CIRRUS LOGIC INC
Form 10-Q
October 22, 2008

Table of Contents

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

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 27, 2008

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period from __________ to __________
Commission File Number 0-17795

CIRRUS LOGIC, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**77-0024818**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2901 Via Fortuna Austin, Texas 78746
(Address of principal executive offices) (Zip Code)
Registrant s telephone number, including area code:
(512) 851-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

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

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

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

The number of shares of the registrant s common stock, $0.001 par value, outstanding as of October 16, 2008 was 65,140,806.

CIRRUS LOGIC, INC.
FORM 10-Q QUARTERLY REPORT
QUARTERLY PERIOD ENDED SEPTEMBER 27, 2008
TABLE OF CONTENTS

Table of Contents

PART I.

ITEM 1. FINANCIAL STATEMENTS

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

	September 27, 2008 (unaudited)	March 29, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 55,566	$ 56,614
Restricted investments	5,755	5,755
Marketable securities	48,565	125,129
Accounts receivable, net	25,556	22,652
Inventories	28,106	22,464
Other current assets	7,822	10,041
Total current assets	171,370	242,655
Property and equipment, net	20,779	20,961
Intangibles, net	24,559	26,044
Goodwill	6,194	6,194
Other assets	2,301	2,452
Total assets	$ 225,203	$ 298,306
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 17,620	$ 16,164
Accrued salaries and benefits	7,552	7,085
Other accrued liabilities	8,685	18,081
Deferred income on shipments to distributors	7,751	6,584
Income taxes payable		76
Total current liabilities	41,608	47,990
Long-term restructuring accrual	1,285	1,818
Other long-term obligations	7,093	7,563
Stockholders equity:		
Capital stock	942,853	937,716
Accumulated deficit	(766,933)	(696,557)
Accumulated other comprehensive loss	(703)	(224)
Total stockholders equity	175,217	240,935
Total liabilities and stockholders equity	$ 225,203	$ 298,306

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

Table of Contents

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts; unaudited)

	Three Months Ended		Six Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net sales	$ 53,278	$ 47,034	$ 97,289	$ 88,158
Cost of sales	23,292	20,213	42,652	36,972
Gross Margin	29,986	26,821	54,637	51,186
Operating expenses:				
Research and development	10,864	12,051	22,469	22,964
Selling, general and administrative	11,597	12,819	23,600	25,800
Impairment of non-marketable securities		3,657		3,657
Acquired in process research and development		1,761		1,761
Provision for litigation expenses	1,771		1,771	
Total operating expenses	24,232	30,288	47,840	54,182
Income (loss) from operations	5,754	(3,467)	6,797	(2,996)
Interest income, net	637	3,180	1,573	6,687
Other income (expense), net	(52)	(30)	143	(4)
Income (loss) before income taxes	6,339	(317)	8,513	3,687
Provision (benefit) for income taxes	(16)	15	20	30
Net income (loss)	$ 6,355	$ (332)	$ 8,493	$ 3,657
Basic income (loss) per share:	$ 0.10	$	$ 0.13	$ 0.04
Diluted income (loss) per share:	$ 0.10	$	$ 0.13	$ 0.04
Basic weighted average common shares outstanding:	64,971	88,998	65,797	88,744
Diluted weighted average common shares outstanding:	65,317	88,998	66,264	89,753

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

Table of Contents

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

	Six Months Ended September 27, 2008	Six Months Ended September 29, 2007
Cash flows from operating activities:		
Net income	$ 8,493	$ 3,657
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,029	3,991
Stock compensation expense	2,768	2,070
Loss on sale of assets	64	
Impairment of non-marketable securities		3,657
Acquired in process research and development write-off		1,761
Other non-cash benefits	(479)	(251)
Net change in operating assets and liabilities	(4,872)	925
Net cash provided by operating activities	10,003	15,810
Cash flows from investing activities:		
Additions to property, equipment and software	(2,190)	(1,024)
Investments in technology	(211)	(3,591)
Acquisition of Apex Microtechnology, net of cash acquired		(42,753)
Purchase of marketable securities	(31,929)	(133,017)
Proceeds from sale and maturity of marketable securities	108,014	125,212
Decrease (increase) in deposits and other assets	128	(240)
Net cash provided by (used in) investing activities	73,812	(55,413)
Cash flows from financing activities:		
Repurchase and retirement of common stock	(87,244)	
Net proceeds from the issuance of common stock	2,381	4,854
Net cash provided by (used in) financing activities	(84,863)	4,854
Net decrease in cash and cash equivalents	(1,048)	(34,749)
Cash and cash equivalents at beginning of period	56,614	87,960
Cash and cash equivalents at end of period	$ 55,566	$ 53,211

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

Table of Contents

CIRRUS LOGIC, INC.
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The consolidated condensed financial statements have been prepared by Cirrus Logic, Inc. (we, us, our, or the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (Commission). The accompanying unaudited consolidated condensed financial statements do not include complete footnotes and financial presentations. As a result, these financial statements should be read along with the audited consolidated financial statements and notes thereto for the year ended March 29, 2008, included in our 2008 Annual Report on Form 10-K filed with the Commission on May 29, 2008. In our opinion, the financial statements reflect all adjustments, including normal recurring adjustments, necessary for a fair presentation of the financial position, operating results and cash flows, for those periods presented. The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect reported assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions. Moreover, the results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the entire year.

Recently Issued Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS 141 (revised 2007), *Business Combinations.* SFAS 141 (revised 2007) provides for several changes in the manner in which an entity accounts for business combinations. It establishes principles and requirements for how an acquirer recognizes fair values of acquired assets, including goodwill, and assumed liabilities. SFAS 141 (revised 2007) requires the acquirer to recognize 100% of the fair values of acquired assets and liabilities, including goodwill, even if the acquirer has acquired less than 100% of the target. As a result, the current step-acquisition model will be eliminated. SFAS 141 (revised 2007) requires that transaction costs be expensed as incurred and are not considered part of the fair value of an acquirer s interest. Under SFAS 141 (revised 2007), acquired research and development value will no longer be expensed at acquisition, but instead will be capitalized as an indefinite-lived intangible asset, subject to impairment accounting throughout its development stage and then subject to amortization and impairment after development is complete. SFAS 141 (revised 2007) is effective for fiscal years beginning after December 15, 2008. Adoption is prospective and early adoption is not permitted. The impact of adopting SFAS 141 (revised 2007) will be dependent on the future business combinations that the Company may pursue after its effective date.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB released Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157,* which provides for delayed application of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those years. The Company adopted certain provisions of SFAS No. 157 effective March 30, 2008 (see Note 2, *Fair Value of Financial Instruments*, to the Condensed Consolidated Financial Statements for additional information). The Company is currently evaluating the effect that the adoption of the provisions deferred by Staff Position No. FAS 157-2 will have on its financial position and results of operations.

Table of Contents

2. Fair Value of Financial Instruments

The Company adopted SFAS 157, *Fair Value Measurements* as of March 30, 2008, to measure the fair value of certain of its financial assets required to be measured on a recurring basis. Under SFAS 157, based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Quoted prices in active markets for identical assets or liabilities.

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

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

As of September 27, 2008, the Company s cash equivalents of $61.3 million and short-term investments of $48.6 million are all valued using quoted prices generated by market transactions involving identical assets, or Level 1 assets as defined under SFAS 157.

3. Accounts Receivable, net

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

	September 27, 2008	March 29, 2008
Gross accounts receivable	$ 25,993	$ 23,056
Allowance for doubtful accounts	(437)	(404)
	$ 25,556	$ 22,652

4. Inventories

Inventories are comprised of the following (in thousands):

	September 27, 2008	March 29, 2008
Work in process	$ 15,260	$ 12,329
Finished goods	12,846	10,135
	$ 28,106	$ 22,464

The $5.6 million growth in inventory from March 29, 2008 was due primarily to the increased level of current and anticipated demand for certain products.

5. Income Taxes

We recorded an income tax benefit of $16 thousand for the second quarter of fiscal year 2009 and an income tax expense of $20 thousand for the first six months of fiscal year 2009, yielding an effective tax benefit rate of 0.3 percent and an effective tax rate of 0.2 percent, respectively. Our tax benefit for the second quarter and tax expense for the first six months of fiscal year 2009 are based on an estimated effective tax rate that is derived from an estimate of consolidated earnings before taxes for fiscal year 2009. The estimated effective tax rate is impacted primarily by the worldwide mix of consolidated earnings before taxes and an assessment regarding the realizability of our deferred tax assets. Our tax expense for the first six months and tax benefit for the second quarter of fiscal year 2009 was less than the Federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset, which had been subjected to a valuation allowance. In addition, we recorded a tax benefit of $73 thousand in the second quarter as a result of the enactment of the Housing Assistance Tax Act of 2008 (the Act), which was signed by the President on July 30, 2008. The Act provides that taxpayers may elect to forego bonus depreciation on certain additions of qualified eligible property and, in turn, claim a refundable credit for a portion of its unused AMT and research credits.

Table of Contents

We recognized a net income tax expense of $15 thousand and $30 thousand for the second quarter and first six months of fiscal year 2008, respectively. The income tax expense for both periods was generated by estimated income taxes due in certain foreign jurisdictions and the U.S. alternative minimum tax. Our tax expense for the second quarter and first six months of fiscal year 2008 was based on an estimated effective tax rate that is derived from an estimate of consolidated earnings before taxes for fiscal year 2008. The estimated effective tax rate is impacted primarily by the worldwide mix of consolidated earnings before taxes and an assessment regarding the realizability of our deferred tax assets. Our tax expense for the second quarter and first six months of fiscal year 2008 was less than the Federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset, which had been subjected to a valuation allowance.

In June 2006, the FASB issued FASB Interpretation (FIN) 48, *Accounting for Uncertainty in Income Taxes an interpretation of Statement of Financial Accounting Standards (SFAS) 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. We had $2.6 million of unrecognized tax benefits at September 29, 2007, and $0.1 million at September 27, 2008. All of the unrecognized tax benefits are associated with tax carryforwards that, if recognized, would have no effect on the effective tax rate because the recognition of the associated deferred tax asset would be offset by an increase to the valuation allowance. During the first quarter of fiscal year 2009, we had a gross decrease of $0.1 million to our unrecognized tax benefits related to a tax position taken in a prior year. We do not expect that our unrecognized tax benefits will change significantly in the next 12 months. Our continuing policy is to recognize interest and penalties related to income tax matters in income tax expense. As of September 27, 2008, the balance of accrued interest and penalties was zero. No interest or penalties were incurred during the first or second quarter of fiscal year 2009.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. The fiscal years 2005 through 2008 remain open to examination by the major taxing jurisdictions to which we are subject. The Internal Revenue Service is currently auditing the fiscal year 2006 corporate income tax return of Cirrus Logic, Inc. and subsidiaries. In addition, the Internal Revenue Services recently notified us of its intention to audit the 2005 (period ending November 2006) corporate income tax return of Apex Microtechnology (Apex), which we acquired in July 2007.

6. Acquisition of Business

On July 24, 2007, we acquired 100 percent of the outstanding stock of Apex. Apex designs and produces integrated circuits, hybrids and modules used in a wide range of industrial and aerospace applications that require high-power precision analog products, such as Pulse Width Modulators (PWM) and power amplifiers. These precision amplifiers are used for driving motors, piezo electrics, programmable power supplies and other devices requiring high power and precision control and provide a compliment to our existing Industrial product line. We acquired Apex for a purchase price of $42.8 million, consisting primarily of cash and direct acquisition costs. Approximately $1.8 million of the purchase price was allocated to in-process research and development and was expensed upon completion of the acquisition, which was recorded as a separate line item on the consolidated condensed statement of operations as a component in operating expenses.

7. Non-marketable Securities

During the second quarter and first six months of fiscal year 2008, we determined an impairment indicator existed related to our cost method investment in Magnum Semiconductor, Inc. (Magnum), as Magnum participated in another round of capital funding from other sources, and our portion of the investment was diluted. We performed a fair value analysis of our cost method investment in Magnum in accordance with Emerging Issues Task Force No. 03-1 (EITF 03-1), *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.* Based on the results of this analysis as of September 29, 2007, we recognized an impairment of $3.7 million to reduce the carrying value of the Magnum cost method investment to zero. The impairment was recorded as a separate line item on the consolidated condensed statement of operations in operating expenses under the caption *Impairment of non-marketable securities.*

Table of Contents

8. Provision for Litigation Expenses

During the second quarter of fiscal year 2009, we recognized a $1.8 million charge related to previously incurred and current legal fees and expenses associated with our ongoing derivative lawsuits. Approximately $0.8 million of these costs were capitalized in *Other current assets* on the consolidated condensed balance sheets as of March 29, 2008. Based on a change in circumstances in the current status of the lawsuits, the Company believes that it is more likely than not that previously incurred and current legal fees and expenses of $1.8 million related to this matter will not ultimately be recovered under the Company s Directors and Officers insurance policy and should be expensed. The charge was recorded as a separate line item on the consolidated condensed statement of operations in operating expenses under the heading *Provision for litigation expenses,* with a corresponding reduction in *Other current assets*.

9. Restructuring and Other Costs

The following table details the changes in all of our restructuring accruals during the six months ended September 27, 2008 (in thousands):

Description	March 29, 2008	Charges to P&L	Cash Payments	September 27, 2008
Severance fiscal year 2008	$ 379	$	$ (379)	$
Facilities abandonment fiscal year 2007	5		(5)	
Facilities abandonment fiscal year 2004	2,239		(137)	2,102
Facilities abandonment fiscal year 1999	397			397
	$ 3,020	$	$ (521)	$ 2,499

As of September 27, 2008, we had a remaining accrual from all of our past restructurings of $2.5 million, primarily related to net lease expenses that will be paid over their respective lease terms through fiscal year 2013, along with other anticipated lease termination costs. We have classified $1.3 million of this restructuring accrual as long-term.

10. Earnings Per Share

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

The weighted average outstanding options excluded from our diluted calculation for the quarter ended September 27, 2008, and September 29, 2007, were 6,255,000 and 3,728,000, respectively, as the exercise price exceeded the average market price during the respective periods. The weighted average outstanding options excluded from our diluted calculation for the six months ended September 27, 2008, and September 29, 2007, were 6,246,000 and 4,073,000 respectively, as the exercise price exceeded the average market price during the respective periods.

Table of Contents

11. Legal Matters

Derivative Lawsuits

On January 5, 2007, a purported stockholder filed a derivative lawsuit in the state district court in Travis County, Texas against current and former officers and directors of Cirrus Logic and against the Company, as a nominal defendant, alleging various breaches of fiduciary duties, conspiracy, improper financial reporting, insider trading, violations of the Texas Securities Act, unjust enrichment, accounting, gross mismanagement, abuse of control, rescission, and waste of corporate assets related to certain prior grants of stock options by the Company. Our response to the lawsuit was filed on April 20, 2007. On June 12, 2007, the state district court stayed the lawsuit until a final determination is reached in the District Court actions described below.

Two additional lawsuits arising out of the same claims have been filed in federal court in the United States District Court for the Western District of Texas Austin Division. Between March 19, 2007, and March 30, 2007, two purported stockholders filed derivative lawsuits related to the Company s prior stock option grants against current and former officers and directors of Cirrus Logic and against the Company, as a nominal defendant. The individual defendants named in these lawsuits overlap, but not completely, with the state suit. The lawsuits allege many of the causes of action alleged in the Texas state court suit, but also include claims for alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5, violations of Section 14(a) of the Exchange Act and violations of Section 20(a) of the Exchange Act.

On July 16, 2007, the plaintiffs in the two federal cases filed a motion to voluntarily dismiss their claims in the federal court and indicated their intent to coordinate their efforts in the state district court case. After a hearing on the plaintiffs motion, the court denied the plaintiff s motion and required the two purported stockholders to file a consolidated complaint in federal court. A consolidated complaint, including substantially similar allegations to the two previous complaints, was filed on October 11, 2007.

In response to the consolidated complaint, Cirrus Logic filed a motion to dismiss on November 15, 2007 based on the plaintiffs failure to make demand on the Board of Directors of Cirrus Logic (the Board) prior to filing this action (the demand futility motion). The plaintiffs filed their opposition to the motion on December 14, 2007. Cirrus Logic filed a reply brief on August 13, 2008, approximately eight months after the Court extended briefing deadlines to accommodate mediation discussions. On August 28, 2008, the Court denied Cirrus Logic s demand futility motion. The parties continue to discuss a potential settlement of the matter. However, we cannot predict with certainty the ultimate outcome of this litigation at this time.

Silvaco Data Systems

On December 8, 2004, Silvaco Data Systems (Silvaco) filed suit against us, and others, in Santa Clara County Superior Court (the Court), alleging misappropriation of trade secrets, conversion, unfair business practices, and civil conspiracy. Silvaco s complaint stems from a trade secret dispute between Silvaco and a software vendor, Circuit Semantics, Inc., who supplied us with certain software design tools. Silvaco alleges that our use of Circuit Semantic s design tools infringes upon Silvaco s trade secrets and that we are liable for compensatory damages in the sum of $10 million. Silvaco has not indicated how it will substantiate this amount of damages and we are unable to reasonably estimate the amount of damages, if any.

On January 25, 2005, we answered Silvaco s complaint by denying any wrong-doing. In addition, we filed a cross-complaint against Silvaco alleging breach of contract relating to Silvaco s refusal to provide certain technology that would enable us to use certain unrelated software tools.

On July 5, 2007, the Court granted our motion for judgment on the pleadings, determining that all claims except for the misappropriation of trade secrets claims were pre-empted by trade secret law. On October 15, 2007, the Court granted our motion for summary judgment on the trade secret misappropriation claim because we presented undisputed evidence that Silvaco will be unable to prove that Cirrus misappropriated Silvaco s trade secrets.

Table of Contents

On February 12, 2008, we settled our cross-complaint against Silvaco, whereby Silvaco agreed to pay Cirrus $30,000 as full and final restitution of all claims that could have been alleged in the cross-complaint.

Based on these orders and the settlement of the cross-complaint, the Court entered judgment in our favor on Silvaco s complaint and our cross-complaint on March 4, 2008. As a result of the favorable judgment, on May 16, 2008, the court awarded approximately $59,000 for our expenses in defending the suit.

On April 7, 2008, Silvaco filed a notice of appeal on these matters. We anticipate that the appeal will be heard by the Court of Appeal of the State of California, Sixth Appellate District in the last half of calendar year 2008.

At this stage of the litigation, we cannot predict the ultimate outcome and we are unable to estimate any potential liability we may incur.

Other Claims

On January 29, 2008, Cirrus Investments, L.P. (Cirrus Investments), an entity unrelated to the Company, filed suit against the Company, and others, in the Superior Court of California, County of Santa Clara, alleging breach of commercial leases and holdover rent with respect to two properties we leased from Cirrus Investments in Fremont, California. Cirrus Investments complaint primarily related to alleged violations of certain restoration obligations that the Company had at the end of the lease term of these two properties. Cirrus Logic settled this matter on October 8, 2008 via execution of a Settlement Agreement for approximately $1.0 million to Cirrus Investments, which was accrued as of September 27, 2008.

From time to time, other various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, intellectual property, employment disputes, as well as other issues. Frequent claims and litigation involving these types of issues are not uncommon in our industry. As to any of these claims or litigation, we cannot predict the ultimate outcome with certainty.

12. Comprehensive Income

The components of comprehensive income (loss), net of tax, are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net income (loss)	$ 6,355	$ (332)	$ 8,493	$ 3,657
Adjustments to arrive at comprehensive income:				
Change in unrealized gain on marketable securities	(12)	177	(479)	175
Comprehensive income (loss)	$ 6,343	$ (155)	$ 8,014	$ 3,832

13. Share Repurchase Program

On January 30, 2008, we announced that our Board authorized a share repurchase program of up to $150 million. The Company repurchased 13.3 million shares of its common stock for $71.1 million during fiscal year 2008, which included $8.3 million of accrued share repurchases that were cash-settled in fiscal year 2009. During the first quarter of fiscal year 2009, we continued our stock repurchase activity by repurchasing a total of 11.2 million shares of our common stock for $78.9 million as part of this program. As of April 28, 2008, the share repurchase program was completed, with a cumulative 24.5 million shares acquired at a total cost of $150 million. All of these shares were repurchased in the open market and were funded from existing cash. All shares of our common stock that were repurchased were cancelled as of June 28, 2008.

Table of Contents

14. Segment Information

We are a premier supplier of high-precision analog and mixed-signal integrated circuits (ICs) for a broad range of consumer, professional, and industrial markets. We develop and market ICs and embedded software used by original equipment manufacturers. We determine our operating segments in accordance with Statement of Financial Accounting Standard No. 131 (SFAS 131), *Disclosures about Segments of an Enterprise and Related Information.* Our chief executive officer (CEO) has been identified as the chief operating decision maker as defined by SFAS 131. We report revenue in two product categories: Audio Products and Industrial Products.

Our CEO receives and uses enterprise-wide financial information to assess financial performance and allocate resources, rather than detailed information at a product line level. Additionally, our product lines have similar characteristics and customers. They share operations support functions such as sales, public relations, supply chain management, various research and development and engineering support, in addition to the general and administrative functions of human resources, legal, finance and information technology.

In accordance with SFAS 131, below is a summary of our net sales by product line (in thousands):

	Three Months Ended		Six Months Ended	
	September 27, 2008	**September 29, 2007**	**September 27, 2008**	**September 29, 2007**
Audio Products	$ 30,604	$ 28,070	$ 52,634	$ 50,550
Industrial Products	22,674	18,964	44,655	37,608
	$ 53,278	$ 47,034	$ 97,289	$ 88,158

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

The following discussion should be read along with the unaudited consolidated condensed financial statements and notes thereto included in Item 1 of this Quarterly Report, as well as the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended March 29, 2008, contained in our 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission (Commission) on May 29, 2008. We maintain a web site at *www.cirrus.com*, which makes available free of charge our recent annual report and all other filings we have made with the SEC. This Management s Discussion and Analysis of Financial Condition and Results of Operations and certain information incorporated herein by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates, forecasts and projections and the beliefs and assumptions of our management including, without limitation, our expectations regarding future sales, gross margins, and combined research and development and selling, general and administrative expenses. In some cases, forward-looking statements are identified by words such as expect, anticipate, target, projec believe, goals, estimates, intend and variations of these types of words and similar expressions are intended to ident these forward-looking statements. In addition, any statements that refer to our plans, expectations, strategies or other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

Among the important factors that could cause actual results to differ materially from those indicated by our forward-looking statements are those discussed in *Item 1A Risk Factors Affecting our Business and Prospects* in our 2008 Annual Report on Form 10-K filed with the Commission on May 29, 2008, as well as *Item 1A Risk Factors* in this Quarterly Report on Form 10-Q for the period ended September 27, 2008. Readers should carefully review these risk factors, as well as those identified in the documents filed by us with the Commission.

Overview

Cirrus Logic (we, us, our, or the Company) develops high-precis