 27, 2015 | 39 |
| Consolidated Statements of Income for each of the three years in the period ended June 25, 2016 | 40 |
| Consolidated Statements of Comprehensive Income for each of the three years in the period ended June 25, 2016 | 41 |
| Consolidated Statements of Stockholders' Equity for each of the three years in the period ended June 25, 2016 | 42 |
| Consolidated Statements of Cash Flows for each of the three years in the period ended June 25, 2016 | 43 |
| Notes to Consolidated Financial Statements | 44 |
| Report of Independent Registered Public Accounting Firm | 79 |
| (2) <i>Financial Statement Schedule.</i> | |
| The following financial statement schedule is filed as part of this Annual Report on Form 10-K and should be read in conjunction with the financial statements. | |
| Schedule II - Valuation and Qualifying Accounts | 80 |
| All other schedules are omitted because they are not applicable, or because the required information is included in the consolidated financial statements or notes thereto. | |
| (3) The Exhibits filed as a part of this Report are listed in the attached Index to Exhibits. | |

(b) *Exhibits.*

See attached Index to Exhibits.

**MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS**

| | June 25, 2016 | June 27, 2015 |
|---|---|----------------------------|
| | (in thousands, except par value) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,105,229 | \$ 1,550,965 |
| Short-term investments | 125,439 | 75,154 |
| Total cash, cash equivalents and short-term investments | <u>2,230,668</u> | <u>1,626,119</u> |
| Accounts receivable, net of allowances of \$32,108 in 2016 and \$18,286 in 2015 | 256,531 | 278,844 |
| Inventories | 227,929 | 288,474 |
| Deferred tax assets | — | 77,306 |
| Other current assets | 91,920 | 48,660 |
| Total current assets | <u>2,807,048</u> | <u>2,319,403</u> |
| Property, plant and equipment, net | 692,551 | 1,090,739 |
| Intangible assets, net | 146,540 | 261,652 |
| Goodwill | 490,648 | 511,647 |
| Other assets | 84,100 | 24,422 |
| Assets held for sale | 13,729 | 8,208 |
| TOTAL ASSETS | <u><u>\$ 4,234,616</u></u> | <u><u>\$ 4,216,071</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 82,535 | \$ 88,322 |
| Income taxes payable | 21,153 | 34,779 |
| Accrued salary and related expenses | 166,698 | 181,360 |
| Accrued expenses | 50,521 | 47,365 |
| Deferred revenue on shipments to distributors | 38,779 | 30,327 |
| Current portion of debt | 249,717 | 1,024 |
| Total current liabilities | <u>609,403</u> | <u>383,177</u> |
| Long-term debt | 990,090 | 987,687 |
| Income taxes payable | 480,645 | 410,378 |
| Deferred tax liabilities | 756 | 90,588 |
| Other liabilities | 45,908 | 54,221 |
| Total liabilities | <u>2,126,802</u> | <u>1,926,051</u> |
| Commitments and contingencies (Note 12) | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value | | |
| Authorized: 2,000 shares, issued and outstanding: none | — | — |
| Common stock, \$0.001 par value | | |
| Authorized: 960,000 shares | | |
| Issued and outstanding: 283,909 in 2016 and 284,823 in 2015 | 284 | 283 |
| Additional paid-in capital | — | 27,859 |
| Retained earnings | 2,121,749 | 2,279,112 |
| Accumulated other comprehensive loss | (14,219) | (17,234) |
| Total stockholders' equity | <u>2,107,814</u> | <u>2,290,020</u> |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | <u><u>\$ 4,234,616</u></u> | <u><u>\$ 4,216,071</u></u> |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME

| | For the Years Ended | | |
|--|---------------------------------------|------------------|------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands, except per share data) | | |
| Net revenues | \$ 2,194,719 | \$ 2,306,864 | \$ 2,453,663 |
| Cost of goods sold | 950,331 | 1,034,997 | 1,068,898 |
| Gross margin | 1,244,388 | 1,271,867 | 1,384,765 |
| Operating expenses: | | | |
| Research and development | 467,161 | 521,772 | 558,168 |
| Selling, general and administrative | 288,899 | 308,065 | 324,734 |
| Intangible asset amortization | 12,205 | 16,077 | 17,690 |
| Impairment of long-lived assets | 160,582 | 67,042 | 11,644 |
| Impairment of goodwill and intangible assets | 27,602 | 93,010 | 2,580 |
| Severance and restructuring expenses | 24,479 | 30,642 | 24,902 |
| Acquisition-related costs | — | — | 6,983 |
| Other operating expenses (income), net | (50,389) | (2,021) | 15,773 |
| Total operating expenses | 930,539 | 1,034,587 | 962,474 |
| Operating income (loss) | 313,849 | 237,280 | 422,291 |
| Interest and other income (expense), net | (28,795) | 8,890 | (13,065) |
| Income (loss) before provision for income taxes | 285,054 | 246,170 | 409,226 |
| Income tax provision | 57,579 | 40,132 | 54,416 |
| Net income (loss) | \$ 227,475 | \$ 206,038 | \$ 354,810 |
| Earnings (loss) per share: | | | |
| Basic | \$ 0.80 | \$ 0.73 | \$ 1.25 |
| Diluted | \$ 0.79 | \$ 0.71 | \$ 1.23 |
| Shares used in the calculation of earnings (loss) per share: | | | |
| Basic | 285,081 | 283,675 | 283,344 |
| Diluted | 289,479 | 288,949 | 289,108 |
| Dividends declared and paid per share | \$ 1.20 | \$ 1.12 | \$ 1.04 |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | For the Years Ended | | |
|--|---------------------|-------------------|-------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands) | | |
| Net income (loss) | \$ 227,475 | \$ 206,038 | \$ 354,810 |
| Other comprehensive income (loss), net of tax: | | | |
| Change in net unrealized gains and losses on available-for-sale securities, net of tax benefit (expense) of \$0 in 2016, \$0 in 2015, \$13 in 2014, respectively | 356 | 33 | 77 |
| Change in net unrealized gains and losses on cash flow hedges, net of tax benefit (expense) of \$202 in 2016, \$(92) in 2015, \$(195) in 2014, respectively | (545) | 64 | 993 |
| Change in net unrealized gains and losses on cumulative translation adjustment | — | — | 391 |
| Change in net unrealized gains and losses on post-retirement benefits, net of tax benefit (expense) of \$(455) in 2016, \$(458) in 2015, \$1,274 in 2014, respectively | 3,204 | 369 | (4,535) |
| Tax effect of the unrealized exchange gains and losses on long-term intercompany receivables | — | (527) | 1,648 |
| Other comprehensive income (loss), net | 3,015 | (61) | (1,426) |
| Total comprehensive income (loss) | \$ 230,490 | \$ 205,977 | \$ 353,384 |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| (in thousands) | Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|--|--------------|-----------|----------------------------------|----------------------|---|----------------------------------|
| | Shares | Par Value | | | | |
| Balance, June 29, 2013 | 287,620 | \$ 288 | \$ — | \$ 2,523,457 | \$ (15,747) | \$ 2,507,998 |
| Net income | — | — | — | 354,810 | — | 354,810 |
| Other comprehensive income (loss), net | — | — | — | — | (1,426) | (1,426) |
| Repurchase of common stock | (10,424) | (10) | (145,006) | (160,298) | — | (305,314) |
| Net issuance of restricted stock units | 1,992 | 2 | (31,386) | — | — | (31,384) |
| Stock options exercised | 3,569 | 3 | 69,636 | — | — | 69,639 |
| Stock based compensation | — | — | 85,324 | — | — | 85,324 |
| Tax benefit (shortfall) on settlement of equity instruments | — | — | (68) | — | — | (68) |
| Substitution of stock-based compensation awards in connection with acquisition | — | — | 1,698 | — | — | 1,698 |
| Common stock issued under Employee Stock Purchase Plan | 1,684 | 2 | 42,807 | — | — | 42,809 |
| Dividends paid, \$1.04 per common share | — | — | — | (294,175) | — | (294,175) |
| Balance, June 28, 2014 | 284,441 | \$ 285 | \$ 23,005 | \$ 2,423,794 | \$ (17,173) | \$ 2,429,911 |
| Net income | — | — | — | 206,038 | — | 206,038 |
| Other comprehensive income (loss), net | — | — | — | — | (61) | (61) |
| Repurchase of common stock | (6,210) | (6) | (162,271) | (32,811) | — | (195,088) |
| Net issuance of restricted stock units | 1,792 | — | (27,793) | — | — | (27,793) |
| Stock options exercised | 3,169 | 3 | 58,584 | — | — | 58,587 |
| Stock based compensation | — | — | 79,381 | — | — | 79,381 |
| Tax benefit (shortfall) on settlement of equity instruments | — | — | 8,155 | — | — | 8,155 |
| Modification of liability to equity instruments | — | — | 7,848 | — | — | 7,848 |
| Common stock issued under Employee Stock Purchase Plan | 1,631 | 1 | 40,950 | — | — | 40,951 |
| Dividends paid, \$1.12 per common share | — | — | — | (317,909) | — | (317,909) |
| Balance, June 27, 2015 | 284,823 | \$ 283 | \$ 27,859 | \$ 2,279,112 | \$ (17,234) | \$ 2,290,020 |
| Net income | — | — | — | 227,475 | — | 227,475 |
| Other comprehensive income (loss), net | — | — | — | — | 3,015 | 3,015 |
| Repurchase of common stock | (6,811) | (7) | (194,264) | (42,815) | — | (237,086) |
| Net issuance of restricted stock units | 1,416 | 2 | (24,086) | — | — | (24,084) |
| Stock options exercised | 3,200 | 4 | 79,604 | — | — | 79,608 |
| Stock based compensation | — | — | 69,539 | — | — | 69,539 |
| Tax benefit (shortfall) on settlement of equity instruments | — | — | 7,375 | — | — | 7,375 |
| Common stock issued under Employee Stock Purchase Plan | 1,281 | 2 | 33,973 | — | — | 33,975 |
| Dividends paid, \$1.20 per common share | — | — | — | (342,023) | — | (342,023) |
| Balance, June 25, 2016 | 283,909 | \$ 284 | \$ — | \$ 2,121,749 | \$ (14,219) | \$ 2,107,814 |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Years Ended | | |
|--|---------------------|------------------|------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands) | | |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ 227,475 | \$ 206,038 | \$ 354,810 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | |
| Stock-based compensation | 69,701 | 79,491 | 85,452 |
| Depreciation and amortization | 244,637 | 299,396 | 244,593 |
| Deferred taxes | (48,138) | (72,507) | (32,159) |
| In process research and development written-off | 27,602 | 8,900 | 2,580 |
| Loss (gain) from sale of property, plant and equipment | 2,283 | 419 | 2,187 |
| Tax benefit (shortfall) on settlement of equity instruments | 7,375 | 8,155 | (68) |
| Excess tax benefit from stock-based compensation | (9,550) | (12,549) | (14,192) |
| Impairment of long-lived assets | 160,153 | 67,010 | 11,644 |
| Impairment of goodwill and intangible assets | — | 84,110 | — |
| Impairment of investments in privately-held companies | — | 94 | 10,260 |
| Loss (gain) on sale of business | (58,944) | (35,849) | — |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 22,313 | 16,984 | 13,340 |
| Inventories | 44,086 | 2,163 | 20,672 |
| Other current assets | 2,943 | (8,783) | 45,557 |
| Accounts payable | (3,676) | (4,201) | (11,255) |
| Income taxes payable | 56,641 | 62,350 | 54,492 |
| Deferred revenue on shipments to distributors | 8,452 | 4,593 | (823) |
| All other accrued liabilities | (31,468) | (12,108) | (10,983) |
| Net cash provided by (used in) operating activities | 721,885 | 693,706 | 776,107 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (69,369) | (75,816) | (132,523) |
| Proceeds from sale of property, plant, and equipment | 85,142 | 29,035 | 5,293 |
| Payments in connection with business acquisitions, net of cash acquired | — | — | (459,256) |
| Proceeds from sale of business | 105,000 | 35,550 | — |
| Purchases of available-for-sale securities | (99,948) | (25,142) | (49,953) |
| Purchases of privately-held companies securities | (10,483) | (200) | — |
| Proceeds from maturity of available-for-sale securities | 50,000 | — | 27,000 |
| Other investing activities | 2,380 | 500 | — |
| Net cash provided by (used in) investing activities | 62,722 | (36,073) | (609,439) |
| Cash flows from financing activities: | | | |
| Excess tax benefit from stock-based compensation | 9,550 | 12,549 | 14,192 |
| Contingent consideration paid | — | — | (4,705) |
| Repayment of notes payable | — | (437) | (4,708) |
| Issuance of debt | 250,000 | — | 497,895 |
| Debt issuance cost | (283) | — | (3,431) |
| Net issuance of restricted stock units | (24,084) | (27,793) | (31,384) |
| Proceeds from stock options exercised | 79,608 | 58,587 | 69,639 |
| Issuance of common stock under employee stock purchase program | 33,975 | 40,951 | 42,809 |
| Repurchase of common stock | (237,086) | (195,088) | (305,314) |
| Dividends paid | (342,023) | (317,909) | (294,175) |
| Net cash provided by (used in) financing activities | (230,343) | (429,140) | (19,182) |
| Net increase (decrease) in cash and cash equivalents | 554,264 | 228,493 | 147,486 |

| | | | | |
|----------------------------|----|------------------|---------------------|---------------------|
| Cash and cash equivalents: | | | | |
| Beginning of year | | 1,550,965 | 1,322,472 | 1,174,986 |
| End of year | \$ | <u>2,105,229</u> | <u>\$ 1,550,965</u> | <u>\$ 1,322,472</u> |

Supplemental disclosures of cash flow information:

| | | | | |
|--|----|--------|-----------|------------|
| Cash paid (refunded), net during the year for income taxes | \$ | 43,898 | \$ 40,500 | \$ (6,455) |
| Cash paid for interest | \$ | 29,381 | 29,410 | 22,861 |

Noncash financing and investing activities:

| | | | | |
|--|----|--------|----------|-----------|
| Accounts payable related to property, plant and equipment purchases | \$ | 2,810 | \$ 4,921 | \$ 14,474 |
| Modification of liability to equity instruments | | — | 7,848 | — |
| Common stock valued at \$40.0 million received as consideration in sale of inventory, property, plant and equipment for the Company's wafer manufacturing facility in San Antonio, Texas | | 40,000 | — | — |

See accompanying Notes to Consolidated Financial Statements.

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

Maxim Integrated Products, Inc. (“Maxim Integrated”, the “Company,” “we,” “us” or “our”), incorporated in Delaware, designs, develops, manufactures, and markets a broad range of linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of customers in diverse geographical locations. The Company also provides a range of high-frequency process technologies and capabilities for use in custom designs. The analog market is fragmented and characterized by diverse applications and a great number of product variations with varying product life cycles. Maxim Integrated is a global company with manufacturing facilities in the United States, testing facilities in the Philippines and Thailand, and sales and circuit design offices throughout the world. Integrated circuit assembly is performed by foreign assembly subcontractors, located in countries throughout Asia, where wafers are separated into individual integrated circuits and assembled into a variety of packages. The major end-markets the Company's products are sold in are the automotive, communications and data center, computing, consumer and industrial markets.

The Company has a 52-to-53-week fiscal year that ends on the last Saturday of June. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Fiscal years 2016 , 2015 , and 2014 were each 52-week fiscal years (ended on June 25, 2016 , June 27, 2015 , and June 28, 2014 , respectively).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to the useful lives and fair value of fixed assets, valuation allowance for deferred tax assets, reserves relating to uncertain tax positions, allowances for doubtful accounts, customer returns and allowances, inventory valuation, reserves relating to litigation matters, assumptions about the fair value of reporting units, accrued liabilities and reserves, assumptions related to the calculation of stock-based compensation and the value of intangibles acquired and goodwill associated with business combinations. The Company bases its estimates and judgments on its historical experience, knowledge of current conditions and its beliefs of what could occur in the future, given available information. Actual results may differ from those estimates, and such differences may be material to the financial statements.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents and Short-term Investments

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents consist of demand accounts and money market funds. Short-term investments consist primarily of U.S. treasury debt securities with original maturities beyond three months at the date of purchase.

The Company's short-term investments are considered available-for-sale. Such securities are carried at fair market value based on market quotes and other observable inputs. Unrealized gains and losses, net of tax, on securities in this category are reported as equity in the Consolidated Statement of Comprehensive Income. Realized gains and losses on sales of investment securities are determined based on the specific identification method and are included in Interest and other income (expense), net in the Consolidated Statements of Income.

Derivative Instruments

The Company incurs expenditures denominated in non-U.S. currencies, primarily the Philippine Peso and the Thai Baht associated with the Company's manufacturing activities in the Philippines and Thailand, respectively, and Euro, South Korean Won, and Japanese Yen expenditures for sales offices and research and development activities undertaken outside of the U.S. The Company is exposed to fluctuations in foreign currency exchange rates for cash flows for expenditures and on orders and accounts receivable

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

from sales in these foreign currencies. The Company has established risk management strategies designed to reduce the impact of volatility of future cash flows caused by changes in the exchange rate for these currencies. These strategies reduce, but do not entirely eliminate, the impact of currency exchange rates movements.

Currency forward contracts are used to offset the currency risk of non-U.S. dollar-denominated assets and liabilities. The Company typically enters into currency forward contracts to hedge exposures associated with its expenditures denominated in Euros, Philippine Pesos and South Korean Won. The Company also hedges smaller expense exposures in several other foreign currencies. The Company enters into currency forward contracts to hedge its accounts receivable and backlog denominated in Euro, Japanese Yen and British Pound. Changes in fair value of the underlying assets and liabilities are generally offset by the changes in fair value of the related currency forward contract.

The Company uses currency forward contracts to hedge exposure to variability in anticipated non-U.S. dollar denominated cash flows. These contracts are designated as cash flow hedges and recorded on the Consolidated Balance Sheets at their fair market value. The maturities of these instruments are generally less than six months. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (loss) and reported within the Consolidated Statements of Comprehensive Income. These amounts have been reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments that are not designated as hedging instruments, gains and losses are recognized immediately in "Interest income (expense) and other, net" in the Consolidated Statements of Income.

Fair Value of Financial Instruments

The Company measures certain financial assets and liabilities at fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

Inventories

Inventories are stated at the lower of (i) standard cost, which approximates actual cost on a first-in-first-out basis, or (ii) market value. The Company's standard cost revision policy is to monitor manufacturing variances and revise standard costs on a quarterly basis. Because of the cyclical nature of the market, inventory levels, obsolescence of technology, and product life cycles, the Company generally writes down inventories to net realizable value based on forecasted product demand.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is primarily computed on the straight-line method over the estimated useful lives of the assets, which range from 2 to 15 years for machinery and equipment and up to 40 years for buildings and building improvements. Leasehold improvements are amortized over the lesser of their useful lives or the remaining term of the related lease. When assets are retired or otherwise disposed of, the cost and accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in the Consolidated Statements of Income in the period recognized. The classification is based mainly on whether the asset is operating or not.

The Company evaluates the recoverability of property, plant and equipment in accordance with Accounting Standards Codification ("ASC") No. 360, *Accounting for the Property, Plant, and Equipment*. ("ASC 360"). The Company performs periodic reviews to determine whether facts and circumstances exist that would indicate that the carrying amounts of property, plant and equipment are not recoverable and exceeds their fair values. If facts and circumstances indicate that the carrying amount of property, plant and equipment might not be fully recoverable, projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining useful lives are compared against their respective carrying amounts. In the event that the projected undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values based on their expected discounted future cash flows attributable to those assets. All long-lived assets classified as held for sale are reported at the lower of carrying amount or fair market value, less expected selling costs.

Intangible Assets and Goodwill

The Company accounts for intangible assets in accordance with ASC No. 350, *Intangibles-Goodwill and Other*, ("ASC 350"). The Company reviews goodwill and purchased intangible assets with indefinite lives for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable, such as when reductions in demand or significant economic slowdowns in the semiconductor industry are present.

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible asset reviews are performed when indicators exist that could indicate the carrying value may not be recoverable based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate consistent with the guidance provided in FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*. Impairment is based on the excess of the carrying amount over the fair value of those assets.

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. In accordance with ASC 350, the Company tests goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis or more frequently if the Company believes indicators of impairment exist. During the fourth quarter of fiscal year 2015, the Company changed its annual goodwill impairment testing date from the first quarter to the fourth quarter of each year. This change ensures the completion of the annual goodwill impairment test prior to the end of the annual reporting period, thereby aligning impairment testing procedures with year-end financial reporting and annual long-range plan and forecasting process. This change did not accelerate, delay, avoid, or cause an impairment charge, nor did this change result in adjustments to previously issued financial statements. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of the Company's reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as the market approach which includes the guideline company method. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

Product Warranty

The Company generally warrants its products for one year from the date of shipment against defects in materials, workmanship and material non-conformance to the Company's specifications. The general warranty policy provides for the repair or replacement of defective products or a credit to the customer's account. In addition, the Company may consider its relationship with the customer when reviewing product claims. In limited circumstances and for strategic customers in certain unique industries and applications, the Company's product warranty may extend for up to five years, and may also include financial responsibility, such as the payment of monetary compensation to reimburse a customer for its financial losses above and beyond repairing or replacing the product or crediting the customer's account should the product not meet the Company's specifications and losses and/or damages results from the defective product.

Accruals are based on specifically identified claims and on the estimated, undiscounted cost of incurred-but-not-reported claims. If there is a material increase in the rate of customer claims compared with the Company's historical experience or if the Company's estimates of probable losses relating to specifically identified warranty exposures require revision, the Company may record a charge against future cost of sales. The short-term and long-term portions of the product warranty liability are included within the balance sheet captions Accrued expenses and Other liabilities, respectively, in the accompanying Consolidated Balance Sheets.

Retirement Benefits

The Company provides medical benefits to certain former and current employees pursuant to certain retirement agreements. The Company also provides retirement benefits to Philippines employees and to certain other employees in other countries. These benefits to individuals are accounted for pursuant to a documented plan under ASC No. 715, *Compensation- Retirement Benefits* ("ASC 715"). Unrecognized actuarial gains and losses and prior service cost are amortized on straight-line basis over the remaining estimated service period of participants. The measurement date for the plan is fiscal year end.

Income Taxes

The Company accounts for income taxes using an asset and liability approach as prescribed in ASC 740-10, *Income Taxes* ("ASC 740-10"). The Company records the amount of taxes payable or refundable for the current and prior years and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ASC 740-10 prescribes a recognition threshold and measurement framework for the financial statement reporting and disclosure of an income tax position taken or expected to be taken on a tax return. Under ASC 740-10, a tax position is recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals or litigation processes. A tax position that meets the recognition threshold is then measured to determine the largest amount of the benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes in the Consolidated Statements of Income.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws across multiple tax jurisdictions. Although ASC 740-10 provides clarification on the accounting for uncertainty in income taxes recognized in the financial statements, the recognition threshold and measurement framework will continue to require significant judgment by management. Resolution of these uncertainties in a manner inconsistent with the Company's expectations could have a material impact on the Company's results of operations.

Revenue Recognition

The Company recognizes revenue for sales to direct customers and sales to certain distributors upon shipment, provided that persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title and risk of loss has transferred, collectability of the resulting receivable is reasonably assured, there are no customer acceptance requirements and the Company does not have any significant post-shipment obligations. Estimated returns for sales to direct customers and certain distributors are based on historical returns rates applied against current period gross revenues. Specific customer returns and allowances are considered within this estimate.

Sales to certain distributors are made pursuant to agreements allowing for the possibility of certain sales price rebates or price protection and for non-warranty product return privileges. The non-warranty product return privileges include allowing certain distributors to return a small portion of the Company's products in their inventory based on their previous purchases. Given the uncertainties associated with the levels of non-warranty product returns, sales price rebates and price protection that could be issued to certain distributors, the Company defers recognition of such revenue and related cost of goods sold until receipt of notification from these distributors that product has been sold to their end-customers.

Accounts receivable from direct customers and distributors are recognized and inventory is relieved upon shipment as title to inventories generally transfers upon shipment, at which point the Company has a legally enforceable right to collection under normal terms. Accounts receivable related to consigned inventory is recognized when the customer takes title to such inventory from its consigned location, at which point inventory is relieved, title transfers, and the Company has a legally enforceable right to collection under the terms of the Company's agreement with the related customers.

The Company estimates potential future returns and sales allowances related to current period product revenue. Management analyzes historical returns, changes in customer demand and acceptance of products when evaluating the adequacy of returns and sales allowances. Estimates made by the Company may differ from actual returns and sales allowances. These differences may materially impact reported revenue and amounts ultimately collected on accounts receivable. Historically, such differences have not been material. At June 25, 2016, June 27, 2015, and June 28, 2014 the Company had \$31.5 million, \$17.4 million, and \$16.2 million reserved for returns and allowances against accounts receivable, respectively. During fiscal years 2016, 2015 and 2014, the Company recorded \$80.0 million, \$81.5 million and \$75.3 million for estimated returns and allowances against revenues, respectively. These amounts were offset by \$65.9 million, \$80.2 million and \$71.6 million actual returns and allowances given during fiscal years 2016, 2015 and 2014, respectively.

Related Party Transactions

A member of the Company's board of directors is also a member of the board of directors of Flextronics International Ltd. During the fiscal years ended June 25, 2016, June 27, 2015, and June 28, 2014, the Company sold approximately \$73.8 million, \$60.4 million, and \$68.1 million, respectively, in products to Flextronics International Ltd., a contract manufacturer, in the ordinary course of its business.

Research and Development Costs

Research and development costs are expensed as incurred. Such costs consist primarily of expenditures for labor and benefits, masks, prototype wafers and depreciation.

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Shipping Costs

Shipping costs billed to customers are included in net revenues and the related shipping costs are included in cost of goods sold in the Consolidated Statements of Income.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date, based on the fair value of the awards ultimately expected to vest and is recognized as an expense, on a straight-line basis, over the requisite service period. ASC 718 also requires forfeitures to be estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures or vesting differ from those estimates. Such revisions could have a material effect on the Company's operating results.

The Company uses the Black-Scholes valuation model to measure the fair value of its stock options utilizing various inputs with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield. The assumptions the Company uses in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the Black-Scholes model changes, stock-based compensation for future awards may differ materially compared to the awards granted previously.

The Company uses the Monte Carlo simulation model to measure the fair value of its market stock units on the date of grant. The Company also estimates forfeitures at the time of grant and makes revisions to forfeitures on a quarterly basis.

Restructuring

Post-employment benefits accrued for workforce reductions related to restructuring activities in the United States are accounted for under ASC No. 712, *Compensation-Nonretirement Postemployment Benefits* ("ASC 712"). A liability for post-employment benefits is recorded when payment is probable, the amount is reasonably estimable, and the obligation relates to rights that have vested or accumulated. In accordance with ASC No. 420, *Exit or Disposal Cost Obligations*, generally costs associated with restructuring activities initiated outside the United States have been recognized when they are incurred.

The Company continually evaluates the adequacy of the remaining liabilities under its restructuring initiatives. Although the Company believes that these estimates accurately reflect the costs of its restructuring plans, actual results may differ, thereby requiring the Company to record additional provisions or reverse a portion of such provisions.

Foreign Currency Translation and Remeasurement

The U.S. dollar is the functional currency for the Company's foreign operations. Using the U.S. dollar as the functional currency, monetary assets and liabilities are remeasured at the year-end exchange rates. Certain non-monetary assets and liabilities are remeasured using historical rates. Consolidated Statements of Income are remeasured at the average exchange rates during the year. Foreign exchange gains and losses as recorded in the Consolidated Statements of Income for all periods presented were not material.

Earnings Per Share

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the potentially dilutive incremental shares issuable upon the assumed exercise of stock options, the assumed vesting of outstanding restricted stock units and market stock units, and the assumed issuance of common stock under the stock purchase plan. The number of incremental shares from the assumed issuance of stock options is calculated by applying the treasury stock method.

Litigation and Contingencies

From time to time, the Company receives notices that its products or manufacturing processes may be infringing the patent or other intellectual property rights of others, notices of stockholder litigation or other lawsuits or claims against the Company. The Company periodically assesses each matter in order to determine if a contingent liability in accordance with ASC 450 should be recorded. In making this determination, management may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. The Company expenses legal fees associated with consultations and defense of lawsuits as incurred. Based on the information obtained, combined with management's judgment regarding all of the facts and circumstances of each matter, the Company determines whether a contingent loss is probable and whether the amount of such loss can be estimated.

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Should a loss be probable and estimable, the Company records a contingent loss in accordance with ASC 450. In determining the amount of a contingent loss, the Company takes into consideration advice received from experts in the specific matter, current status of legal proceedings, settlement negotiations which may be ongoing, prior case history and other factors. Should the judgments and estimates made by management be incorrect, the Company may need to record additional contingent losses that could materially adversely impact its results of operations. Alternatively, if the judgments and estimates made by management are incorrect and a particular contingent loss does not occur, the contingent loss recorded would be reversed thereby favorably impacting the Company's results of operations.

Pursuant to the Company's charter documents and separate written indemnification agreements, the Company has certain indemnification obligations to its current officers and directors, as well as certain former officers and directors. Pursuant to such obligations, the Company has incurred substantial expenses related to legal fees and expenses to certain former officers of the Company subject to civil charges by the SEC in connection with Maxim Integrated's historical stock option granting practices. The Company has also incurred substantial expenses related to legal fees and expenses advanced to certain current and former officers and directors who were defendants in the civil actions described above. The Company expenses such amounts as incurred.

Concentration of Credit Risk

Due to the Company's credit evaluation and collection process, bad debt expenses have not been significant. Credit risk with respect to trade receivables is limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the credit risk. The Company derived approximately 38% of its fiscal year 2016 revenue from sales made through distributors which includes distribution sales to Samsung and catalog distributors. The Company's primary distributor is Avnet Electronics ("Avnet"). Avnet, like the Company's other distributors, is not an end customer, but rather serves as a channel of sale to many end users of the Company's products. Avnet accounted for 19% , 19% and 17% of revenues in fiscal years 2016 , 2015 and 2014 , respectively, and 18% and 18% of accounts receivable in fiscal years 2016 and 2015 , respectively. Sales to Samsung, the Company's largest single end customer (through direct sales and distributors), accounted for approximately 14% , 15% and 20% of net revenues in fiscal years 2016 , 2015 and 2014 , respectively, and 18% and 20% of accounts receivable as of June 25, 2016 and June 27, 2015 . No other customer accounted for more than 10% of the Company's revenues in the fiscal year ended 2016 , 2015 , and 2014 , and no other customer accounted for more than 10% of the Company's accounts receivable in fiscal years 2016 and 2015 .

The Company maintains cash, cash equivalents, and short-term investments with various high credit quality financial institutions, limits the amount of credit exposure to any one financial institution or instrument, and is exposed to credit risk in the event of default by these institutions to the extent of amounts recorded at the balance sheet date. To date, the Company has not incurred losses related to these investments.

Recently Issued Accounting Pronouncements

(i) New Accounting Updates Recently Adopted

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest* . ASU No. 2015-03 changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The Company early adopted this accounting standard update during the fourth quarter of fiscal year 2016, with adjustments reflected on a retrospective basis for all periods presented. All debt issuance costs which were previously recorded as assets within the balance sheet have now been reclassified to be presented as a reduction of the debt liability on the Consolidated Balance Sheets. The adoption resulted in a \$2.8 million and \$1.2 million decrease in other current assets, a \$7.1 million and \$11.1 million decrease in other assets and a \$9.9 million and \$12.3 million decrease in long term debt as of June 25, 2016 and June 27, 2015 , respectively.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes* , which eliminates the current requirement to present deferred tax assets and liabilities as current and noncurrent in a classified balance sheet. Instead, entities will be required to classify all deferred tax assets and liabilities as noncurrent. The Company early adopted this accounting standard update, on a prospective basis, at the beginning of the second quarter of fiscal year 2016. All deferred tax assets and liabilities as of June 25, 2016, have been classified as noncurrent in the accompanying Consolidated Balance Sheets and the notes thereto. The adoption at the beginning of the second quarter of fiscal year 2016 resulted in a \$50.6 million decrease in current deferred tax assets, a \$40.7 million increase in other assets and a \$9.9 million decrease to non-current deferred tax liabilities. No prior periods were retrospectively adjusted.

(ii) Recent Accounting Updates Not Yet Effective

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In May 2014, the FASB issued ASU No. 2014-09 , *Revenue from Contracts with Customers (Topic 606)* . This standard provides a single set of guidelines for revenue recognition to be used across all industries and requires additional disclosures. ASU No. 2014-09 is effective for the Company in the first quarter of fiscal year 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU No. 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU No. 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU No. 2014-09. Early adoption in the first quarter of fiscal year 2018 is permitted. The Company is currently evaluating the potential impact of this standard on its financial position and results of operations, as well as its selected transition method.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* , which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU No. 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis and is effective for the Company in the first quarter of fiscal year 2017, with early adoption permitted. The Company does not believe the implementation of this standard will result in a material impact to its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* , which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. This ASU will be effective for the Company beginning in the first quarter of fiscal year 2019. The application of this ASU will be by means of a cumulative-effect adjustment to the balance sheet. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) will be applied prospectively to equity investments that exist as of the date of adoption. The Company is evaluating the effects of the adoption of this ASU to its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* , which supersedes the lease accounting requirements in Topic 840. ASU 2016-02 requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize a straight-line total lease expense. The guidance also requires qualitative and specific quantitative disclosures to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity’s leasing activities, including significant judgments and changes in judgments. This guidance is effective beginning in the first quarter of fiscal year 2020 on a modified retrospective approach. The Company is currently evaluating the potential impact of this standard on its financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance is effective beginning in the first quarter of fiscal year 2018 and early adoption is permitted in an interim period with any adjustments reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the potential impact of this standard on its financial statements and intends to early adopt in the first quarter of fiscal year 2017.

NOTE 3: BALANCE SHEET COMPONENTS

Inventories consist of:

| | June 25, 2016 | June 27, 2015 |
|---------------------|--------------------------|--------------------------|
| | (in thousands) | |
| Inventories: | | |
| Raw materials | \$ 6,505 | \$ 12,932 |
| Work-in-process | 148,762 | 199,716 |
| Finished goods | 72,662 | 75,826 |
| | \$ 227,929 | \$ 288,474 |

The reduction of inventory from the period ended June 27, 2015 to June 25, 2016 was primarily driven by the Company's manufacturing transformation during fiscal year 2016 resulting in a higher composition of inventory manufacturing being

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outsourced to third party foundries, as well as reduction in inventory resulting from the inventory sold in connection with the disposal of the San Antonio facility of \$12.3 million .

Property, plant and equipment, net, consist of:

| | June 25, 2016 | June 27, 2015 |
|---|--------------------------|--------------------------|
| Property, plant and equipment: | (in thousands) | |
| Land | \$ 18,952 | \$ 45,040 |
| Buildings and building improvements | 240,507 | 338,394 |
| Machinery and equipment | 1,370,322 | 1,970,819 |
| | <u>1,629,781</u> | <u>2,354,253</u> |
| Less: accumulated depreciation and amortization | (937,230) | (1,263,514) |
| | <u>\$ 692,551</u> | <u>\$ 1,090,739</u> |

The Company recorded \$177.2 million , \$209.0 million and \$160.7 million of depreciation expense in fiscal years 2016 , 2015 and 2014 , respectively. Included in depreciation expense was \$54.6 million , \$51.5 million and \$0.0 million of accelerated depreciation expense in fiscal years 2016 , 2015 , and 2014 , respectively, resulting from the change in estimated useful lives of certain long lived assets included in restructuring plans. The reduction of property, plant and equipment from the period ended June 27, 2015 to June 25, 2016 was primarily driven by the selling of the Company's wafer fabrication facilities in San Jose, California and San Antonio, Texas, and the Company's wafer bump facility in Dallas, Texas during fiscal year 2016.

Accrued salary and related expenses consist of:

| | June 25, 2016 | June 27, 2015 |
|--|--------------------------|--------------------------|
| Accrued salary and related expenses: | (in thousands) | |
| Accrued bonus | \$ 90,638 | \$ 86,506 |
| Accrued vacation | 30,753 | 36,906 |
| Accrued salaries | 14,320 | 16,572 |
| Accrued severance and post-employment benefits | 14,230 | 25,136 |
| Accrued fringe | 4,748 | 6,007 |
| Other | 12,009 | 10,233 |
| | <u>\$ 166,698</u> | <u>\$ 181,360</u> |

NOTE 4: FAIR VALUE MEASUREMENTS

The FASB established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value are as follows:

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

The Company's Level 1 assets consist of money market funds.

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

The Company's Level 2 assets and liabilities consist of U.S. treasury bills, certificates of deposit and foreign currency forward contracts that are valued using quoted market prices or are determined using a yield curve model based on current market rates. As a result, the Company has classified these investments as Level 2 in the fair value hierarchy. Also within Level 2 assets and liabilities are shares of common stock received as consideration for the sale of the Company's wafer manufacturing facility in San

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Antonio, Texas which have been valued based on quoted prices in the active market for identical assets, adjusted for estimated timing of sale.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company did not hold any Level 3 assets or liabilities as of June 25, 2016 and June 27, 2015 .

Assets and liabilities measured at fair value on a recurring basis were as follows:

| | As of June 25, 2016 | | | | As of June 27, 2015 | | | |
|--|-------------------------------|------------|---------|---------------|-------------------------------|-----------|---------|---------------|
| | Fair Value Measurements Using | | | Total Balance | Fair Value Measurements Using | | | Total Balance |
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| (in thousands) | | | | | | | | |
| Assets | | | | | | | | |
| Money market funds (1) | \$ 1,658,321 | \$ — | \$ — | \$ 1,658,321 | \$ 1,156,239 | \$ — | \$ — | \$ 1,156,239 |
| U.S. treasury bills (2) | — | 125,439 | — | 125,439 | — | 75,154 | — | 75,154 |
| Foreign currency forward contracts (3) | — | 695 | — | 695 | — | 679 | — | 679 |
| Investment in common stock (3) | — | 40,000 | — | 40,000 | — | — | — | — |
| Certificates of deposit (1) | — | 70 | — | 70 | — | — | — | — |
| Total Assets | \$ 1,658,321 | \$ 166,204 | \$ — | \$ 1,824,525 | \$ 1,156,239 | \$ 75,833 | \$ — | \$ 1,232,072 |
| Liabilities | | | | | | | | |
| Foreign currency forward contracts (4) | \$ — | \$ 1,327 | \$ — | \$ 1,327 | \$ — | \$ 613 | \$ — | \$ 613 |
| Total Liabilities | \$ — | \$ 1,327 | \$ — | \$ 1,327 | \$ — | \$ 613 | \$ — | \$ 613 |

(1) Included in Cash and cash equivalents in the accompanying Consolidated Balance Sheets.

(2) Included in Short-term investments in the accompanying Consolidated Balance Sheets.

(3) Included in Other current assets in the accompanying Consolidated Balance Sheets.

(4) Included in Accrued expenses in the accompanying Consolidated Balance Sheets.

The tables below present reconciliations for liabilities measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3) for the fiscal years ended June 25, 2016 and June 27, 2015 :

Fair Value Measured and Recorded Using Significant Unobservable Inputs (Level 3)

| | June 25, 2016 | | June 27, 2015 | |
|--|----------------|---|---------------|---------|
| | (in thousands) | | | |
| Contingent Consideration | | | | |
| Beginning balance | \$ | — | \$ | 3,215 |
| Total gains or losses (realized and unrealized): | | | | |
| Included in earnings | | — | | 384 |
| Payments | | — | | (3,599) |
| Ending balance | \$ | — | \$ | — |
| Changes in unrealized losses (gains) included in earnings related to liabilities still held as of period end | \$ | — | \$ | — |

During the fiscal years ended June 25, 2016 and June 27, 2015 , there were no transfers in or out of Level 3 from other levels in the fair value hierarchy.

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There were no assets or liabilities measured at fair value on a non-recurring basis as of June 25, 2016 and June 27, 2015 other than impairments of Long-Lived assets. For details, please refer to Note 10: "Impairment of long-lived assets".

NOTE 5: FINANCIAL INSTRUMENTS

Short-term investments

Fair values were as follows:

| | June 25, 2016 | | | | June 27, 2015 | | | |
|---------------------------------------|-------------------|-----------------------------|-----------------------------|-------------------------|-------------------|-----------------------------|--------------------------|-------------------------|
| | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Fair Value | Amortized Cost | Gross Unrealized Gain | Gross Unrealized Loss | Estimated Fair Value |
| (in thousands) | | | | | | | | |
| Available-for-sale investments | | | | | | | | |
| U.S. treasury bills | \$ 124,950 | \$ 489 | \$ — | \$ 125,439 | \$ 75,022 | \$ 132 | \$ — | \$ 75,154 |
| Total available-for-sale investments | <u>\$ 124,950</u> | <u>\$ 489</u> | <u>\$ —</u> | <u>\$ 125,439</u> | <u>\$ 75,022</u> | <u>\$ 132</u> | <u>\$ —</u> | <u>\$ 75,154</u> |

In the fiscal years ended June 25, 2016 and June 27, 2015, the Company did not recognize any impairment charges on short-term investments. The U.S. treasury bills have maturity dates between September 15, 2016 and July 15, 2018.

Derivative instruments and hedging activities

The Company incurs expenditures denominated in non-U.S. currencies, primarily the Philippine Peso and the Thai Baht associated with the Company's manufacturing activities in the Philippines and Thailand, respectively, and European Union Euro, South Korean Won, and Japanese Yen expenditures for sales offices and research and development activities undertaken outside of the U.S.

The Company has established a program that exclusively utilizes foreign currency forward contracts to offset the risks associated with the effects of certain foreign currency exposures. The Company does not use these foreign currency forward contracts for trading purposes.

Derivatives designated as cash flow hedging instruments

The Company designates certain forward contracts as hedging instruments pursuant to Accounting Standards Codification ("ASC") No. 815-Derivatives and Hedging ("ASC 815"). As of June 25, 2016 and June 27, 2015, respectively, the notional amounts of the forward contracts the Company held to purchase international currencies were \$68.0 million and \$54.2 million, respectively, and the notional amounts of forward contracts the Company held to sell international currencies were \$2.6 million and \$3.7 million, respectively.

Derivatives not designated as hedging instruments

As of June 25, 2016 and June 27, 2015, respectively, the notional amounts of the forward contracts the Company held to purchase international currencies were \$25.4 million and \$31.1 million, respectively, and the notional amounts of forward contracts the Company held to sell international currencies were \$24.6 million and \$28.2 million, respectively. The fair values of outstanding foreign currency forward contracts and gain (loss) included in the Consolidated Statements of Income were not material for the fiscal years ended June 25, 2016 and June 27, 2015.

Outstanding debt obligations

The following table summarizes the Company's outstanding debt obligations:

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| | June 25, 2016 | June 27, 2015 |
|--|--------------------------|--------------------------|
| (in thousands) | | |
| 2.5% fixed rate notes due November 2018 | \$ 500,000 | \$ 500,000 |
| 3.375% fixed rate notes due March 2023 | 500,000 | 500,000 |
| Short-term credit agreement | 250,000 | — |
| Notes denominated in Euro | | |
| Term fixed rate notes (2.0%) due on September 30, 2015 | — | 1,024 |
| Total outstanding debt | 1,250,000 | 1,001,024 |
| Less: Current portion (included in "Current portion of debt") | (249,717) | (1,024) |
| Less: Reduction for unamortized discount and debt issuance costs | (10,193) | (12,313) |
| Total long-term debt | \$ 990,090 | \$ 987,687 |

Long-term debt

On November 21, 2013, the Company completed a public offering of \$500 million aggregate principal amount of the Company's 2.5% coupon senior unsecured and unsubordinated notes due in November 2018 ("2018 Notes"), with an effective interest rate of 2.6%. Interest on the 2018 Notes is payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2014. The net proceeds of this offering were approximately \$494.5 million, after issuing at a discount and deducting paid expenses.

On March 18, 2013, the Company completed a public offering of \$500 million aggregate principal amount of the Company's 3.375% senior unsecured and unsubordinated notes due in March 2023 ("2023 Notes"), with an effective interest rate of 3.5%. Interest on the 2023 Notes is payable semi-annually in arrears on March 15 and September 15 of each year. The net proceeds of this offering were approximately \$490.0 million, after issuing at a discount and deducting paid expenses.

The debt indentures that govern the 2023 Notes and the 2018 Notes, respectively, include covenants that limit the Company's ability to grant liens on its facilities and to enter into sale and leaseback transactions, which could limit the Company's ability to secure additional debt funding in the future. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the 2023 Notes or the 2018 Notes, the Company would be required to make an offer to repurchase the affected notes at a purchase price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest.

The Company accounts for all the notes above based on their amortized cost. The discount and expenses are being amortized to Interest and other income (expense), net in the Consolidated Statements of Income over the life of the notes. The interest expense is recorded in Interest and other income (expense), net in the Condensed Consolidated Statements of Income. Amortized discount and expenses, as well as interest expense associated with the notes was \$29.4 million, \$29.4 million and \$24.7 million during the years ended June 25, 2016, June 27, 2015, and June 28, 2014, respectively.

The estimated fair value of the Company's long-term debt was approximately \$1,027 million as of June 25, 2016. The estimated fair value of the debt is based primarily on observable market inputs and is a Level 2 measurement.

The Company recorded interest expense of \$32.7 million, \$32.5 million, and \$27.0 million during the fiscal years ended June 25, 2016, June 27, 2015, and June 28, 2014, respectively.

Credit facilities

Revolving credit facility

The Company has access to a \$350 million senior unsecured revolving credit facility with certain institutional lenders that expires on June 27, 2019. The facility fee is at a rate per annum that varies based on the Company's index debt rating and any advances under the credit agreement will accrue interest at a base rate plus a margin based on the Company's index debt rating. The credit agreement requires the Company to comply with certain covenants, including a requirement that the Company maintain a ratio of debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) of not more than 3 to 1 and a minimum interest

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coverage ratio (EBITDA divided by interest expense) greater than 3.5 to 1 . As of June 25, 2016 , the Company had not borrowed any amounts from this credit facility and was in compliance with all debt covenants.

Short-term credit agreement

On June 23, 2016, a wholly-owned foreign subsidiary of the Company entered into a short-term credit agreement (the “Credit Agreement”) with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the “Lender”), in order to facilitate the return of capital to the Company. The Credit Agreement provides for, among other things, the Lender making an unsecured term loan in an amount equal to \$250.0 million and has a maturity date of June 22, 2017. The net proceeds of this credit agreement was approximately \$249.7 million , after deducting paid issuance costs. The interest rate on the note is based on LIBOR plus a margin. The initial interest rate is 1.69% per annum and will be adjusted quarterly. The credit agreement requires the Company to comply with certain covenants, including a requirement that the Company maintain a ratio of debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) of not more than 3 to 1 and a minimum interest coverage ratio (EBITDA divided by interest expense) greater than 3.5 to 1 . As of June 25, 2016 , the Company was in compliance with all covenants. Fair value approximates the carrying value, given the short-term nature of the loan.

Other financial instruments

For the balance of the Company's financial instruments, cash equivalents, accounts receivable, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities.

NOTE 6: STOCK-BASED COMPENSATION

At June 25, 2016 , the Company had one stock incentive plan, the Company's 1996 Stock Incentive Plan (the “1996 Plan”) and one employee stock purchase plan, the 2008 Employee Stock Purchase Plan (the “2008 ESPP”). The 1996 Plan was adopted by the Board of Directors to provide the grant of incentive stock options, nonstatutory stock options, restricted stock units (“RSUs”), and market stock units (“MSUs”) to employees, directors, and consultants.

Pursuant to the 1996 Plan, the exercise price for incentive stock options and non-statutory stock options is determined to be the fair market value of the underlying shares on the date of grant. Options typically vest ratably over a four-year period measured from the date of grant. Options generally expire no later than ten years after the date of grant, subject to earlier termination upon an optionee's cessation of employment or service.

RSUs granted to employees typically vest ratably over a four-year period and are converted into shares of the Company's common stock upon vesting, subject to the employee's continued service to the Company over that period.

MSUs granted to employees typically vest ratably over a two to four-year period and are converted into shares of the Company's common stock upon vesting, subject to the employee's continued service to the Company over that period. The number of shares that are released at the end of the performance period can range from zero to a maximum cap depending on the Company's performance. The performance metrics of this program are based on relative performance of the Company's stock price as compared to the Semiconductor Exchange Traded Fund index, (the “SPDR S&P”).

The following tables show total stock-based compensation expense by type of award, and the resulting tax effect, included in the Consolidated Statements of Income for fiscal years 2016 , 2015 and 2014 :

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| | For the Year Ended | | | |
|--|---------------------------|--|---|------------------|
| | June 25, 2016 | | | |
| | Stock Options | Restricted Stock Units and Other Awards | Employee Stock Purchase Plan | Total |
| | (in thousands) | | | |
| Cost of goods sold | \$ 837 | \$ 5,697 | \$ 2,340 | \$ 8,874 |
| Research and development | 3,469 | 27,784 | 5,133 | 36,386 |
| Selling, general and administrative | 3,043 | 19,127 | 2,271 | 24,441 |
| Pre-tax stock-based compensation expense | <u>\$ 7,349</u> | <u>\$ 52,608</u> | <u>\$ 9,744</u> | <u>\$ 69,701</u> |
| Less: income tax effect | | | | 11,314 |
| Net stock-based compensation expense | | | | <u>\$ 58,387</u> |

| | For the Year Ended | | | |
|--|---------------------------|--|---|------------------|
| | June 27, 2015 | | | |
| | Stock Options | Restricted Stock Units and Other Awards | Employee Stock Purchase Plan | Total |
| | (in thousands) | | | |
| Cost of goods sold | \$ 1,391 | \$ 8,226 | \$ 2,257 | \$ 11,874 |
| Research and development | 4,783 | 31,899 | 5,375 | 42,057 |
| Selling, general and administrative | 3,863 | 19,414 | 2,283 | 25,560 |
| Pre-tax stock-based compensation expense | <u>\$ 10,037</u> | <u>\$ 59,539</u> | <u>\$ 9,915</u> | <u>\$ 79,491</u> |
| Less: income tax effect | | | | 14,131 |
| Net stock-based compensation expense | | | | <u>\$ 65,360</u> |

| | For the Year Ended | | | |
|--|---------------------------|--|---|------------------|
| | June 28, 2014 | | | |
| | Stock Options | Restricted Stock Units and Other Awards | Employee Stock Purchase Plan | Total |
| | (in thousands) | | | |
| Cost of goods sold | \$ 1,650 | \$ 8,466 | \$ 2,132 | \$ 12,248 |
| Research and development | 8,676 | 31,548 | 5,452 | 45,676 |
| Selling, general and administrative | 5,486 | 19,734 | 2,308 | 27,528 |
| Pre-tax stock-based compensation expense | <u>\$ 15,812</u> | <u>\$ 59,748</u> | <u>\$ 9,892</u> | <u>\$ 85,452</u> |
| Less: income tax effect | | | | 15,245 |
| Net stock-based compensation expense | | | | <u>\$ 70,207</u> |

The expenses included in the Consolidated Statements of Income related to Restricted Stock Units and Other Awards include expenses related to Market Stock Units of \$2.8 million , \$1.7 million and \$1.5 million for fiscal years 2016 , 2015 and 2014 , respectively.

Stock Options

MAXIM INTEGRATED PRODUCTS, INC.
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The fair value of options granted to employees under the 1996 Plan is estimated on the date of grant using the Black-Scholes option valuation model.

Expected volatilities are based on the historical volatilities from the Company's traded common stock over a period equal to the expected term. The Company is utilizing the simplified method to estimate expected holding periods. The risk-free interest rate is based on the U.S. Treasury yield. The Company determines the dividend yield by dividing the annualized dividends per share by the prior quarter's average stock price. The Company also estimates forfeitures at the time of grant and makes revisions to forfeitures on a quarterly basis.

The Company did not grant any stock options in fiscal year 2016. The fair value of options granted to employees in fiscal years 2015 and 2014 has been estimated using the following weighted-average assumptions:

| | Stock Options For the Year Ended (1) | |
|------------------------------------|---|--------------------------|
| | June 27, 2015 | June 28, 2014 |
| Expected holding period (in years) | 4.8 | 5.3 |
| Risk-free interest rate | 1.6% | 1.4% |
| Expected stock price volatility | 26.7% | 34.6% |
| Dividend yield | 3.2% | 3.2% |

(1) Table excludes impact from assumptions used in valuing the Volterra substitute options granted on October 1, 2013 based on an expected holding period of 3.8 years, risk-free interest rate of 1.0%, expected stock price volatility of 27.5% and dividend yield of 3.4%.

The weighted-average fair value of stock options granted were \$5.56 and \$7.36 per share for fiscal years 2015 and 2014, respectively.

The following table summarizes outstanding, exercisable and vested and expected to vest stock options as of June 25, 2016 and their activity during fiscal years 2016, 2015 and 2014:

| | Options | | Weighted Average Remaining Contractual Term (In Years) | Aggregate Intrinsic Value (1) |
|---|-------------------------|--|---|--|
| | Number of Shares | Weighted Average Exercise Price | | |
| Balance at June 29, 2013 | 20,081,339 | \$26.00 | | |
| Options Granted | 3,638,729 | 27.30 | | |
| Options Exercised | (3,568,775) | 18.60 | | |
| Options Cancelled | (3,987,649) | 34.86 | | |
| Balance at June 28, 2014 | 16,163,644 | 25.74 | | |
| Options Granted | 63,584 | 32.22 | | |
| Options Exercised | (3,168,704) | 18.39 | | |
| Options Cancelled | (2,885,508) | 33.62 | | |
| Balance at June 27, 2015 | 10,173,016 | 25.83 | | |
| Options Granted | — | — | | |
| Options Exercised | (3,242,881) | 25.05 | | |
| Options Cancelled | (995,056) | 32.67 | | |
| Balance at June 25, 2016 | 5,935,079 | 25.11 | 3.0 | \$ 71,297,014 |
| Exercisable at June 25, 2016 | 3,251,896 | \$22.69 | 2.3 | \$ 46,799,932 |
| Vested and expected to vest, June 25, 2016 | 5,794,417 | \$25.02 | 3.0 | \$ 69,869,048 |

MAXIM INTEGRATED PRODUCTS, INC.
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- (1) Aggregate intrinsic value represents the difference between the exercise price and the closing price per share of the Company's common stock on June 24, 2016, the last business day preceding the fiscal year end, multiplied by the number of options outstanding, exercisable or vested and expected to vest as of June 25, 2016 .

The following table summarizes information about stock options that were outstanding and exercisable at June 25, 2016 :

| Range of Exercise Prices | Outstanding Options | | | Options Exercisable | |
|--------------------------|-------------------------------------|--|---------------------------------|-------------------------------------|---------------------------------|
| | Number Outstanding at June 25, 2016 | Weighted Average Remaining Contractual Term (In years) | Weighted Average Exercise Price | Number Exercisable at June 25, 2016 | Weighted Average Exercise Price |
| \$12.00 - \$20.00 | 1,068,741 | 1.2 | \$17.41 | 1,021,225 | \$17.32 |
| \$20.01 - \$30.00 | 4,733,577 | 2.7 | \$26.63 | 2,186,711 | \$25.00 |
| \$30.01 - \$40.00 | 132,761 | 4.0 | \$32.82 | 43,960 | \$32.29 |
| | 5,935,079 | | | 3,251,896 | |

The total intrinsic value of options exercised during fiscal years 2016 , 2015 and 2014 were \$39.8 million , \$45.6 million and \$47.2 million , respectively. As of June 25, 2016 , there was \$7.1 million of total unrecognized compensation costs related to 2.7 million unvested stock options expected to be recognized over a weighted average period of approximately 1.2 years.

Restricted Stock Units and Other Awards

The fair value of Restricted Stock Units (“RSUs”) and other awards under the Company’s 1996 Plan is estimated using the value of the Company’s common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company’s common stock prior to vesting. The Company also estimates forfeitures at the time of grant and makes revisions to forfeitures on a quarterly basis.

The weighted-average fair value of RSUs and other awards granted was \$29.75 , \$27.92 and \$26.60 per share for fiscal years 2016 , 2015 and 2014 , respectively.

The following table summarizes outstanding and expected to vest RSUs and other awards as of June 25, 2016 and their activity during fiscal years 2016 , 2015 and 2014 :

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| | Number of Shares | Weighted Average Remaining Contractual Term (In years) | Aggregate Intrinsic Value (1) |
|---|---------------------|---|-------------------------------------|
| Balance at June 29, 2013 | 7,965,532 | | |
| Restricted stock units and other awards granted | 3,916,111 | | |
| Restricted stock units and other awards released | (2,904,787) | | |
| Restricted stock units and other awards cancelled | (1,095,859) | | |
| Balance at June 28, 2014 | 7,880,997 | | |
| Restricted stock units and other awards granted | 3,178,117 | | |
| Restricted stock units and other awards released | (2,589,639) | | |
| Restricted stock units and other awards cancelled | (1,339,490) | | |
| Balance at June 27, 2015 | 7,129,985 | | |
| Restricted stock units and other awards granted | 2,905,973 | | |
| Restricted stock units and other awards released | (2,049,430) | | |
| Restricted stock units and other awards cancelled | (1,365,715) | | |
| Balance at June 25, 2016 | 6,620,813 | 2.6 | \$ 246,061,953 |
| Expected to vest at June 25, 2016 | 5,588,721 | 2.5 | \$ 207,229,781 |

(1) Aggregate intrinsic value for RSUs and other awards represents the closing price per share of the Company's common stock on June 24, 2016, the last business day preceding the fiscal year end, multiplied by the number of RSUs and other awards outstanding, or expected to vest as of June 25, 2016 .

The Company withheld shares totaling \$24.1 million in value as a result of employee withholding taxes based on the value of the RSUs on their vesting date for the fiscal year ended June 25, 2016 . The total payments for the employees' tax obligations to the taxing authorities are reflected as financing activities within the Consolidated Statements of Cash Flows.

As of June 25, 2016 , there was \$131.3 million of unrecognized compensation cost related to 6.6 million unvested RSUs and other awards, which is expected to be recognized over a weighted average period of approximately 2.6 years.

Market Stock Units

The Company granted Market Stock Units (“MSUs”) to senior members of management in September 2014 and September 2015. The grant of MSUs was in lieu of granting stock options. MSUs are valued based on the relative performance of the Company’s stock price as compared to the Semiconductor Exchange Traded Fund index XSD, (the “SPDR S&P”). The fair value of MSUs is estimated using a Monte Carlo simulation model on the date of grant. The Company also estimates forfeitures at the time of grant and makes revisions to forfeitures on a quarterly basis. Compensation expense is recognized based on the initial valuation and is not subsequently adjusted as a result of the Company’s performance relative to that of the XSD index. Vesting for MSUs is contingent upon both service and market conditions, which is over a four-year period.

The following table summarizes the number of MSUs outstanding and expected to vest as of June 25, 2016 and their activity during fiscal years 2016 , 2015 and 2014 :

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| | Number of Shares | Weighted Average Remaining Contractual Term (In years) | Aggregate Intrinsic Value (1) |
|--|---------------------|---|-------------------------------------|
| Balance at June 29, 2013 (2) | 60,000 | | |
| Market stock units granted | 60,000 | | |
| Market stock units released | — | | |
| Market stock units cancelled | — | | |
| Balance at June 28, 2014 (2) | 120,000 | | |
| Market stock units granted | 423,044 | | |
| Market stock units released | (42,476) | | |
| Market stock units cancelled | (85,728) | | |
| Balance at June 27, 2015 | 414,840 | | |
| Market stock units granted | 361,684 | | |
| Market stock units released | — | | |
| Market stock units cancelled | (102,992) | | |
| Balance at June 25, 2016 | 673,532 | 2.9 | \$ 24,974,567 |
| Expected to vest at June 25, 2016 | 547,546 | 2.9 | \$ 20,303,011 |

(1) Aggregate intrinsic value for MSUs represents the closing price per share of the Company's common stock on June 24, 2016, the last business day preceding the fiscal quarter-end, multiplied by the number of MSUs outstanding or expected to vest as of June 25, 2016 .

(2) Reflects shares previously granted to the Company's Chief Executive Officer only.

As of June 25, 2016 , there was \$11.9 million of unrecognized compensation cost related to 0.7 million unvested MSUs, which is expected to be recognized over a weighted average period of approximately 2.9 years.

At June 25, 2016 , the Company had 28.0 million shares of its common stock available for issuance to employees and other option recipients under the 1996 Plan.

Employee Stock Purchase Plan

Employees are granted rights to acquire common stock under the Company's 2008 Employee Stock Purchase Plan (the "ESPP").

The Company issued 1.3 million shares of its common stock for total consideration of \$34.0 million related to the ESPP plan during the fiscal year ended June 25, 2016 . As of June 25, 2016 , the Company had 6.1 million shares of its common stock reserved and available for future issuance under the ESPP.

The fair value of ESPP granted to employees in fiscal years 2016 , 2015 and 2014 has been estimated at the date of grant using the Black-Scholes option valuation model using the following assumptions for the offering periods outstanding:

| | ESPP For the Year Ended | | |
|------------------------------------|-------------------------|------------------|------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| Expected holding period (in years) | 0.5 | 0.5 | 0.5 |
| Risk-free interest rate | 0.1% - 0.5% | 0.1% | 0.1% - 0.2% |
| Expected stock price volatility | 21.8% - 33.1% | 20.7% - 26.4% | 20.7% - 25.5% |
| Dividend yield | 3.3% - 3.6% | 3.3% - 3.7% | 3.1% - 3.7% |

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 25, 2016, there was \$5.5 million of unrecognized compensation expense related to the ESPP.

Other Modifications

In September 2006, the Company suspended the issuance of shares to employees upon exercise of stock options, vesting of restricted stock units or pursuant to planned purchases of stock under the Employee Stock Participation Plan until the Company became current with all required SEC filings and its registration statements on Form S-8 were declared effective ("Blackout Period"). The Company instituted multiple programs in an attempt to compensate employees during this period.

In September 2007, the Company decided to cash-settle all options expiring during the Blackout Period ("goodwill payment") based on the price at which 10% of the daily close prices of the Company's common stock fall above this price for trading days from August 7, 2006 (the date on which the Company initiated a trading blackout on officers and other individuals) through the expiration date of the option. The cash payment is subject to the option holder executing a release of all claims relating to the option. The supplemental goodwill payment modification changed the classification of the associated awards from equity to liability instruments. The modification resulted in a reclassification from additional paid-in capital to accrued salaries and related expenses.

In fiscal year 2015, \$7.8 million was reclassified from accrued salaries to additional paid-in capital due to the lapse of the statute of limitations of certain option holders to raise claims relating to the expired options. No reclassification occurred in fiscal years 2016 or 2014.

NOTE 7: EARNINGS PER SHARE

Basic earnings (loss) per share are computed using the weighted average number of shares of common shares outstanding during the period. For purposes of computing basic earnings (loss) per share, the weighted average number of outstanding shares of common stock excludes unvested RSUs, including MSUs. Diluted earnings (loss) per share incorporates the incremental shares issuable upon the assumed exercise of stock options, assumed release of unvested RSUs, Performance Shares, including MSUs and assumed issuance of common stock under the employee stock purchase plans using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings (loss) per share:

| | For the Year Ended | | |
|--|---------------------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands, except per share data) | | |
| Numerator for basic earnings (loss) per share and diluted earnings (loss) per share | | | |
| Net income (loss) | \$ 227,475 | \$ 206,038 | \$ 354,810 |
| Denominator for basic earnings (loss) per share | 285,081 | 283,675 | 283,344 |
| Effect of dilutive securities: | | | |
| Stock options, ESPP, RSUs and MSUs | 4,398 | 5,274 | 5,764 |
| Denominator for diluted earnings (loss) per share | 289,479 | 288,949 | 289,108 |
| Earnings (loss) per share: | | | |
| Basic | \$ 0.80 | \$ 0.73 | \$ 1.25 |
| Diluted | \$ 0.79 | \$ 0.71 | \$ 1.23 |

Approximately 0.5 million, 3.6 million, and 9.4 million stock options were excluded from the calculation of diluted earnings per share for the fiscal years ended 2016, 2015 and 2014, respectively. These options were excluded because they were determined to be antidilutive. However, such options could be dilutive in the future and, under those circumstances, would be included in the calculation of diluted earnings per share.

NOTE 8: GOODWILL AND INTANGIBLE ASSETS

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill

The Company monitors the recoverability of goodwill recorded in connection with acquisitions, by reporting unit, annually, or more often if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Fiscal Year 2016

The Company performed the annual goodwill impairment analysis during the fourth quarter of fiscal year 2016 and concluded that goodwill was not impaired, as the fair value of each reporting unit exceeded its carrying value. No indicators or instances of impairment were identified during fiscal year 2016 .

During the fiscal year ended June 25, 2016 , \$20.4 million of goodwill from the Micros and Security reporting unit was included in the sale of the energy metering business to Silergy Corp.

Fiscal Year 2015

During the quarter ended December 27, 2014, goodwill for the Sensing Solutions reporting unit was determined to be impaired and the Company recorded a charge of \$84.1 million . The Sensing Solutions reporting unit develops integrated circuits which are primarily sold in the consumer and automotive end customer markets. The impairment was the result of the Company's decision within the quarter ended December 27, 2014 to exit certain consumer market offerings that have competitive dynamics which are no longer consistent with the Company's business objectives.

The Company determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the Sensing Solutions reporting unit. The reporting unit's carrying value exceeded its estimated fair value and, accordingly, a second phase of the goodwill impairment test ("Step 2") was performed. Under Step 2, the fair value of all Sensing Solution's assets and liabilities were estimated, including tangible assets and intangible assets (including existing and in-process technology) for the purpose of deriving an estimate of the implied fair value of goodwill. The implied fair value of the goodwill was then compared to the carrying value of the goodwill to determine the amount of the impairment.

The Company estimated the fair value of the Sensing Solutions reporting unit using a weighting of fair values derived equally from the income and market approach. Under the income approach, the Company calculates the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit.

Prior to completing the goodwill impairment test, the Company tested the recoverability of the Sensing Solutions long-lived assets (other than goodwill) and concluded that existing Property, plant and equipment, net was impaired by \$45.2 million and IPR&D was impaired by \$8.9 million .

No other indicators or instances of impairment were identified during the fiscal year ended June 27, 2015 .

Activity and goodwill balances for the fiscal years ended June 25, 2016 and June 27, 2015 were as follows:

| | Goodwill | |
|--------------------------|-----------------------|----------|
| | (in thousands) | |
| Balance at June 28, 2014 | \$ | 596,637 |
| Adjustments | | (866) |
| Impairments | | (84,124) |
| Balance at June 27, 2015 | | 511,647 |
| Divestitures | | (20,999) |
| Balance at June 25, 2016 | \$ | 490,648 |

Intangible Assets

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The useful lives of amortizing intangible assets are as follows:

| Asset | Life |
|------------------------|------------|
| Intellectual property | 1-10 years |
| Customer relationships | 3-10 years |
| Trade name | 1-4 years |
| Patents | 5 years |

Intangible assets consisted of the following:

| | June 25, 2016 | | | June 27, 2015 | | |
|---|---------------|--------------------------|------------|---------------|--------------------------|------------|
| | Original Cost | Accumulated Amortization | Net | Original Cost | Accumulated Amortization | Net |
| (in thousands) | | | | | | |
| Intellectual property | \$ 420,285 | \$ 331,321 | \$ 88,964 | \$ 435,962 | \$ 276,175 | \$ 159,787 |
| Customer relationships | 115,634 | 92,744 | 22,890 | 120,230 | 82,774 | 37,456 |
| Trade name | 8,500 | 6,486 | 2,014 | 8,500 | 4,886 | 3,614 |
| Patent | 2,500 | 1,428 | 1,072 | 2,500 | 907 | 1,593 |
| Total amortizable purchased intangible assets | 546,919 | 431,979 | 114,940 | 567,192 | 364,742 | 202,450 |
| IPR&D | 31,600 | — | 31,600 | 59,202 | — | 59,202 |
| Total purchased intangible assets | \$ 578,519 | \$ 431,979 | \$ 146,540 | \$ 626,394 | \$ 364,742 | \$ 261,652 |

During the fiscal year ended June 25, 2016, \$20.3 million of purchased intangible assets, net, was included in the sale of the energy metering business line. For details, please refer Note 10: "Impairment of long-lived assets".

During fiscal years 2016, 2015 and 2014, the Company recorded impairment of intangible assets of \$27.6 million, \$8.9 million and \$2.6 million, respectively, related to write-offs of acquired IPR&D resulting from the Company's decision to abandon previously acquired technologies. Intangible asset reviews are performed when indicators exist that could indicate the carrying value may not be recoverable based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate.

The following table presents the amortization expense of intangible assets and its presentation in the Consolidated Statements of Income:

| | For the Year Ended | | |
|--|--------------------|------------------|------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| (in thousands) | | | |
| Cost of goods sold | \$ 55,031 | \$ 74,366 | \$ 64,483 |
| Intangible asset amortization | 12,205 | 16,077 | 17,690 |
| Total intangible asset amortization expenses | \$ 67,236 | \$ 90,443 | \$ 82,173 |

The following table represents the estimated future amortization expense of intangible assets as of June 25, 2016:

MAXIM INTEGRATED PRODUCTS, INC.
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| Fiscal Year | Amount |
|--------------------------------|-----------------------|
| | (in thousands) |
| 2017 | \$ 49,090 |
| 2018 | 41,564 |
| 2019 | 13,278 |
| 2020 | 3,358 |
| 2021 | 2,888 |
| Thereafter | 4,762 |
| Total intangible assets | \$ 114,940 |

NOTE 9: ACQUISITIONS

Acquisitions completed in fiscal year 2016

None .

Acquisitions completed in fiscal year 2015

None .

Acquisitions completed in fiscal year 2014

The Company completed two acquisitions during fiscal year 2014.

VOLTERRA

On October 1, 2013 , the Company completed its acquisition of Volterra, formerly a publicly traded company that develops power management solutions. The primary reason for this acquisition was to expand the Company's available market across a wide range of end markets, including enterprise server, cloud computing, communications and energy. The results of operations of Volterra are included in the Company's Consolidated Statements of Income, beginning in the second quarter of fiscal year 2014. Acquisition-related costs for the twelve months ended June 28, 2014 were \$7.0 million .

The total purchase price for Volterra was approximately \$615 million and was comprised of:

| | (in thousands) |
|---|-----------------------|
| Cash consideration for 100% of outstanding common stock of Volterra at \$23 per share | \$ 593,250 |
| Cash consideration for vested options settlement | 21,756 |
| Total preliminary purchase price | \$ 615,006 |

The purchase price allocation as of the date of the acquisition is set forth in the table below and reflects various fair value estimates and analysis. These estimates were determined through established and generally accepted valuation techniques, including work performed by third-party valuation specialists.

| | Volterra |
|---|-----------------------|
| | (in thousands) |
| Net tangible assets | 158,710 |
| Amortizable intangible assets | 226,900 |
| IPR&D | 56,200 |
| Goodwill | 174,894 |
| Substitution of stock-based compensation awards | (1,698) |
| Total purchase price | \$ 615,006 |

MAXIM INTEGRATED PRODUCTS, INC.
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IPR&D assets relate to future technology, is capitalized until the technology is ready for its intended use and then amortized over the technology useful life. IPR&D costs incurred by the Company subsequent to the acquisition are expensed.

Goodwill was primarily attributable to the opportunities from the addition of Volterra's product portfolio which complements the Company's suite of products, including providing integrated process solutions to customers. The goodwill is not deductible for tax purposes.

The amortizable intangible assets are being amortized on a straight-line basis over their estimated useful lives as follows:

| | Volterra acquisition | |
|-------------------------------------|--------------------------------------|--|
| | Fair value (in thousands) | Weighted average useful life (in years) |
| Intellectual property | \$ 192,500 | 4.9 |
| Customer relationships | 24,600 | 9.6 |
| Trade name | 6,400 | 4.0 |
| Backlog | 900 | 0.4 |
| Patents | 2,500 | 4.8 |
| Total amortizable intangible assets | <u>\$ 226,900</u> | |

Pro forma results of operations for this acquisition have not been presented because it is not material to the Company's Consolidated Statements of Income.

Refer to Note 17: "Restructuring Activities" of these Notes to Consolidated Financial Statements for a discussion on *Volterra Restructuring Plan*.

OTHER ACQUISITION

The Company acquired another company during the fiscal year ended June 28, 2014, which develops low power high performance analog circuits. The total cash consideration in exchange for 100% of the outstanding shares, for this acquisition was approximately \$6.1 million for which the purchase price was largely attributable to the acquired developed intellectual property. Goodwill associated with this acquisition was \$0.5 million. Acquisition related costs were not material for this transaction.

NOTE 10: IMPAIRMENT OF LONG-LIVED ASSETS

Fiscal year 2016:

During the fiscal year ended June 25, 2016, the Company recorded \$160.6 million in impairment of long-lived assets in the Company's Consolidated Statements of Income.

During the first quarter of fiscal year 2016, the Company recorded a \$157.7 million impairment of long-lived assets associated with the Company's wafer manufacturing facility in San Antonio, Texas which was classified as held for sale and written down to fair value, less cost to sell. The Company reached its conclusion regarding the asset impairment after conducting an evaluation of assets' fair values. The fair value of the land, buildings and equipment was determined after consideration of expected discounted future cash flows attributable to the assets and outside appraisals. The Company signed an agreement with TowerJazz Texas, Inc. (formerly known as TJ Texas, Inc.), an indirect wholly-owned subsidiary of Tower Semiconductor Ltd. ("TowerJazz"), for the sale of the semiconductor wafer fabrication facility in San Antonio, Texas on November 18, 2015. During the third quarter of fiscal year 2016, the Company completed the sale of this facility for approximately \$30.0 million in common shares of TowerJazz, resulting in a loss of \$1.6 million included in Other operating income (expenses), net in the Consolidated Statements of Income. In addition, approximately \$10.0 million in common shares of TowerJazz was received for the sale of the inventory on hand associated with this facility.

In addition, the San Jose wafer fabrication facility was classified as held for sale during the first quarter of fiscal year 2016, but no impairment charge was recorded as the carrying value of the associated assets approximated the fair value, less cost to sell. The fair value of the land, buildings and equipment was determined after consideration of outside appraisals, quoted market prices of similar equipment and offers received. The Company completed the sale of this facility in the second quarter of fiscal year 2016

MAXIM INTEGRATED PRODUCTS, INC.
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for approximately \$39.0 million resulting in a gain of \$3.8 million included in Other operating income (expenses), net in the Consolidated Statements of Income.

During the second quarter of fiscal year 2016, the Company classified the energy metering business, including associated tangible, intangible assets and goodwill, as held for sale but no impairment charge was recorded as the carrying value of the product lines' associated assets approximated or was less than the fair value, less cost to sell. The fair values of the assets were determined after consideration of offers received. During the third quarter of fiscal year 2016, the Company completed the sale of this product line for approximately \$105.0 million, resulting in a gain of \$58.9 million included in Other operating income (expenses), net in the Consolidated Statements of Income.

Fiscal year 2015 impairments:

During the fiscal year ended June 27, 2015, the Company recorded \$67.0 million in impairment of long-lived assets in the Company's Consolidated Statements of Income.

The impairment was primarily related to the write down of equipment relating to the Sensing Solutions reporting unit of \$45.2 million. For background, please refer to Note 8: "Goodwill & intangible assets". The Company reached its conclusion regarding the asset impairment after determining that the undiscounted cash flows fell below the net book value of the net assets of the Sensing Solutions reporting unit (the asset group). As a result, the Company reduced the assets to their fair value after conducting an evaluation of each asset's alternative use, the condition of the asset and the current market pricing and demand.

The impairment was also related to the write down of used fabrication tools and software of \$21.8 million identified by the Company as obsolete. The Company reduced the fabrication tools to their fair value after conducting an evaluation of each asset's alternative use, the condition of the asset and the current market pricing and demand.

Fiscal year 2014 impairments:

During the fiscal year ended June 28, 2014, the Company recorded \$11.6 million in impairment of long-lived assets in the Company's Consolidated Statements of Income.

The impairment includes electronic design automation ("EDA") software identified as excess primarily due to EDA assets replaced with assets that are more cost efficient. It also includes certain U.S. test operation assets identified as excess and no longer needed. These assets included primarily test manufacturing equipment which was recorded in Property, plant, and equipment, net in the Consolidated Balance Sheet. The Company also impaired fabrication tools and a building classified as held for sale. The fabrication tools were fully impaired while the building was impaired down to fair value less cost to sell. The fair value of the building was determined mainly after consideration of evidence such as broker estimates, building condition, and offers received.

NOTE 11: SEGMENT INFORMATION

The Company designs, develops, manufactures and markets a broad range of linear and mixed signal integrated circuits. All of the Company's products are designed through a centralized R&D function, are manufactured using centralized manufacturing (internal and external), and sold through a centralized sales force and shared wholesale distributors.

The Company currently has one operating segment. In accordance with ASC No. 280, *Segment Reporting* ("ASC 280"), the Company considers operating segments to be components of the Company's business for which separate financial information is available that is evaluated regularly by the Company's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Chief Operating Decision Maker for the Company was assessed and determined to be the CEO. The CEO reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it has a single operating and reportable segment.

Enterprise-wide information is provided in accordance with ASC 280. Geographical revenue information is based on customers' ship-to location. Long-lived assets consist of property, plant and equipment. Property, plant and equipment information is based on the physical location of the assets at the end of each fiscal year.

Net revenues from unaffiliated customers by geographic region were as follows:

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| | For the Year Ended | | |
|---------------|---------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands) | | |
| United States | \$ 246,969 | \$ 281,374 | \$ 320,282 |
| China | 837,345 | 947,231 | 997,706 |
| Rest of Asia | 676,116 | 665,388 | 748,320 |
| Europe | 377,938 | 347,275 | 324,867 |
| Rest of World | 56,351 | 65,596 | 62,488 |
| | \$ 2,194,719 | \$ 2,306,864 | \$ 2,453,663 |

Net long-lived assets by geographic region were as follows:

| | Fiscal Year Ended | |
|---------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 |
| | (in thousands) | |
| United States | \$ 423,653 | \$ 783,148 |
| Philippines | 141,569 | 166,405 |
| Rest of World | 127,329 | 141,186 |
| | \$ 692,551 | \$ 1,090,739 |

NOTE 12: COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is party or subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including proceedings and claims that relate to intellectual property matters. While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized or reserved, if any.

Commitments

The Company leases certain of its facilities under various operating leases that expire at various dates through June 2036. The lease agreements generally include renewal provisions and require the Company to pay property taxes, insurance, and maintenance costs.

Future annual minimum payments for all commitments are as follows:

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| | Payment due by period | | | | | | |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | Total | Fiscal year 2017 | Fiscal year 2018 | Fiscal year 2019 | Fiscal year 2020 | Fiscal year 2021 | |
| Contractual Obligations | (in thousands) | | | | | | |
| Operating lease obligations (1) | \$ 53,568 | \$ 8,778 | \$ 6,827 | \$ 5,106 | \$ 4,907 | \$ 4,409 | \$ 23,541 |
| Short-term debt obligations (2) | 250,000 | 250,000 | — | — | — | — | — |
| Long-term debt obligations (3) | 1,000,000 | — | — | 500,000 | — | — | 500,000 |
| Interest payments associated with debt obligations (4) | 147,388 | 33,699 | 29,375 | 21,736 | 16,875 | 16,875 | 28,828 |
| Capital equipment and inventory related purchase obligations (5) | 725,987 | 100,875 | 87,760 | 75,285 | 74,467 | 62,958 | 324,642 |
| Total | \$ 2,176,943 | \$ 393,352 | \$ 123,962 | \$ 602,127 | \$ 96,249 | \$ 84,242 | \$ 877,011 |

(1) The Company leases some facilities under non-cancelable operating lease agreements that expire at various dates through 2030 .

(2) Short-term debt represents amounts primarily due for the Company's short-term credit agreement.

(3) Long-term debt represents amounts primarily due for the Company's long-term notes.

(4) Interest payments calculated based on contractual payment requirements under the debt agreements.

(5) The Company orders some materials and supplies in advance or with minimum purchase quantities. The Company is obligated to pay for the materials and supplies when received. Additionally, in 2016 the Company entered into a long term supply agreement with the semiconductor foundry TowerJazz to supply finished wafers on existing Maxim processes and products which contains minimum purchase requirements.

Purchase orders for the purchase of the majority of the Company's raw materials and other goods and services are not included in the table. The Company's purchase orders generally allow for cancellation without significant penalties. The Company does not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed its expected short-term requirements.

Rental expense amounted to approximately \$10.0 million , \$9.0 million , and \$10.8 million in fiscal years 2016 , 2015 and 2014 , respectively.

Indemnification

The Company indemnifies certain customers, distributors, suppliers and subcontractors for attorney fees and damages and costs awarded against such parties in certain circumstances in which the Company's products are alleged to infringe third party intellectual property rights, including patents, registered trademarks or copyrights. The terms of the Company's indemnification obligations are generally perpetual from the effective date of the agreement. In certain cases, there are limits on and exceptions to the Company's potential liability for indemnification relating to intellectual property infringement claims.

Pursuant to the Company's charter documents and separate written indemnification agreements, the Company has certain indemnification obligations to its current officers, employees and directors, as well as certain former officers and directors.

Product Warranty

The changes in the Company's aggregate product warranty liabilities for the fiscal years ended June 25, 2016 and June 27, 2015 were as follows:

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| | June 25, 2016 | June 27, 2015 |
|---|------------------|------------------|
| | (in thousands) | |
| Product warranty liability at beginning of the year | \$ 13,436 | \$ 21,296 |
| Accruals | 3,518 | 1,665 |
| Payments | (9,300) | (8,686) |
| Changes in estimate | 952 | (839) |
| Product warranty liability at ending of the year | <u>\$ 8,606</u> | <u>\$ 13,436</u> |
| Current portion | 8,606 | 9,136 |
| Non-current portion | \$ — | 4,300 |

NOTE 13: COMPREHENSIVE INCOME

The changes in accumulated other comprehensive loss by component and related tax effects in the fiscal years ended June 25, 2016 and June 27, 2015 were as follows:

| | Unrealized gain (loss) on intercompany receivables | Unrealized gain (loss) on post- retirement benefits | Cumulative translation adjustment | Unrealized gain (loss) on cash flow hedges | Unrealized gain (loss) on available- for-sale securities | Total |
|---|---|--|---|--|--|--------------------|
| | (in thousands) | | | | | |
| June 28, 2014 | \$ (5,753) | \$ (10,373) | \$ (1,136) | \$ (11) | \$ 100 | \$ (17,173) |
| Other comprehensive income (loss) before reclassifications | — | — | — | (6,272) | 33 | (6,239) |
| Amounts reclassified out of accumulated other comprehensive income (loss) | — | 827 | — | 6,428 | — | 7,255 |
| Tax effects | (527) | (458) | — | (92) | — | (1,077) |
| Other comprehensive income (loss) | <u>(527)</u> | <u>369</u> | <u>—</u> | <u>64</u> | <u>33</u> | <u>(61)</u> |
| June 27, 2015 | \$ (6,280) | \$ (10,004) | \$ (1,136) | \$ 53 | \$ 133 | \$ (17,234) |
| Other comprehensive income (loss) before reclassifications | — | — | — | (1,197) | 356 | (841) |
| Amounts reclassified out of accumulated other comprehensive income (loss) | — | 3,659 | — | 450 | — | 4,109 |
| Tax effects | — | (455) | — | 202 | — | (253) |
| Other comprehensive income (loss) | <u>—</u> | <u>3,204</u> | <u>—</u> | <u>(545)</u> | <u>356</u> | <u>3,015</u> |
| June 25, 2016 | <u>\$ (6,280)</u> | <u>\$ (6,800)</u> | <u>\$ (1,136)</u> | <u>\$ (492)</u> | <u>\$ 489</u> | <u>\$ (14,219)</u> |

Amounts reclassified out of Unrealized loss on post-retirement benefits were included in Selling, general and administrative in the Consolidated Statements of Income. Amounts reclassified out of Unrealized loss on cash flow hedges were included in Net revenues, Cost of goods sold and Other operating expenses (income), net in the Consolidated Statements of Income.

NOTE 14: COMMON STOCK REPURCHASES

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In July 2013, the Board of Directors authorized the Company to repurchase up to \$1.0 billion of the Company's common stock from time to time at the discretion of the Company's management. This stock repurchase authorization has no expiration date. All prior authorizations by the Company's Board of Directors for the repurchase of common stock were superseded by this authorization.

During fiscal years 2016 , 2015 and 2014 , the Company repurchased approximately 6.8 million , 6.2 million and 10.4 million shares of its common stock for \$237.1 million , \$195.1 million and \$305.3 million , respectively. As of June 25, 2016 , the Company had a remaining authorization of \$329.7 million for future share repurchases. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and general market and business conditions.

NOTE 15: INTEREST AND OTHER INCOME (EXPENSE)

Interest and other income (expense) was as follows:

| | For the Year Ended | | |
|---|---------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands) | | |
| Interest and other income (expense): | | | |
| Interest income (expense), net | \$ (29,757) | \$ (31,545) | \$ (26,428) |
| Other income (expense), net | 962 | 40,435 | 13,363 |
| Total | \$ (28,795) | \$ 8,890 | \$ (13,065) |

As discussed in Note 5, Interest income (expense), net consists primarily of interest expense associated with long term notes. Interest expense associated with the notes was \$29.4 million , \$29.4 million and \$24.7 million during the years ended June 25, 2016 , June 27, 2015 and June 28, 2014 , respectively. Interest expense associated with debt discounts and issuance fees was \$1.9 million , \$2.0 million and \$1.1 million during the fiscal years ended June 25, 2016 , June 27, 2015 and June 28, 2014 , respectively.

During the fiscal year ended June 27, 2015 , Interest income (expense), net included the \$35.8 million gain on the sale of the Capacitive Touch Business. The Company completed a sale of its Capacitive Touch business for approximately \$39.5 million resulting in a gain of \$35.8 million . As a result of the nature of the operations, the Company concluded that the sale would not qualify as a discontinued operation and has recorded the impact of the sale (gain) in Interest and other income (expense), net.

NOTE 16: INCOME TAXES

Pretax income (loss) is as follows:

| | For the Year Ended | | |
|--------------------------------|---------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands) | | |
| Domestic pre-tax income (loss) | \$ (48,985) | \$ 68,289 | \$ 87,630 |
| Foreign pre-tax income (loss) | 334,039 | 177,881 | 321,596 |
| Total | \$ 285,054 | \$ 246,170 | \$ 409,226 |

The provision for income taxes consisted of the following:

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| | For the Year Ended | | |
|---|---------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands) | | |
| Federal | | | |
| Current | \$ 98,810 | \$ 108,736 | \$ 93,012 |
| Deferred | (52,240) | (74,190) | (42,875) |
| State | | | |
| Current | 1,808 | 3,791 | 2,676 |
| Deferred | (2,406) | (3,269) | (1,465) |
| Foreign | | | |
| Current | 10,278 | 8,294 | 6,692 |
| Deferred | 1,329 | (3,230) | (3,624) |
| Total provision for income taxes | \$ 57,579 | \$ 40,132 | \$ 54,416 |

As of June 25, 2016, the Company's foreign subsidiaries have accumulated undistributed earnings of approximately \$907.5 million that are intended to be indefinitely reinvested outside the U.S. and, accordingly, no provision for U.S. federal and state tax has been made for the distribution of these earnings. At June 25, 2016 the amount of the unrecognized deferred tax liability on the indefinitely reinvested earnings was \$290.0 million.

A reconciliation of the Company's Federal statutory tax rate to the Company's effective tax rate is as follows:

| | For the Year Ended | | |
|--|---------------------------|--------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| State tax, net of federal benefit | (0.6) | (0.4) | 0.1 |
| General business credits | (2.8) | (2.8) | (0.9) |
| Effect of foreign operations | (21.7) | (24.6) | (19.1) |
| Stock-based compensation | 4.7 | 5.9 | 3.9 |
| Fixed assets federal tax basis adjustments | — | — | (8.4) |
| Interest accrual for unrecognized tax benefits | 3.2 | 2.6 | 1.1 |
| Non-deductible goodwill | 2.5 | — | — |
| Other | (0.1) | 0.6 | 1.6 |
| Effective tax rate | 20.2 % | 16.3 % | 13.3 % |

The income tax rate benefit of 8.4% in the fiscal year ended June 28, 2014 for fixed assets federal tax basis adjustments is a one-time benefit for fixed assets tax basis adjustments generated by prior year depreciation expense that did not provide a tax benefit in prior years.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's deferred tax assets and liabilities are as follows:

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| | For the Year Ended | |
|--|---------------------------|--------------------------|
| | June 25, 2016 | June 27, 2015 |
| | (in thousands) | |
| Deferred tax assets: | | |
| Distributor related accruals and sales return and allowance accruals | \$ 23,482 | \$ 15,966 |
| Accrued compensation | 39,979 | 44,961 |
| Stock-based compensation | 15,562 | 22,639 |
| Net operating loss carryovers | 44,962 | 47,305 |
| Tax credit carryovers | 57,101 | 54,501 |
| Other reserves and accruals not currently deductible for tax purposes | 36,516 | 29,420 |
| Other | 11,552 | 10,968 |
| Total deferred tax assets | 229,154 | 225,760 |
| Deferred tax liabilities: | | |
| Fixed assets and intangible assets cost recovery, net | (82,504) | (141,070) |
| Unremitted earnings of foreign subsidiaries | (11,842) | — |
| Other | (3,695) | (5,349) |
| Total deferred tax liabilities | (98,041) | (146,419) |
| Net deferred tax assets /(liabilities) before valuation allowance | 131,113 | 79,341 |
| Valuation allowance | (95,060) | (91,175) |
| Net deferred tax assets/(liabilities) | \$ 36,053 | \$ (11,834) |

The valuation allowance as of June 25, 2016 and June 27, 2015 primarily relates to certain state and foreign net operating loss carryforwards and certain state tax credit carryforwards. The valuation allowance increased by \$3.9 million in fiscal year 2016. The increase was primarily due to valuation allowances that were established for net operating loss and credit carryforwards generated during the fiscal year 2016. Approximately \$37.3 million of the valuation allowance, as of June 25, 2016, is attributable to the tax benefits of income tax deductions generated by the exercise of stock options that, when realized, will be recorded as a credit to additional paid-in-capital.

As of June 25, 2016, the Company has \$24.2 million of federal net operating loss carryforwards expiring at various dates between fiscal years 2021 and 2033, \$81.0 million of state net operating loss carryforwards expiring at various dates through the fiscal year 2033, \$126.2 million of foreign net operating losses with no expiration date, \$7.0 million of state tax credit carryforwards expiring at various dates between fiscal years 2017 and 2031, and \$95.2 million of state tax credit carryforwards with no expiration date.

The Company classifies unrecognized tax benefits as (i) a current liability to the extent that payment is anticipated within one year; (ii) a non-current liability to the extent that payment is not anticipated within one year; or (iii) as a reduction to deferred tax assets to the extent that the unrecognized tax benefit relates to deferred tax assets such as operating loss or tax credit carryforwards or to the extent that operating loss or tax credit carryforwards would be able to offset the additional tax liability generated by unrecognized tax benefits.

A reconciliation of the change in gross unrecognized tax benefits, excluding interest, penalties and the federal benefit for state unrecognized tax benefits, is as follows:

MAXIM INTEGRATED PRODUCTS, INC.
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| | For the Year Ended | | |
|--|--------------------|-------------------|-------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| | (in thousands) | | |
| Balance as of beginning of year | \$ 427,629 | \$ 396,765 | \$ 302,904 |
| Tax positions related to current year: | | | |
| Addition | 53,899 | 55,343 | 58,035 |
| Tax positions related to prior year: | | | |
| Addition | 3,035 | 214 | 300 |
| Current year acquisitions | — | — | 39,566 |
| Reduction | (205) | (2,433) | (586) |
| Settlements | (943) | (21,458) | (496) |
| Lapses in statutes of limitations | (670) | (802) | (2,958) |
| Balance as of end of year | <u>\$ 482,745</u> | <u>\$ 427,629</u> | <u>\$ 396,765</u> |

The total amount of gross unrecognized tax benefits as of June 25, 2016 that, if recognized, would affect the effective tax rate and additional paid in capital is \$469.5 million and \$13.2 million, respectively.

Consistent with prior years, the Company reports interest and penalties related to unrecognized tax benefits as a component of income tax expense. The gross amount of interest and penalties recognized in income tax expense during the fiscal years ended June 25, 2016, June 27, 2015, and June 28, 2014 was \$14.7 million, \$6.5 million and \$6.6 million, respectively, and the total amount of interest and penalties accrued as of June 25, 2016, June 27, 2015, and June 28, 2014 was \$49.0 million, \$34.4 million, and \$27.9 million, respectively.

The Company does not expect its unrecognized tax benefits to change significantly within the next 12 months.

During the fiscal year ended June 27, 2015, \$21.2 million of unrecognized tax benefits were recognized due to the favorable settlement of a Singapore tax issue and \$3.6 million of related interest and penalty accruals were reversed.

The Company's federal corporate income tax returns are audited on a recurring basis by the Internal Revenue Service ("IRS"). The IRS has concluded its field examination of the Company's federal corporate income tax returns for fiscal years 2009 through 2011 ("Audit Years") and issued a Notice of Proposed Adjustment ("NOPA") for transfer pricing issues related to cost sharing and buy-in license payments for the use of intangible property by one of the Company's international subsidiaries. After the end of the fiscal year 2016 the Company received an IRS Revenue Agent's Report ("RAR") for the Audit Years that includes these proposed transfer pricing adjustments and penalties. The Company disagrees with these adjustments and will file a protest with the Appeals Office of the IRS in fiscal year 2017 to challenge the proposed transfer pricing adjustments and penalties. The Company believes that its reserves for unrecognized tax benefits are sufficient to cover any potential assessments that may result from the final resolution of these transfer pricing issues.

A summary of the fiscal tax years that remain subject to examination, as of June 25, 2016, for the Company's major tax jurisdictions are as follows:

| | | | |
|--------------------------------|------|---|---------|
| United States - Federal | 2009 | - | Forward |
| United States - Various States | 2009 | - | Forward |
| Ireland | 2011 | - | Forward |
| Japan | 2010 | - | Forward |
| Philippines | 2013 | - | Forward |
| Singapore | 2012 | - | Forward |
| United Kingdom | 2013 | - | Forward |

NOTE 17: RESTRUCTURING ACTIVITIES

Fiscal year 2016

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San Jose Fab Shutdown

In October 2014, the Company initiated a plan to shut down its San Jose wafer fabrication facility. The Company reached the decision that it was not economically feasible to maintain this facility, which is used primarily for fab process development and low volume manufacturing, as the Company intended to utilize other resources to complete such activities in the future. This plan included cash charges related to employee severance and non-cash charges related to accelerated depreciation. This plan has been completed, and the shutdown took place in the second quarter of fiscal year 2016.

During the fiscal year ending June 25, 2016, the Company recorded accelerated depreciation charges of \$41.6 million in "Cost of goods sold" and \$0.4 million in "Severance and restructuring expenses" in the Consolidated Statements of Income. The sale of the San Jose wafer fabrication facility took place during the second quarter of fiscal year 2016. The cumulative costs recorded in fiscal year 2015 and 2016 to complete this restructuring plan were \$100.3 million and no future restructuring costs associated with this plan is expected.

Other Plans

During the fiscal year ending June 25, 2016, the Company recorded \$24.0 million in "Severance and restructuring expenses" in the Consolidated Statements of Income related to various restructuring plans designed to reduce costs. These charges were associated with continued reorganization of certain business units and functions and the planned closure of the Dallas wafer level packaging ("WLP") manufacturing facilities. Multiple job classifications and locations were impacted by these activities.

As the Company plans to close its Dallas, Texas campus, including its WLP manufacturing facility in fiscal year 2017, the Company recorded accelerated depreciation charges of \$13.0 million in "Cost of goods sold" in the Consolidated Statements of Income during the fiscal year ended June 25, 2016.

Future expected restructuring costs to be incurred with other plans is \$4.7 million as of June 25, 2016.

Fiscal year 2015

San Jose Fab Shutdown

As part of the San Jose wafer fabrication facility shut down noted above, the Company recorded accelerated depreciation charges of \$51.5 million in "Cost of goods sold" and \$6.7 million in "Severance and restructuring expenses" in the Consolidated Statements of Income during the fiscal year ending June 27, 2015.

Other Plans

During the fiscal year ending June 27, 2015, the Company recorded \$24.5 million in "Severance and restructuring expenses" included in the Consolidated Statements of Income, primarily related to employee severance costs, associated with a major reorganization of the Company's business units. Multiple job classifications and locations were impacted by this activity. This reorganization was intended to consolidate the Company's R&D and Sales functions to allow for faster investment decisions, improved R&D efficiency, and facilitate stronger collaborations between internal organizations to increase productivity, improve customer satisfaction, and fuel revenue growth.

The Company also accrued for expected losses relating to lease terminations as a result of plans to consolidate office space. The need for consolidation resulted from acquisition and relocation activities.

Fiscal year 2014

The Company's management approved and initiated plans to restructure the operations of Volterra. The total cost of the plan was \$11.0 million which was recorded in Severance and restructuring expenses in the Company's Consolidated Statements of Income. Also during the fiscal year ended June 28, 2014, the Company recorded \$10.8 million in Severance and restructuring expenses in the Company's Consolidated Statements of Income, primarily related to employee severance costs, associated with the reorganization of certain business units.

Restructuring Accruals

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The Company has accruals for severance and restructuring payments within Accrued salary and related expenses in the accompanying Condensed Consolidated Balance Sheets. The following table summarizes changes in the accruals associated with these restructuring activities during the fiscal year ending June 25, 2016 :

| | Balance, June 27, 2015 | Fiscal 2016 | | | Balance, June 25, 2016 |
|---------------------------------------|---------------------------|------------------|--------------------|------------------------|---------------------------|
| | | Charges | Cash Payments | Change in Estimates | |
| (in thousands) | | | | | |
| Severance - San Jose Fab Shutdown (1) | \$ 6,725 | \$ 973 | \$ (7,166) | \$ (532) | \$ — |
| Severance - Other plans (1) | 11,496 | 27,478 | (27,934) | (3,462) | 7,578 |
| Total | \$ 18,221 | \$ 28,451 | \$ (35,100) | \$ (3,994) | \$ 7,578 |

(1) Charges and change in estimates are included in Severance and restructuring expenses in the accompanying Condensed Consolidated Statements of Income.

Change in estimate:

Due to the above mentioned restructuring activities, the Company recorded accelerated depreciation resulting from the change in estimated useful lives of certain long lived assets included in restructuring plans. In all periods that accelerated depreciation expense was recorded, this resulted in additional expense and therefore impacted operating income (loss), net income (loss) and earnings per share as presented in the table below.

| | For the Years Ended | | |
|---|---------------------|--------------------|-------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 |
| (in thousands, except per share data) | | | |
| Operating income (loss), as reported | \$ 313,849 | \$ 237,280 | \$ 422,291 |
| Operating income (loss), excluding accelerated depreciation expense | 368,475 | 288,774 | 422,291 |
| Effect of change in estimate | <u>\$ (54,626)</u> | <u>\$ (51,494)</u> | <u>\$ —</u> |
| Net income (loss), as reported | \$ 227,475 | \$ 206,038 | \$ 354,810 |
| Net income (loss), excluding accelerated depreciation expense | 283,129 | 259,182 | — |
| Effect of change in estimate | <u>\$ (55,654)</u> | <u>\$ (53,144)</u> | <u>\$ 354,810</u> |
| Basic earnings (loss) per share, as reported | \$ 0.80 | \$ 0.73 | \$ 1.25 |
| Diluted earnings (loss) per share, as reported | \$ 0.79 | \$ 0.71 | \$ 1.23 |
| Basic earnings (loss) per share, excluding accelerated depreciation expense | \$ 0.99 | \$ 0.91 | \$ 1.25 |
| Diluted earnings (loss) per share, excluding accelerated depreciation expense | \$ 0.98 | \$ 0.90 | \$ 1.23 |
| Effect of change in estimate - basic earnings (loss) per share | <u>\$ (0.19)</u> | <u>\$ (0.18)</u> | <u>\$ —</u> |
| Effect of change in estimate - diluted earnings (loss) per share | <u>\$ (0.19)</u> | <u>\$ (0.19)</u> | <u>\$ —</u> |

NOTE 18: BENEFITS

Defined contribution plan:

U.S. employees are automatically enrolled in the Maxim Integrated 401(k) plan when they meet eligibility requirements, unless they decline participation. Under the terms of the plan Maxim Integrated matches 100% of the employee contributions for the first 3% of employee eligible compensation and an additional 50% match for the next 2% of employee eligible compensation, up to

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the IRS Annual Compensation Limits. Total defined contribution expense was \$13.0 million , \$14.7 million and \$15.4 million in fiscal years 2016 , 2015 and 2014 , respectively.

Non-U.S. Pension Benefits

The Company provides defined-benefit pension plans in certain countries. Consistent with the requirements of local law, the Company deposits funds for certain plans with insurance companies, with third-party trustees, or into government-managed accounts, and/or accrues for the unfunded portion of the obligation.

Maxim Integrated is enrolled in a retirement plan for employees in the Philippines. This plan is a non-contributory and defined benefit type that provides retirement to employees equal to one month salary for every year of credited service. The benefits are paid in a lump sum amount upon retirement or separation from the Company. Total defined benefit liability was \$9.7 million and \$11.8 million in fiscal years 2016 and 2015 , respectively. Total accumulated other comprehensive income benefit related to this retirement plan was \$1.1 million , \$3.7 million and \$3.3 million for the fiscal years 2016 , 2015 , and 2014 , respectively.

U.S. Employees Medical Expense & Funded Status Reconciliation

| | June 25, 2016 | Estimated Fiscal Year 2017 Expense | June 27, 2015 | Fiscal Year 2016 Expense |
|---|--------------------|---------------------------------------|--------------------|-----------------------------|
| (in thousands, except percentages) | | | | |
| Accumulated Postretirement Benefit Obligation [APBO]: | | | | |
| Retirees and beneficiaries | \$ (22,641) | | \$ (22,414) | |
| Active participants | (3,162) | | (2,850) | |
| Funded status | <u>\$ (25,803)</u> | | <u>\$ (25,264)</u> | |
| Actuarial gain (loss) | \$ — | | \$ 524 | |
| Prior service cost | — | | — | |
| Amounts Recognized in Accumulated Other Comprehensive Income: | | | | |
| Net actuarial loss | \$ 7,390 | | \$ 8,425 | |
| Prior service cost | 1,675 | | 2,031 | |
| Total | <u>\$ 9,065</u> | | <u>\$ 10,456</u> | |
| Net Periodic Postretirement Benefit Cost/(Income): | | | | |
| Interest cost | | 663 | | 994 |
| Amortization: | | | | |
| Prior service cost | | 356 | | 356 |
| Net actuarial loss (1) | | — | | 1,035 |
| Total net periodic postretirement benefit cost | | <u>\$ 1,019</u> | | <u>\$ 2,385</u> |
| Employer contributions | | <u>\$ 666</u> | | <u>\$ 809</u> |
| Economic Assumptions: | | | | |
| Discount rate | 3.7% | | 4.0% | |
| Medical trend | 7.0%-5.0% | | 7.5%-5.0% | |

(1) Unrecognized losses are amortized over average remaining service period of active participants of 4.7 years at June 25, 2016 .

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The following benefit payments are expected to be paid:

| | Non-Pension Benefits | |
|------------|-----------------------------|---------------|
| | (in thousands) | |
| 2017 | \$ | 666 |
| 2018 | | 685 |
| 2019 | | 721 |
| 2020 | | 724 |
| 2021 | | 781 |
| Thereafter | | 22,226 |
| | \$ | 25,803 |

Dallas Semiconductor Split-Dollar Life Insurance

As a result of the Company's acquisition of Dallas Semiconductor in 2001, the Company assumed responsibility associated with a split-dollar life insurance policy held by a former Dallas Semiconductor director. The policy is owned by the individual with the Company retaining a limited collateral assignment.

The Company had \$5.3 million and \$5.1 million included in Other Assets as of June 25, 2016 and June 27, 2015, respectively, associated with the limited collateral assignment to the policy. The Company had a \$6.7 million and \$6.5 million obligation included in Other Liabilities as of June 25, 2016 and June 27, 2015, respectively, related to the anticipated continued funding associated with the policy.

NOTE 19: QUARTERLY FINANCIAL DATA (UNAUDITED)

| Fiscal Year 2016 | Quarter Ended | | | |
|---|--|------------------|-------------------|------------------|
| | 6/25/2016 | 3/26/2016 | 12/26/2015 | 9/26/2015 |
| | (in thousands, except percentages and per share data) | | | |
| Net revenues | \$ 566,126 | \$ 555,252 | \$ 510,831 | \$ 562,510 |
| Cost of goods sold | 219,099 | 236,411 | 218,662 | 276,159 |
| Gross margin | \$ 347,027 | \$ 318,841 | \$ 292,169 | \$ 286,351 |
| Gross margin % | 61.3% | 57.4% | 57.2% | 50.9% |
| Operating income (loss) | \$ 122,373 | \$ 177,708 | \$ 89,533 | \$ (75,765) |
| % of net revenues | 21.6% | 32.0% | 17.5% | (13.5)% |
| Net income (loss) (1) | \$ 92,339 | \$ 139,810 | \$ 67,469 | \$ (72,143) |
| Earnings (loss) per share: | | | | |
| Basic | \$ 0.32 | \$ 0.49 | \$ 0.24 | \$ (0.25) |
| Diluted | \$ 0.32 | \$ 0.48 | \$ 0.23 | \$ (0.25) |
| Shares used in the calculation of earnings (loss) per share: | | | | |
| Basic | 285,354 | 285,854 | 285,526 | 284,588 |
| Diluted | 288,544 | 289,783 | 290,521 | 284,588 |
| Dividends declared and paid per share | \$ 0.30 | \$ 0.30 | \$ 0.30 | \$ 0.30 |

(1) The fiscal quarter ended September 26, 2015, includes a \$157.7 million impairment of long-lived assets associated with the Company's wafer manufacturing facility in San Antonio, Texas which was classified as held for sale and written down to fair

MAXIM INTEGRATED PRODUCTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

value, less cost to sell. The fiscal quarter ended March 26, 2016, includes a gain of \$58.9 million associated to the sale of the Company's energy metering business.

| Fiscal Year 2015 | Quarter Ended | | | |
|---|---|------------------|-------------------|------------------|
| | 6/27/2015 | 3/28/2015 | 12/27/2014 | 9/27/2014 |
| | (in thousands, except percentages and per share data) | | | |
| Net revenues | \$ 582,517 | \$ 577,263 | \$ 566,809 | \$ 580,275 |
| Cost of goods sold | 278,816 | 261,995 | 252,732 | 241,454 |
| Gross margin | \$ 303,701 | \$ 315,268 | \$ 314,077 | \$ 338,821 |
| Gross margin % | 52.1% | 54.6% | 55.4 % | 58.4% |
| Operating income (loss) | \$ 94,948 | \$ 105,450 | \$ (64,076) | \$ 100,958 |
| % of net revenues | 16.3% | 18.3% | (11.3)% | 17.4% |
| Net income (loss) (1) | \$ 98,659 | \$ 79,433 | \$ (72,034) | \$ 99,980 |
| Earnings (loss) per share: | | | | |
| Basic | \$ 0.35 | \$ 0.28 | \$ (0.25) | \$ 0.35 |
| Diluted | \$ 0.34 | \$ 0.28 | \$ (0.25) | \$ 0.35 |
| Shares used in the calculation of earnings (loss) per share: | | | | |
| Basic | 284,202 | 283,418 | 282,992 | 284,086 |
| Diluted | 289,346 | 288,840 | 282,992 | 289,430 |
| Dividends declared and paid per share | \$ 0.28 | \$ 0.28 | \$ 0.28 | \$ 0.28 |

(1) The fiscal quarter ended December 27, 2014, includes a goodwill impairment charge of \$84.1 million , a Property, plant and equipment, impairment of \$45.2 million and an IPR&D impairment of \$8.9 million associated with the Sensing Solutions reporting unit.

NOTE 20: SUBSEQUENT EVENT

During the fourth quarter of fiscal year 2016, the Company entered into agreements for the sale of its micro-electromechanical systems (MEMS) business line. Subsequent to the end of fiscal year 2016, the Company received payments from the buyer totaling approximately \$33 million related to this sale. The Company expects to receive the remaining proceeds, close the transaction and record the resulting gain on sale during the first quarter of fiscal year 2017.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Maxim Integrated Products, Inc.
San Jose, California

We have audited the accompanying consolidated balance sheets of Maxim Integrated Products, Inc. and subsidiaries (the "Company") as of June 25, 2016 and June 27, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 25, 2016. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15. These consolidated financial statements and the consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the consolidated financial statement schedule 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 consolidated 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, such consolidated financial statements present fairly, in all material respects, the financial position of Maxim Integrated Products, Inc. and subsidiaries as of June 25, 2016 and June 27, 2015, and the results of their operations and their cash flows for each of the three years in the period ended June 25, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 25, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 12, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

San Jose, California

August 12, 2016

MAXIM INTEGRATED PRODUCTS, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

| | Balance at Beginning of Period | | Additions (Reductions) Charged (Credited) to Costs and Expenses | | Deductions (1) | | Balance at End of Period |
|---------------------------------|---|----|--|----|-----------------------|----|---|
| (in thousands) | | | | | | | |
| Allowance for doubtful accounts | | | | | | | |
| Year ended June 25, 2016 | \$ 874 | \$ | (113) | \$ | (114) | \$ | 647 |
| Year ended June 27, 2015 | \$ 1,581 | \$ | (283) | \$ | (424) | \$ | 874 |
| Year ended June 28, 2014 | \$ 1,227 | \$ | 693 | \$ | (339) | \$ | 1,581 |

| | Balance at Beginning of Period | | Additions (Reductions) Charged (Credited) to Costs and Expenses | | Deductions | | Balance at End of Period |
|--------------------------|---|----|--|----|-------------------|----|---|
| (in thousands) | | | | | | | |
| Returns and Allowances | | | | | | | |
| Year ended June 25, 2016 | \$ 17,412 | \$ | 79,956 | \$ | (65,907) | \$ | 31,461 |
| Year ended June 27, 2015 | \$ 16,169 | \$ | 81,476 | \$ | (80,233) | \$ | 17,412 |
| Year ended June 28, 2014 | \$ 12,418 | \$ | 75,346 | \$ | (71,595) | \$ | 16,169 |

(1) Uncollectible accounts written off.

SIGNATURE

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.

August 12, 2016

MAXIM INTEGRATED PRODUCTS, INC.

By:/s/ Bruce E. Kiddoo

Bruce E. Kiddoo

Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

August 12, 2016

MAXIM INTEGRATED PRODUCTS, INC.

By:/s/ David A. Caron

David A. Caron

Vice President and Chief Accounting Officer
(Principal Accounting Officer)

C O R P O R A T E D A T A A N D S T O C K H O L D E R I N F O R M A T I O N

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
San Jose, California

Registrar/Transfer Agent

Computershare
Canton, Massachusetts

Corporate Headquarters

160 Rio Robles
San Jose, California 95134
(408) 601-1000

Stock Listing

At August 5, 2016 , there were approximately 717 stockholders of record of the Company's common stock as reported by Computershare. Maxim Integrated common stock is traded on the Nasdaq Global Select Market under the symbol "MXIM".

| Exhibit Number | Description | Incorporated by Reference From Form | Incorporated by Reference From Exhibit Number | Date Filed |
|-----------------------|--|--|--|-------------------|
| 1.1 | Underwriting Agreement, dated November 14, 2013, between Maxim Integrated Products, Inc. and Merrill Lynch. | 8-K | 1.1 | 11/15/2013 |
| 3.1 | Restated Certificate of Incorporation of the Company. | 10-K | 3.1 | 9/26/1995 |
| 3.2 | Amendments to Restated Certificate of Incorporation of the Company. | 10-K | 3.3 | 09/29/1997 |
| | | 10-K | 3.3 | 09/24/1998 |
| | | 10-Q | 3.3 | 02/08/2000 |
| | | 10-Q | 3.3 | 02/09/2001 |
| | | 8-K | 3.1 | 11/17/2015 |
| 3.3 | Amended and Restated Bylaws. | 10-Q | 3.1 | 1/22/2016 |
| 4.1 | Reference is made to Exhibits 3.1, 3.2, and 3.3. | | | |
| 10.1 (A) | The Company's Forms of Indemnity Agreement. | 10-K | 10.8 | 9/8/2005 |
| 10.2 (A) | Amended and Restated 1996 Stock Incentive Plan, as amended and restated. | Proxy Statement | Appendix B | 9/30/2015 |
| 10.3 (A) | Assumption Agreement, dated April 11, 2001, relating to Dallas Semiconductor Corporation Executives Retiree Medical Plan. | 10-K | 10.26 | 9/24/2001 |
| 10.4 (A) | Dallas Semiconductor Corporation Executives Retiree Medical Plan. | 10-K | 10.28 | 9/24/2001 |
| 10.5 (A) | Form of Non-Statutory Option Agreement, as amended and restated, under the Company's 1996 Stock Incentive Plan, for U.S. Option Optionees. | 10-Q | 10.30 | 11/5/2009 |
| 10.6 (A) | Form of Restricted Stock Unit Agreement under the Company's 1996 Stock Incentive Plan, for U.S. Holders. | 10-Q | 10.31 | 11/5/2009 |
| 10.7 (A) | Employment Agreement between the Company and Tunc Doluca dated as of September 30, 1993. | 10-K | 10.33 | 9/30/2008 |
| 10.8 (A) | Employment Letter Agreement between the Company and Bruce Kiddoo dated as of August 6, 2007. | 10-Q | 10.40 | 9/30/2008 |
| 10.9 (A) | Form of Non-Statutory Option Agreement, as amended and restated, under the Company's 1996 Stock Incentive Plan, for Non-U.S. Option Optionees. | 10-Q | 10.41 | 11/6/2008 |
| 10.10 (A) | Form of Restricted Stock Unit Agreement under the Company's 1996 Stock Incentive Plan, for Non-U.S. Holders. | 10-Q | 10.42 | 11/6/2008 |
| 10.11 (A) | 2008 Employee Stock Purchase Plan, as amended. | Proxy Statement | Appendix A | 9/30/2015 |
| 10.12 (A) | Amendment to Dallas Semiconductor Corporation Executives Retiree Medical Plan. | 10-K | 10.45 | 8/26/2009 |
| 10.13 (A) | Change In Control Employee Severance Plan for U.S. Based Employees. | 10-K | 10.49 | 8/19/2010 |

| Exhibit Number | Description | Incorporated by Reference From Form | Incorporated by Reference From Exhibit Number | Date Filed |
|-----------------------|---|--|--|-------------------|
| 10.14 (A) | Change In Control Employee Severance Plan for Non-U.S. Based Employees. | 10-K | 10.50 | 8/19/2010 |
| 10.15 (A) | Equity Award Policy Acceleration Of Vesting In The Event of A Change In Control For Employees Based Outside The U.S. | 10-K | 10.51 | 8/19/2010 |
| 10.16 | Credit Agreement, dated October 13, 2011, and amended on June 27, 2014, by and among the Company, as borrower, JPMorgan Chase Bank, N.A. as Administrative Agent, Bank of America, N.A., Wells Fargo Bank, National Association and Morgan Stanley MUFG Loan Partners, LLC, as Co-Documentation Agents, and the lenders party thereto (the "Credit Agreement"). | 10-Q | 10.52 | 10/26/2011 |
| 10.17 | Underwriting Agreement, dated March 11, 2013, between the Company and J.P. Morgan Securities LLC. | 8-K | 1.1 | 3/14/2013 |
| 10.18 | Second Supplemental Indenture, dated as of March 18, 2013, between the Company and Wells Fargo Bank, National Association, as trustee. | 8-K | 4.1 | 3/21/2013 |
| 10.19 | Third Supplemental Indenture, dated as of November 21, 2013, between the Company and Wells Fargo Bank, National Association, as trustee. | 8-K | 4.1 | 11/21/2013 |
| 10.20 | Indenture, dated June 10, 2010, between the Company and Wells Fargo Bank, National Association, as trustee. | S-3 | 4.4 | 6/10/2010 |
| 10.21 (A) | Form of Performance Share Agreement. | 10-Q | 10.3 | 10/24/2014 |
| 10.22 (A) | Form of Global Restricted Stock Unit Agreement. | 10-K | 10.21 | 8/18/2015 |
| 10.23 (A) | Form of Global Employee Stock Purchase Plan Agreement. | 10-K | 10.22 | 8/18/2015 |
| 10.24 | Second Amendment to Credit Agreement, dated July 21, 2015. | 10-K | 20.23 | 8/18/2015 |
| 10.25 | Third Amendment to Credit Agreement, dated June 13, 2016. | Filed herewith | | |
| 10.26 † | Supply Agreement between the Company and TowerJazz Texas, Inc. (formerly known as TJ Texas, Inc.), a Delaware corporation and indirect wholly-owned subsidiary of Tower Semiconductor Ltd., an Israeli corporation, executed as of November 18, 2015. | 10-Q/A | 10.1 | 5/10/2016 |
| 10.27 | Credit Agreement by and between Maxim Holding Company Ltd. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, dated June 23, 2016. | 8-K | 10.1 | 6/24/2016 |
| 10.28 | Guaranty by Maxim Integrated Products, Inc. in favor of The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, dated June 23, 2016. | 8-K | 10.2 | 6/24/2016 |
| 12.1 | Statement of Ratio of Income to Fixed Charges | Filed herewith | | |
| 21.1 | Subsidiaries of the Company | Filed herewith | | |
| 23.1 | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm | Filed herewith | | |

| Exhibit Number | Description | Incorporated by Reference From Form | Incorporated by Reference From Exhibit Number | Date Filed |
|-----------------------|---|--|--|-------------------|
| 24.1 | Power of Attorney (contained in the signature page to this Form 10-K) | Filed herewith | | |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith | | |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith | | |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith | | |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith | | |

(A) Management contract or compensatory plan or arrangement.

† Portions of the exhibit (indicated by bracketed asterisks) have been omitted pursuant to an order granted by the Securities and Exchange Commission for confidential treatment.

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this “Agreement”), dated as of June 13, 2016, is made among Maxim Integrated Products, Inc., the Lenders party hereto, and Wells Fargo Bank, National Association (“Wells Fargo Bank”), in its capacity as Administrative Agent.

RECITALS

A. The Borrower, the Lenders party thereto, and Wells Fargo Bank, as Administrative Agent, are parties to that certain Credit Agreement, dated as of October 13, 2011 (as amended by the First Amendment Agreement, dated as of June 27, 2014, the Second Amendment to Credit Agreement, dated July 21, 2015, and as further amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the “Credit Agreement”), pursuant to which the Lenders made available to the Borrower a revolving credit facility. Unless otherwise specifically defined herein, each term used herein that is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement.

B. The Borrower, the Administrative Agent and the Required Lenders have agreed to make certain amendments to the Credit Agreement on the terms and conditions set forth herein.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

AMENDMENTS TO CREDIT AGREEMENT

1.1 Amendments to Section 1.01.

(a) Section 1.01 of the Credit Agreement is hereby amended by adding the following defined terms in the appropriate alphabetical order:

““Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.”

““Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.”

““EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.”

““EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.”

““EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution.”

““ EU Bail-In Legislation Schedule ” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.”

““ Write-Down and Conversion Powers ” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.”

(b) The definition of “Alternate Base Rate” in Section 1.01 of the Credit Agreement is hereby amended by adding the following language to the end of such definition:

“Notwithstanding the foregoing, if the Alternate Base Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.”

(c) The definition of “Defaulting Lender” in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

““ Defaulting Lender ” means, subject to the final paragraph of Section 2.22, any Lender that (a) has failed, within two (2) Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party’s receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has, or has a direct or indirect parent company that has, (i) become the subject of any Bankruptcy Event, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to the final paragraph of Section 2.22) upon delivery of written notice of such determination to the Borrower, each Issuing Bank, the Swingline Lender and each Lender.”

(d) The definition of “Federal Funds Effective Rate” in Section 1.01 of the Credit Agreement is hereby amended by adding the following language to the end of such definition:

“Notwithstanding the foregoing, if the Federal Funds Effective Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.”

(e) The definition of “LIBO Rate” in Section 1.01 of the Credit Agreement is hereby amended by adding the following language to the end of such definition:

“Notwithstanding the foregoing, if the LIBO Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.”

1.2 Amendment to Section 6.01. Clause (f) of Section 6.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“(f) Indebtedness of a Non-Loan Party in an aggregate outstanding principal amount not exceeding fifteen percent (15%) of Consolidated Net Worth (determined by reference to the most recent financial statements of the Borrower delivered pursuant to Section 5.01(a) or 5.01(b) or, if prior to the date of the delivery of the first financial statements to be delivered pursuant to such Section, the most recent financial statements referred to in Section 3.04); and”

1.3 Amendment to Article IX. Article IX of the Credit Agreement is hereby amended by adding the following new Section 9.17:

“9.17 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.”

ARTICLE II

CONDITIONS OF EFFECTIVENESS

This Agreement shall become effective as of the date (such date being referred to as the “Third Amendment Effective Date”) when, and only when, the Administrative Agent (or its counsel) shall have received (i) (x) from Lenders constituting Required Lenders and (y) from each other party hereto (other than the Administrative Agent), either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Administrative Agent (which may include telecopy or Electronic Communication of a signed signature page of this Agreement) that each such party has signed a counterpart of this Agreement.

ARTICLE III

MISCELLANEOUS

3.1 Governing Law. This Agreement shall be constructed in accordance with and governed by the law of the State of New York.

3.2 Full Force and Effect. Except as expressly amended hereby, the Credit Agreement and the other Loan Documents shall continue in full force and effect in accordance with the provisions thereof on the date hereof. As used in the Credit Agreement and the other Loan Documents, “hereinafter,” “hereto,” “hereof,” and words of similar import shall, unless the context otherwise requires, mean the Credit Agreement or such other Loan Document (as applicable) as amended by this Agreement. Any reference to the Credit Agreement or any of the other Loan Documents herein or in any such documents shall refer to the Credit Agreement and Loan Documents as amended hereby. This Agreement is limited as specified and shall not constitute or be deemed to constitute an amendment, modification or waiver of any provision of the Credit Agreement or any of the other Loan Documents except as expressly set forth herein. This Agreement shall constitute a Loan Document under the terms of the Credit Agreement.

3.3 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

3.4 Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

3.5 Construction. Article and Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

3.6 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MAXIN INTEGRATED PRODUCTS, INC.,
as the Borrower

By /s/ Mark John Casper
Name: Mark John Casper
Title: VP Legal, Deputy General Counsel

WELLS FARGO BANK, NATIONAL ASSOCIATION,
individually as a Lender, as the Swingline
Lender, as an Issuing Bank and as
Administrative Agent

By: /s/ Karen Byler

Name: Karen Byler

Title: SVP

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

As a Lender

By: /s/ Lillian Kim

Lillian Kim

Director

BANK OF AMERICA, N.A.,

As a Lender

By: /s/ Mukesh Singh

Name: Mukesh Singh

Title: Vice President

Barclays Bank PLC

By: /s/ Chris Aitkin

Name: Chris Aitkin

Title: Assistant Vice President

SUNTRUST BANK

By: /s/ Jason Crowley

Name: Jason Crowley

Title: Vice President

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
lender

By: /s/ Doreen Barr
Name: Doreen Barr
Title: Authorized Signatory

By: /s/ Warren Van Heyst
Name: Warren Van Heyst
Title: Authorized Signatory

GOLDMAN SACHS BANK USA

By: /s/ Jerry Li

Name: Jerry Li

Title: Authorized Signatory

HSBC Bank USA, N.A.
as a Lender

By: /s/ Ilene A. Hernandez
Name: Ilene A. Hernandez
Title: Assistant Vice President

Morgan Stanley Bank N.A.

By: /s/ Christopher Winthrop

Name: Christopher Winthrop

Title: Authorized Signatory

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ James D. Weinstein

Name: James D. Weinstein

Title: Managing Director

EXHIBIT 12.1

MAXIM INTEGRATED PRODUCTS, INC.
Statement of Ratio of Income to Fixed Charges
(Dollar amounts in millions)

| | Years ended | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | June 25, 2016 | June 27, 2015 | June 28, 2014 | June 29, 2013 | June 30, 2012 |
| Income before provision for income taxes | \$ 285.1 | \$ 246.2 | \$ 409.2 | \$ 570.3 | \$ 532.7 |
| Fixed Charges: | | | | | |
| Interest portion of rental expense | \$ 0.5 | \$ 0.5 | \$ 0.5 | \$ 0.5 | \$ 0.9 |
| Interest expense | 32.7 | 32.5 | 27.0 | 16.4 | 13.1 |
| Amortized premiums, discounts and capitalized expenses related to the debt | 2.4 | 2.4 | 2.0 | 1.1 | 0.7 |
| Total fixed charges | \$ 35.6 | \$ 35.4 | \$ 29.5 | \$ 18.0 | \$ 14.7 |
| Ratio of income to fixed charges | 9x | 8x | 15x | 33x | 37x |

EXHIBIT 21.1
SUBSIDIARIES OF THE COMPANY

| <u>Name of Subsidiary</u> | <u>Jurisdiction of Incorporation</u> |
|--|---|
| Maxim Integrated Products UK Limited | United Kingdom |
| Maxim Integrated Products GmbH | Germany |
| Maxim Gesellschaft für elektronische integrierte Baustine GmbH | Germany |
| Maxim France SARL | France |
| Maxim Integrated Products Netherlands B.V. | Netherlands |
| Maxim Integrated Products GmbH | Austria |
| Maxim Integrated Products (Ireland) Holdings Limited | Ireland |
| Maxim Integrated Products International Limited | Ireland |
| Maxim Integrated Products International Sales Limited | Ireland |
| Maxim Overseas Technology SARL | Luxembourg |
| Maxim Japan Co., Ltd. | Japan |
| Maxim Integrated Products Korea Inc. | Korea |
| Maxim Philippines Operating Corporation | Philippines |
| Maxim Philippines Holding Corporation | Philippines |
| Maxim Philippines Land Corporation * | Philippines |
| * This Subsidiary is 40% owned by the Registrant. | |
| Maxim (I.P.) Enterprise Solutions Corporation | Philippines |
| Maxim Integrated Products (Thailand) Co., Ltd. | Thailand |
| MXIM Circuits Design Shanghai Limited | China |
| Maxim India Integrated Circuit Design Private Limited | India |
| Maxim Mikroelektronik Tasarım ve Gelistirme Ltd. Sti | Turkey |

| <u>Name of Subsidiary</u> | <u>Jurisdiction of Incorporation</u> |
|--|---|
| Maxim Nordic ApS | Denmark |
| Maxim International Holding, Inc. | Delaware |
| L&L Engineering, LLC | New Hampshire |
| Maxim Technology Ltd. | Cayman Islands |
| Maxim Holding Company Ltd. | Cayman Islands |
| Maxim Semiconductor Corporation (Taiwan) | Delaware |
| Dallas Semiconductor Philippines, Inc. | Philippines |
| Maxim Integrated Products Asia Limited | Hong Kong |
| Maxim Dallas (Shanghai) Semiconductor Trading Co. Ltd. | China |
| Mobilygen Corporation | California |
| Innova Card | France |
| Teridian Semiconductor Holdings Corp. | Delaware |
| Teridian Semiconductor Intermediate Holding Corp. | Delaware |
| Teridian Semiconductor Corporation | California |
| Phyworks Limited | United Kingdom |
| Maxim Integrated Products India Sales Private Limited | India |
| IPR Limited | Cayman Islands |
| Calvatec Limited | United Kingdom |
| Genasic Design Systems Ltd. | United Kingdom |
| Maxim Integrated GmbH | Austria |
| Metrixx Limited | United Kingdom |
| Maxim Integrated Germany GmbH | Germany |
| Cambridge Analog Technologies, Inc. | Delaware |

| <u>Name of Subsidiary</u> | <u>Jurisdiction of Incorporation</u> |
|---|---|
| TagArray, Inc. | Delaware |
| Bedrock Automation Platforms, Inc. | Delaware |
| Scintera Networks LLC | Delaware |
| Volterra Semiconductor LLC | Delaware |
| Volterra Asia Pte. Ltd. | Singapore |
| Volterra Global Marketing Ltd. | Cayman Islands |
| Volterra Semiconductor Technology (Shanghai) Co. Ltd. | China |

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-103163, 333-122559, 333-132888, 333-157416, 333-164640, 333-171824, 333-179249, 333-186214, 333-193731, 333-201862 and 333-209093 on Form S-8, and Registration Statement No. 333-190576 on Form S-3 of our reports dated August 12, 2016 , relating to the consolidated financial statements and consolidated financial statement schedule of Maxim Integrated Products, Inc. and its subsidiaries (collectively the “Company”), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Maxim Integrated Products, Inc. for the year ended June 25, 2016 .

/s/ Deloitte & Touche LLP

San Jose, California

August 12, 2016

Exhibit 31.1
CERTIFICATION

I, Tunc Doluca, certify that:

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

Date: August 12, 2016

/s/Tunc Doluca

Tunc Doluca
President and Chief Executive Officer

Exhibit 31.2
CERTIFICATION

I, Bruce E Kiddoo, certify that:

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

Date: August 12, 2016

/s/Bruce E. Kiddoo

Bruce E. Kiddoo

Senior Vice President and Chief Financial Officer

Exhibit 32.2

CERTIFICATE OF CHIEF FINANCIAL OFFICER

In connection with the periodic report of Maxim Integrated Products, Inc. (the "Company") on Form 10-K for the period ended June 25, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Bruce E. Kiddoo, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: August 12, 2016

By: /s/Bruce E. Kiddoo

Bruce E. Kiddoo
Senior Vice President and Chief Financial Officer

This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.