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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **April 1, 2016**

or

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

For the transition period from _____ to _____

Commission File Number: **001-35451**

M/A-COM Technology Solutions Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

100 Chelmsford Street
Lowell, MA 01851
(Address of principal executive offices and zip code)

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

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

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

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

As of April 22, 2016, there were 53,384,356 shares of the registrant's common stock outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS(In thousands)
(Unaudited)

	April 1, 2016	October 2, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,187	\$122,312
Short term investments	23,632	39,557
Accounts receivable, (less allowances of \$3,330 and \$5,745, respectively)	91,604	83,950
Inventories	106,972	79,943
Deferred income taxes	—	31,431
Income tax receivable	16,077	15,854
Prepaid and other current assets	11,553	11,172
Total current assets	<u>\$ 308,025</u>	<u>\$384,219</u>
Property and equipment, net	99,637	83,759
Goodwill	117,835	93,346
Intangible assets, net	279,535	243,666
Deferred income taxes	83,909	48,239
Other long-term assets	11,457	13,022
TOTAL ASSETS	<u>\$ 900,398</u>	<u>\$866,251</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 4,499	\$ 4,058
Accounts payable	30,037	29,311
Accrued liabilities	48,298	38,107
Total current liabilities	<u>\$ 82,834</u>	<u>\$ 71,476</u>
Long-term debt	341,396	340,504
Warrant liability	40,901	21,822
Other long-term liabilities	7,339	7,916
Deferred income taxes	13,920	—
Total liabilities	<u>\$ 486,390</u>	<u>\$441,718</u>
Commitments and contingencies (Note 12)	—	—
Stockholders' equity:		
Common stock	53	53
Accumulated other comprehensive income (loss)	3,271	(2,279)
Additional paid-in capital	536,156	526,011
Treasury stock, at cost	(330)	(330)
Accumulated deficit	(125,142)	(98,922)
Total stockholders' equity	<u>\$ 414,008</u>	<u>\$424,533</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 900,398</u>	<u>\$866,251</u>

See notes to condensed consolidated financial statements.

M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Revenue	\$ 133,579	\$ 102,431	\$ 249,353	\$ 198,987
Cost of revenue	68,054	55,717	123,510	104,854
Gross profit	<u>65,525</u>	<u>46,714</u>	<u>125,843</u>	<u>94,133</u>
Operating expenses:				
Research and development	26,203	20,439	51,525	39,221
Selling, general and administrative	34,617	28,247	69,303	53,475
Impairment charges	11,005	—	11,005	—
Restructuring charges	851	413	1,008	413
Total operating expenses	<u>72,676</u>	<u>49,099</u>	<u>132,841</u>	<u>93,109</u>
Income from operations	<u>(7,151)</u>	<u>(2,385)</u>	<u>(6,998)</u>	<u>1,024</u>
Other income (expense)				
Warrant liability expense	(4,201)	(5,609)	(19,079)	(16,217)
Interest expense, net	(4,408)	(4,723)	(8,754)	(9,446)
Other (expense) income	(81)	(1,376)	19	(1,001)
Total other expense, net	<u>(8,690)</u>	<u>(11,708)</u>	<u>(27,814)</u>	<u>(26,664)</u>
Loss before income taxes	(15,841)	(14,093)	(34,812)	(25,640)
Income tax benefit	<u>(3,796)</u>	<u>(2,917)</u>	<u>(5,997)</u>	<u>(4,500)</u>
Loss from continuing operations	(12,045)	(11,176)	(28,815)	(21,140)
Income from discontinued operations	1,396	3,639	2,595	7,297
Net loss	<u>\$ (10,649)</u>	<u>\$ (7,537)</u>	<u>\$ (26,220)</u>	<u>\$ (13,843)</u>
Net loss per share:				
Basic loss per share:				
Loss from continuing operations	\$ (0.23)	\$ (0.22)	\$ (0.54)	\$ (0.43)
Income from discontinued operations	0.03	0.07	0.05	0.15
Loss per share - basic	<u>\$ (0.20)</u>	<u>\$ (0.15)</u>	<u>\$ (0.49)</u>	<u>\$ (0.28)</u>
Diluted loss per share:				
Loss from continuing operations	\$ (0.23)	\$ (0.22)	\$ (0.54)	\$ (0.43)
Income from discontinued operations	0.03	0.07	0.05	0.15
Loss per share - diluted	<u>\$ (0.20)</u>	<u>\$ (0.15)</u>	<u>\$ (0.49)</u>	<u>\$ (0.28)</u>
Shares used:				
Basic	<u>53,228</u>	<u>50,593</u>	<u>53,122</u>	<u>49,100</u>
Diluted	<u>53,228</u>	<u>50,593</u>	<u>53,122</u>	<u>49,100</u>

See notes to condensed consolidated financial statements.

M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>April 1, 2016</u>	<u>April 3, 2015</u>	<u>April 1, 2016</u>	<u>April 3, 2015</u>
Net loss	\$(10,649)	\$(7,537)	\$(26,220)	\$(13,843)
Unrealized gain on short term investments, net of tax	73	—	12	—
Foreign currency translation gain (loss), net of tax	5,647	(221)	5,538	(14)
Other comprehensive income (loss), net of tax	5,720	(221)	\$ 5,550	\$ (14)
Total comprehensive loss	<u>\$ (4,929)</u>	<u>\$ (7,758)</u>	<u>\$ (20,670)</u>	<u>\$ (13,857)</u>

See notes to condensed consolidated financial statements.

M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at October 2, 2015	52,958	\$ 53	23	\$ (330)	\$ (2,279)	\$526,011	\$ (98,922)	\$ 424,533
Stock options exercises	100					1,094		1,094
Vesting of restricted common stock and units	454					—		—
Issuance of common stock pursuant to employee stock purchase plan	72					1,977		1,977
Shares repurchased for stock withholdings on restricted stock awards	(177)					(6,152)		(6,152)
Share-based compensation						13,226		13,226
Other comprehensive income, net of tax					5,550			5,550
Net loss							(26,220)	(26,220)
Balance at April 1, 2016	<u>53,407</u>	<u>\$ 53</u>	<u>23</u>	<u>\$ (330)</u>	<u>\$ 3,271</u>	<u>\$536,156</u>	<u>\$ (125,142)</u>	<u>\$ 414,008</u>

See notes to condensed consolidated financial statements.

M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	April 1, 2016	April 3, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (26,220)	\$ (13,843)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities (net of acquisitions):		
Depreciation and intangibles amortization	34,078	24,872
Stock-based and other non-cash incentive compensation	13,226	9,128
Warrant liability expense	19,079	16,217
Acquired inventory step-up amortization	2,084	4,037
Deferred financing cost amortization	810	842
Prepaid compensation amortization	3,241	4,466
Gain on disposition of business	(3,750)	—
Deferred income taxes	(4,569)	(1,216)
Impairment charges	12,955	3,500
Other adjustments, net	298	101
Change in operating assets and liabilities (net of acquisitions):		
Accounts receivable	(203)	(3,345)
Inventories	(13,415)	3,358
Prepaid expenses and other assets	(993)	679
Accounts payable	(2,880)	(5,549)
Accrued and other liabilities	2,072	(9,864)
Income taxes	(715)	(374)
Prepaid compensation	—	(14,586)
Deferred revenue	—	(16,991)
Net cash provided by operating activities	<u>35,098</u>	<u>1,432</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of businesses, net	(85,516)	(208,369)
Purchases of property and equipment	(16,962)	(14,036)
Proceeds from sales and maturities of investments	23,292	—
Purchases of investments	(7,696)	—
Proceeds from discontinued operations	3,750	—
Strategic investments	—	(250)
Acquisition of intellectual property	(777)	(1,587)
Net cash used in investing activities	<u>(83,909)</u>	<u>(224,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(1,750)	(1,750)
Proceeds from stock option exercises and employee stock purchases	3,071	2,871
Payments of assumed debt	(9,120)	(1,232)
Repurchase of common stock	(6,152)	(4,924)
Payments of contingent consideration and other	(1,195)	(39)
Proceeds from stock offering, net of issuance costs	—	127,959
Proceeds from revolving credit facility	—	100,000
Payments on revolving credit facility	—	(100,000)
Net cash (used in) provided by financing activities	<u>(15,146)</u>	<u>122,885</u>
Foreign currency effect on cash	(168)	—
NET CHANGE IN CASH AND CASH EQUIVALENTS	(64,125)	(99,925)
CASH AND CASH EQUIVALENTS — Beginning of period	\$ 122,312	\$ 173,895
CASH AND CASH EQUIVALENTS — End of period	\$ 58,187	\$ 73,970

See notes to condensed consolidated financial statements.

M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information—The accompanying unaudited, condensed consolidated financial statements have been prepared according to the rules and regulations of the United States (the “U.S.”) Securities and Exchange Commission (“SEC”) and, in the opinion of management, reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the condensed consolidated balance sheets, condensed consolidated statements of operations, condensed consolidated statement of comprehensive loss and condensed consolidated statements of cash flows of M/A-COM Technology Solutions Holdings, Inc. (“MACOM”, the “Company”, “us”, “we” or “our”) for the periods presented. We prepare our interim financial information using the same accounting principles we use for our annual audited consolidated financial statements. Certain information and note disclosures normally included in the annual audited consolidated financial statements have been condensed or omitted in accordance with prescribed SEC rules. We believe that the disclosures made in our condensed consolidated financial statements and the accompanying notes are adequate to make the information presented not misleading.

The consolidated balance sheet at October 2, 2015 is as reported in our audited consolidated financial statements as of that date. Our accounting policies are described in the notes to our October 2, 2015 consolidated financial statements, which were included in our Annual Report on Form 10-K for our fiscal year ended October 2, 2015 filed with the SEC on November 24, 2015. We recommend that the financial statements included in this Quarterly Report on Form 10-Q be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for our fiscal year ended October 2, 2015.

Immaterial Restatement - As disclosed in our Quarterly Report on Form 10-Q for the three and nine months ended July 3, 2015, we identified certain items that were incorrectly classified as Acquisition of a business cash outflows related to the BinOptics Acquisition in the Investing activities section of our statement of cash flows for the six months ended April 3, 2015. The most significant item was an escrow payment of \$14.6 million associated with acquired employee retention which was incorrectly classified as an investing activity instead of an operating activity in our statement of cash flows for the six months ended April 3, 2015. Our statement of cash flows for the six months ended April 3, 2015 have been restated to correct this error. For the six months ended April 3, 2015 the effect of this restatement is outlined below:

	As reported	Six Months Ended Adjustment	As adjusted
Net cash provided by operating activities	\$ 16,018	\$ (14,586)	\$ 1,432
Net cash used in investing activities	\$(238,828)	\$ 14,586	\$(224,242)

For additional information related to this and other acquisition related items refer to *Note 3 - Acquisitions* included in Item 8 of Part II, “Financial Statements and Supplementary Data,” of our 2015 Annual Report on Form 10-K for the fiscal year ended October 2, 2015.

Principles of Consolidation—We have one reportable segment, semiconductors and modules. The accompanying consolidated financial statements include our accounts and the accounts of our majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain prior period financial statement amounts, including Automotive business discontinued operations, have been adjusted to conform to current reported presentation.

We have a 52 or 53-week fiscal year ending on the Friday closest to the last day of September. The fiscal years 2016 and 2015 include 52 weeks. To offset the effect of holidays, for fiscal years in which there are 53 weeks, we include the extra week arising in our fiscal years in the first quarter.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities during the reporting periods, the reported amounts of revenue and expenses during the reporting periods,

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and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, we base estimates and assumptions on historical experience, currently available information, and various other factors that management believes to be reasonable under the circumstances. Actual results may differ materially from these estimates and assumptions.

Recent Accounting Pronouncements—Our Recent Accounting Pronouncements are described in the notes to our October 2, 2015 consolidated financial statements, which were included in our Annual Report on Form 10-K.

In April 2015, the FASB issued ASU 2015-03 related to the simplification of the presentation of debt issuance costs. The standard requires entities to present 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 ASU provides that debt issuance costs are analogous to debt discounts and reduce the proceeds of borrowing which increases the effective interest rate. Prior to the amendment, debt issuance costs were reported in the balance sheet as an asset. The amended guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and requires retrospective adoption. As of April 1, 2016, we have \$6.3 million of unamortized deferred finance costs which under the amendment would be reclassified on our balance sheet. Any remaining deferred financing costs such as of September 30, 2016 will be reclassified when we adopt the amendment in fiscal 2017.

In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. This update simplifies the presentation of deferred income taxes by eliminating the current requirements to classify deferred income tax assets and liabilities between current and noncurrent. The amendments in this update require that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. For public business entities, the standard is effective in the annual reporting periods beginning after December 15, 2016. Early adoption is permitted as of the beginning of any interim or annual reporting period and can be applied either prospectively or retrospectively to all periods presented. We have elected to adopt this standard early and have implemented the change prospectively as of the second quarter of fiscal 2016; prior periods were not adjusted. As of the second quarter of fiscal 2016, we included \$31.4 million of current deferred income tax assets with our noncurrent deferred income tax assets; no adjustments were made to deferred tax liabilities.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Certain qualitative and quantitative disclosures are required, as well as a retrospective recognition and measurement of impacted leases. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2018, with early adoption permitted. We are evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Early adoption is permitted and the updated standard must be adopted no later than our fiscal first quarter of fiscal 2018. We are evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

2. ACQUISITIONS

Acquisition of FiBest Limited—On December 9, 2015, we completed the acquisition of FiBest Limited (“FiBest Acquisition”) a Japan-based merchant market component supplier of optical sub-assemblies. We acquired FiBest to expand our position in optical networking components. In connection with the FiBest Acquisition, all of the outstanding equity interests (including outstanding options) of FiBest were exchanged for aggregate consideration of \$59.1 million including net cash of \$47.5 million and assumed debt of \$11.6 million. We funded the FiBest Acquisition with cash on hand. For the three and six months ended April 1, 2016, we recorded transaction costs of \$0.1 million and \$2.7 million as selling, general and administrative expense related to this acquisition. The FiBest Acquisition was accounted for as a stock purchase and the operations of FiBest have been included in our consolidated financial statements since the date of acquisition.

We recognized the FiBest assets acquired and liabilities assumed based upon the fair value of such assets and liabilities measured as of the date of acquisition. The aggregate purchase price for FiBest is being allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired, and has been allocated to goodwill, none of which will be tax deductible.

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We expect to finalize our allocation of purchase price during calendar year 2016. The preliminary allocation of purchase price as of April 1, 2016, is as follows (in thousands):

	Six Months Ended April 1, 2016
	Preliminary Allocation
Current assets	\$ 10,850
Intangible assets	45,650
Other assets	3,334
Total assets acquired	59,834
Liabilities assumed:	
Debt	11,627
Deferred income taxes	12,932
Other liabilities	3,968
Total liabilities assumed	28,527
Net assets acquired	31,307
Consideration:	
Cash paid upon closing, net of cash acquired	47,517
Goodwill	<u>\$ 16,210</u>

The components of the acquired intangible assets on a preliminary basis were as follows (in thousands):

	Amount	Useful Lives (Years)
Developed technology	\$ 9,400	7
Customer relationships	36,250	10
	<u>\$45,650</u>	

The overall weighted-average life of the identified intangible assets acquired in the FiBest Acquisition is estimated to be 9.4 years and the assets are being amortized over their estimated useful lives based upon the pattern over which we expect to receive the economic benefit from these assets.

The purchase accounting is preliminary and subject to completion including the areas of taxation and certain fair value measurements, particularly the finalization of the valuation assessment of the acquired tangible and intangible assets. The adjustments arising from the completion of the outstanding matters may materially affect the preliminary purchase accounting.

The following is a summary of FiBest revenue and earnings included in MACOM's accompanying condensed consolidated statements of operations for the three and six months ended months ended April 1, 2016 (in thousands):

	Three Months Ended	Six Months Ended
Revenue	\$ 8,435	\$ 11,105
Loss before income taxes	(1,747)	(2,558)

Unaudited Supplemental Pro Forma Data—The pro forma statements of operations data for the three and six months ended April 1, 2016 and April 3, 2015, below, give effect to the FiBest Acquisition, described above, as if it had occurred at October 4, 2014. These amounts have been calculated after applying our accounting policies and adjusting the results of FiBest to reflect; transaction costs, retention compensation expense, the impact of the step-up to the value of acquired inventory, as well as the additional intangible amortization that would have been charged assuming the fair value adjustments had been applied and incurred since October 4, 2014. This pro forma data is presented for informational purposes only and does not purport to be indicative of our future results of operations.

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Revenue	\$133,579	\$109,763	\$256,979	\$213,651
Net loss	(11,531)	(8,798)	(26,785)	(19,115)

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Acquisition of Aeroflex/Metelics Inc.—On December 14, 2015, we acquired Aeroflex/Metelics, Inc. (“Metelics Acquisition”), a diode supplier for aggregate cash consideration of \$38.0 million, subject to customary working capital and other adjustments. We acquired Metelics to expand our diode business. We funded the acquisition with cash on hand. The Metelics Acquisition was accounted for as a stock purchase and the operations of Metelics have been included in our consolidated financial statements since the date of acquisition. For the six months ended April 1, 2016, we recorded transaction costs of \$0.5 million as selling, general and administrative expenses related to this acquisition. For the three months ended April 1, 2016 the transaction costs were not material.

We recognized the Metelics assets acquired and liabilities assumed based upon the fair value of such assets and liabilities measured as of the date of acquisition. The aggregate purchase price for Metelics is being allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired, and has been allocated to goodwill, which will be tax deductible due to a 338(h)(10) election.

We expect to finalize our allocation of purchase price during calendar year 2016. The adjusted allocation of purchase price as of April 1, 2016, is as follows (in thousands):

	<u>Preliminary Allocation</u>	<u>Allocation Adjustments</u>	<u>Adjusted Allocation</u>
Current assets	\$ 15,250	\$ (1,835)	13,415
Intangible assets	19,700	—	19,700
Other assets	6,249	—	6,249
Total assets acquired	<u>41,199</u>	<u>(1,835)</u>	<u>39,364</u>
Liabilities assumed:			
Other liabilities	7,401	—	7,401
Total liabilities assumed	<u>7,401</u>	<u>—</u>	<u>7,401</u>
Net assets acquired	<u>33,798</u>	<u>(1,835)</u>	<u>31,963</u>
Consideration:			
Cash paid upon closing, net of cash acquired	38,000	—	38,000
Goodwill	<u>\$ 4,202</u>	<u>\$ 1,835</u>	<u>\$ 6,037</u>

The components of the acquired intangible assets on a preliminary basis were as follows (in thousands):

	<u>Amount</u>	<u>Useful Lives (Years)</u>
Developed technology	\$ 1,000	7
Customer relationships	18,700	10
	<u>\$19,700</u>	

The overall weighted-average life of the identified intangible assets acquired in the Metelics Acquisition is estimated to be 9.8 years and the assets are being amortized over their estimated useful lives based upon the pattern over which we expect to receive the economic benefit from these assets.

During the quarter ended April 1, 2016, we recorded an adjustment of \$1.8 million primarily associated with inventory which reduced current assets acquired.

The purchase accounting is preliminary and subject to completion including certain fair value measurements, particularly the finalization of the valuation assessment of the acquired tangible and intangible assets. The adjustments arising from the completion of the outstanding matters may materially affect the preliminary purchase accounting.

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The following is a summary of Metelics revenue and earnings included in our accompanying condensed consolidated statements of operations for the three and six months ended April 1, 2016 (in thousands):

	Three Months Ended	Six Months Ended
Revenue	\$ 10,345	\$ 12,252
Loss before income taxes	(220)	(174)

Unaudited Supplemental Pro Forma Data—The pro forma statements of operations data for the three and six months ended April 1, 2016 and April 3, 2015, below, give effect to the Metelics Acquisition, described above, as if it had occurred at October 4, 2014. These amounts have been calculated after applying our accounting policies and adjusting the results of Metelics to reflect the transaction costs, the impact of the step-up to the value of acquired inventory, as well as the additional intangible amortization that would have been charged assuming the fair value adjustments had been applied and incurred since October 4, 2014. This pro forma data is presented for informational purposes only and does not purport to be indicative of our future results of operations.

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Revenue	\$133,579	\$112,009	\$258,189	\$219,392
Net loss	(10,119)	(7,995)	(25,703)	(15,748)

Acquisition of BinOptics Corporation—On December 15, 2014, we completed the acquisition of BinOptics Corporation (“BinOptics Acquisition”) a supplier of high-performance photonic semiconductor products. In accordance with the related agreement and plan of merger, all of the outstanding equity interests (including outstanding warrants) of BinOptics were exchanged for aggregate consideration of approximately \$208.4 million in cash. In addition we paid \$14.6 million as part of a related retention escrow agreement designed to retain certain BinOptics employees. This \$14.6 million was included in the terms of the purchase agreement and has been accounted for as a post-closing prepaid expense. We funded the BinOptics Acquisition with a combination of cash on hand and the incurrence of \$100.0 million of additional borrowings under our existing Revolving Facility. For the six months ended April 3, 2015, we recorded transaction costs of \$4.1 million related to the BinOptics Acquisition.

The BinOptics Acquisition was accounted for as a stock purchase and the operations of BinOptics have been included in our consolidated financial statements since the date of acquisition.

We have recognized BinOptics’ assets acquired and liabilities assumed based upon the fair value of such assets and liabilities measured as of the date of acquisition. The aggregate purchase price for BinOptics has been allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired, and has been allocated to goodwill, none of which is tax deductible.

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We finalized our allocation of purchase price during the first quarter of fiscal year 2016. The final allocation of purchase price as of January 1, 2016, is as follows (in thousands):

	<u>October 2, 2015 Allocation</u>	<u>Allocation Adjustments</u>	<u>January 1, 2016 Adjusted Allocation</u>
Current assets	\$ 23,674	\$ (1,100)	\$ 22,574
Intangible assets	136,900	400	137,300
Other assets	9,194	—	9,194
Total assets acquired	<u>169,768</u>	<u>(700)</u>	<u>169,068</u>
Liabilities assumed:			
Debt	2,535	—	2,535
Deferred income taxes	33,345	99	33,444
Other liabilities	13,106	—	13,106
Total liabilities assumed	<u>48,986</u>	<u>99</u>	<u>49,085</u>
Net assets acquired	<u>120,782</u>	<u>(799)</u>	<u>119,983</u>
Consideration:			
Cash paid upon closing, net of cash acquired	208,352	—	208,352
Goodwill	<u>\$ 87,570</u>	<u>\$ 799</u>	<u>\$ 88,369</u>

The components of the acquired intangible assets were as follows (in thousands):

	<u>Amount</u>	<u>Useful Lives (Years)</u>
Developed technology	\$ 17,500	7
Customer relationships	119,800	10
	<u>\$137,300</u>	

The overall weighted-average life of the identified intangible assets acquired in the BinOptics Acquisition is estimated to be 9.6 years and the assets are being amortized over their estimated useful lives based upon the pattern over which we expect to receive the economic benefit from these assets.

Unaudited Supplemental Pro Forma Data—The pro forma statements of operations data for the three and six months ended April 3, 2015, below, give effect to the BinOptics Acquisition, described above, as if it had occurred at September 28, 2013. These amounts have been calculated after applying our accounting policies and adjusting the results of BinOptics to reflect the transaction costs, retention compensation expense, the impact of the step-up to the value of the acquired inventory, as well as additional intangible amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied and incurred since September 28, 2013. This pro forma data is presented as of April 3, 2015 for informational purposes only and does not purport to be indicative of our future results of operations.

	<u>Three Months Ended April 3, 2015</u>	<u>Six Months Ended April 3, 2015</u>
Revenue	\$ 104,387	\$ 237,966
Net loss	(11,387)	(14,750)

3. DISCONTINUED OPERATIONS

In August 2015, we sold our Automotive business to Autoliv ASP Inc. (“Autoliv”) as the Automotive business was not consistent with our long-term strategic vision from both a growth and profitability perspective. The agreed consideration included \$82.1 million in cash paid at closing and \$18.0 million payable in eighteen months pending resolution of any contingencies as part of an indemnification agreement, plus the opportunity to receive up to an additional \$30.0 million in cash based on achievement of revenue-based earnout targets through 2019. Additionally, we entered into a Consulting Agreement pursuant to which we may provide Autoliv with certain non-design advisory services for a period of two years following the closing of the transaction for up to \$15.0 million in cash.

During fiscal year 2015, we recorded a pre-tax gain on the sale of the Automotive business of \$61.8 million based on the \$82.1 million received at closing on August 17, 2015 as described above. The remainder of the consideration to be received from Autoliv, if any, including any amounts related to the consulting agreement, will be accounted for in discontinued operations when the contingencies are finalized and the proceeds, if any, become realizable over the next several years.

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The accompanying consolidated statement of operations includes the following operating results related to this divested business (in thousands):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>April 1, 2016</u>	<u>April 3, 2015</u>	<u>April 1, 2016</u>	<u>April 3, 2015</u>
Revenue	\$ —	\$ 22,454	\$ —	\$ 40,762
Cost of revenue	—	15,161	—	26,687
Gross profit	—	7,293	—	14,075
Operating expenses:				
Research and development	—	622	—	1,314
Selling, general and administrative	—	980	—	1,351
Restructuring charges	—	—	—	—
Total operating expenses	—	1,602	—	2,665
Income from discontinued operations	—	5,691	—	11,410
Other income	1,875	—	3,750	—
Gain on sale	308	—	308	—
Income before income taxes	2,183	5,691	4,058	11,410
Income tax provision	787	2,052	1,463	4,113
Income from discontinued operations	<u>\$1,396</u>	<u>\$ 3,639</u>	<u>\$2,595</u>	<u>\$ 7,297</u>
Above includes depreciation & amortization of	\$ —	\$ 57	\$ —	\$ 123
Cashflow from Operating Activities	—	2,227	—	3,744
Cashflow from Investing Activities	3,750	(250)	3,750	\$ (250)

Other income of \$3.8 million was recorded during the three and six months ended April 1, 2016 related to the consulting agreement. The gain on sale of \$0.3 million recorded during the three months ended April 1, 2016 related to the adjustment of accruals established at the time of the sale of the Automotive business. Amounts recorded during the three and six months ended April 3, 2015 were from ongoing operating activities prior to the sale.

4. INVESTMENTS

During the fiscal fourth quarter of 2015, we purchased investments of approximately \$40.2 million. All investments are classified as available-for-sale. The amortized cost, gross unrealized holding gains or losses, and fair value of our available-for-sale investments by major investments type, as of April 1, 2016, are summarized in the tables below (in thousands):

	<u>Amortized Cost</u>	<u>Gross Unrealized Holding Gains</u>	<u>Gross Unrealized Holding Losses</u>	<u>Aggregate Fair Value</u>
Corporate bonds	\$ 14,676	\$ —	\$ (72)	\$ 14,604
Agency bonds	9,035	—	(7)	9,028
Total investments	<u>\$ 23,711</u>	<u>\$ —</u>	<u>\$ (79)</u>	<u>\$ 23,632</u>

	<u>October 2, 2015</u>	<u>Net Realized/Unrealized Losses</u>	<u>Purchases and Issuances</u>	<u>Sales and Settlements</u>	<u>April 1, 2016</u>
Corporate bonds	\$ 24,462	\$ (257)	\$ 7,696	\$ (17,297)	\$14,604
Agency bonds	15,095	(72)	—	(5,995)	9,028
Total investments	<u>\$ 39,557</u>	<u>\$ (329)</u>	<u>\$ 7,696</u>	<u>\$ (23,292)</u>	<u>\$23,632</u>

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The contractual maturities of available-for-sale investments were as follows (in thousands):

	April 1, 2016	October 2, 2015
Less than 1 year	\$10,831	\$ 16,259
Over 1 year	12,801	23,298
Total investments	<u>\$23,632</u>	<u>\$ 39,557</u>

Available-for-sale investments are reported at fair value and as such, their associated unrealized gains and losses are reported as a separate component of stockholders' equity within accumulated other comprehensive loss.

5. FAIR VALUE

We group our financial assets and liabilities measured at fair value on a recurring basis in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

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

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-driven valuations in which all significant inputs are observable or can be derived principally from, or corroborated with, observable market data.

Level 3 - Fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including assumptions and judgments made by us.

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

We measure certain assets and liabilities at fair value on a recurring basis such as our financial instruments and derivatives. There have been no transfers between Level 1, 2 or 3 assets or liabilities during the three and six months ended April 1, 2016.

Money market funds are actively traded and consist of highly liquid investments with original maturities of 90 days or less. They are measured at their net asset value ("NAV") and classified as Level 1. Corporate and agency bonds are categorized as Level 2 assets except where sufficient quoted prices exist in active markets, in which case such securities are categorized as Level 1 assets. These securities are valued using third-party pricing services. These services may use, for example, model-based pricing methods that utilize observable market data as inputs. Broker dealer bids or quotes on securities with similar characteristics may also be used.

The fair values of the contingent consideration liabilities were estimated based upon a risk-adjusted present value of the probability-weighted expected payments by us. Specifically, we considered base, upside and downside scenarios for the operating metrics upon which the contingent payments are to be based. Probabilities were assigned to each scenario and the probability-weighted payments were discounted to present value using risk-adjusted discount rates. The maximum possible payment of contingent consideration is \$1.5 million.

The fair value of the stock warrants has been estimated using a Black-Scholes option pricing model giving consideration to the quoted market price of the common stock on that date, an exercise price of \$14.04, expected life of 4.7 years, expected volatility of 36.9% and risk free rate of 1.2%. Any significant change in these assumptions could have a material impact on the fair value of the stock warrants.

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

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Assets and liabilities measured at fair value on a recurring basis consist of the following (in thousands):

April 1, 2016				
	Fair Value	Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets				
Money market funds	\$ 2,117	\$ 2,117	\$ —	\$ —
Agency bonds	9,028	—	9,028	—
Corporate bonds	14,604	—	14,604	—
Total assets measured at fair value	<u>\$ 25,749</u>	<u>\$ 2,117</u>	<u>\$ 23,632</u>	<u>\$ —</u>
Liabilities				
Contingent consideration	\$ 796	\$ —	\$ —	\$ 796
Common stock warrant liability	40,901	—	—	40,901
Total liabilities measured at fair value	<u>\$ 41,697</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 41,697</u>
October 2, 2015				
	Fair Value	Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets				
Money market funds	\$ 15,000	\$ 15,000	\$ —	\$ —
US treasuries and agency bonds	15,095	—	15,095	—
Corporate bonds	24,462	—	24,462	—
Total assets measured at fair value	<u>\$ 54,557</u>	<u>\$ 15,000</u>	<u>\$ 39,557</u>	<u>\$ —</u>
Liabilities				
Contingent consideration	\$ 1,150	\$ —	\$ —	\$ 1,150
Common stock warrant liability	21,822	—	—	21,822
Total liabilities measured at fair value	<u>\$ 22,972</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22,972</u>

The changes in assets and liabilities with inputs classified within Level 3 of the fair value hierarchy consist of the following (in thousands):

	October 2, 2015	Net Realized/Unrealized Losses Included in Earnings	Purchases and Issuances	Sales and Settlements	Transfers in and/or (out) of Level 3	April 1, 2016
Contingent consideration	\$ 1,150	\$ 46	\$ —	\$ (400)	\$ —	\$ 796
Common stock warrant liability	\$ 21,822	\$ 19,079	\$ —	\$ —	\$ —	\$40,901
October 3, 2014						
	October 3, 2014	Net Realized/Unrealized Losses Included in Earnings	Purchases and Issuances	Sales and Settlements	Transfers in and/or (out) of Level 3	April 3, 2015
Trading Securities	\$ 250	\$ —	\$ 250	\$ —	\$ —	\$ 500
Contingent consideration	\$ 820	\$ —	\$ —	\$ —	\$ —	\$ 820
Common stock warrant liability	\$ 15,801	\$ 16,217	\$ —	\$ —	\$ —	\$32,018

6. INVENTORIES

Inventories consist of the following (in thousands):

	April 1, 2016	October 2, 2015
Raw materials	\$ 59,173	\$ 44,329
Work-in-process	11,104	3,086
Finished goods	36,695	32,528
Total	<u>\$106,972</u>	<u>\$ 79,943</u>

7. PROPERTY, PLANT AND EQUIPMENT

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

	April 1, 2016	October 2, 2015
Land, buildings and improvements	\$ 12,559	\$ 10,981
Construction in process	20,092	25,898
Machinery and equipment	109,755	89,852
Leasehold improvements	12,779	9,161
Furniture and fixtures	1,809	983
Computer equipment and software	11,586	9,307
Total property and equipment	168,580	146,182
Less accumulated depreciation and amortization	(68,943)	(62,423)
Property and equipment, net	<u>\$ 99,637</u>	<u>\$ 83,759</u>

Depreciation and amortization expense related to property, plant and equipment for the three and six months ended April 1, 2016 was \$5.2 million and \$9.5 million, respectively. Depreciation and amortization expense related to property and equipment for the three and six months ended April 3, 2015 was \$4.2 million and \$8.0 million, respectively.

8. DEBT

On May 8, 2014 we entered into a credit agreement (“Credit Agreement”) with a syndicate of lenders.

Our Credit Agreement provides for term loans in an aggregate principal amount of \$350.0 million, which mature in May 2021 (Term Loans) and a revolving credit facility of \$130.0 million, which matures in May 2019 (Revolving Facility). The effective interest rate on our Term Loans was 4.5% as of April 1, 2016. We also pay a quarterly unused line fee for the Revolving Facility in the range of 0.25% to 0.375% (based on our total net leverage ratio being within certain defined ranges) as well as overall agency fees. As of April 1, 2016, we had no borrowings under the Revolving Facility.

We incurred \$8.7 million in fees for the issuance of the Credit Agreement which were recorded as deferred financing costs and are being amortized over the life of Credit Agreement as interest expense. As of April 1, 2016, approximately \$6.3 million of deferred financing costs remain unamortized.

The Credit Agreement contains covenants that require among other items maintenance of certain financial ratios. As of April 1, 2016, we were in compliance with all financial covenants related to our debt obligations under the Credit Agreement.

As of April 1, 2016, the following remained outstanding on the Term Loans (in thousands):

Principal balance	\$343,875
Unamortized discount	(1,906)
Total Term Loans	341,969
Current portion	3,500
Long-term, less current portion	<u>\$338,469</u>

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As of April 1, 2016, the minimum principal payments under the Term Loans in future fiscal years was as follows (in thousands):

2016 (rest of fiscal year)	\$ 1,750
2017	3,500
2018	3,500
2019	3,500
2020	3,500
Thereafter	328,125
Total	<u>\$343,875</u>

The fair value of the Term Loans was estimated to be approximately \$343.4 million as of April 1, 2016 and was determined using Level 3 inputs, including a quoted rate from a bank.

9. INTANGIBLE ASSETS

Amortization expense related to intangible assets is as follows (in thousands):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>April 1, 2016</u>	<u>April 3, 2015</u>	<u>April 1, 2016</u>	<u>April 3, 2015</u>
Cost of revenue	\$ 6,642	\$ 7,347	\$13,809	\$12,706
Selling, general and administrative	6,304	3,096	10,727	4,149
Total	<u>\$12,946</u>	<u>\$10,443</u>	<u>\$24,536</u>	<u>\$16,855</u>

Intangible assets consist of the following (in thousands):

	<u>April 1, 2016</u>	<u>October 2, 2015</u>
Acquired technology	\$164,365	\$162,536
Customer relationships	202,646	144,070
In-process research and development	8,000	8,000
Trade name	3,400	3,400
Total	<u>378,411</u>	<u>318,006</u>
Less accumulated amortization	(98,876)	(74,340)
Intangible assets — net	<u>\$279,535</u>	<u>\$243,666</u>

A summary of the activity in intangible assets and goodwill follows (in thousands):

	<u>Total</u>	<u>Acquired Technology</u>	<u>Customer Relationships</u>	<u>In-Process Research and Development</u>	<u>Trade Name</u>	<u>Goodwill</u>
Balance at October 2, 2015	\$411,352	\$162,536	\$144,070	\$8,000	\$3,400	\$93,346
Acquired	88,796	10,400	55,350	—	—	23,046
Currency translation adjustment	5,505	836	3,226	—	—	1,443
Other intangibles purchased	681	681	—	—	—	—
Impairments of intangible assets	(10,088)	(10,088)	—	—	—	—
Balance at April 1, 2016	<u>\$496,246</u>	<u>\$164,365</u>	<u>\$202,646</u>	<u>\$8,000</u>	<u>\$3,400</u>	<u>\$117,835</u>

As of April 1, 2016, our estimated amortization of our intangible assets in future fiscal years, subject to the completion of the purchase price allocation for the FiBest and Metelics acquisitions, was as follows (in thousands):

	<u>2016 Remaining</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
Amortization expense	\$25,124	50,312	46,911	40,383	32,604	72,802	\$268,136

Our trade name is an indefinite-lived intangible assets. During development, in-process research and development (IPR&D) is not subject to amortization and is tested for impairment annually or more frequently if events or changes in

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circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value to its carrying amount. If the carrying value exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Once an IPR&D project is complete, it becomes a definite long-lived intangible asset and is evaluated for impairment in accordance with our policy for long-lived assets.

Accumulated amortization for acquired technology and customer relationships was \$64.5 million and \$34.4 million, respectively, as of April 1, 2016, and \$39.4 million and \$12.8 million, respectively, as of April 3, 2015.

During the second quarter of fiscal year 2016, we made a strategic decision to exit the product line and end programs associated with our GaN-on-Silicon Carbide license and technology transfer to focus on development of our GaN-on-Silicon efforts. As a result of this strategic decision, we determined that the intangible assets and contractual commitments under the long term technology licensing and transfer agreement signed in July 2013, as well as certain dedicated fixed assets and inventory, would no longer have any future benefit. The associated charges incurred during the second quarter of fiscal 2016 was \$13.0 million which included a write-off of \$10.1 million of intangible assets, \$0.6 million of fixed assets, \$0.3 million of contractual commitments and \$2.0 million of inventory.

10. STOCKHOLDERS' EQUITY

We have authorized 10 million shares of \$0.001 par value preferred stock and 300 million shares of \$0.001 par value common stock as of April 1, 2016. The outstanding shares of our common stock as of April 1, 2016 and October 2, 2015, presented in the accompanying consolidated statements of stockholders' equity exclude 5,100 and 11,000 unvested shares of restricted stock awards, respectively, issued as compensation to employees that remained subject to forfeiture.

Common Stock Warrants—In March 2012, we issued warrants to purchase 1,281,358 shares of common stock for \$14.05 per share. The warrants expire December 21, 2020, or earlier as per the terms of the agreement, including immediately following consummation of a sale of all or substantially all assets or capital stock or other equity securities, including by merger, consolidation, recapitalization, or similar transactions. We do not currently have sufficient registered and available shares to immediately satisfy a request for registration, if such a request were made. As of April 1, 2016, no exercise of the warrants had occurred and no request had been made to register the warrants or any underlying securities for resale by the holders.

We are recording the estimated fair values of the warrants as a long-term liability in the accompanying consolidated financial statements with changes in the estimated fair value being recorded in the accompanying statements of operations. The following is a summary of the activity of the warrant liability (in thousands):

Balance-October 2, 2015	\$21,822
Change in estimated fair value	19,079
Balance-April 1, 2016	<u>\$40,901</u>

11. EARNINGS (LOSS) PER SHARE

The following table sets forth the computation for basic and diluted net loss per share of common stock (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Numerator:				
Loss from continuing operations	\$(12,045)	\$(11,176)	\$(28,815)	\$(21,140)
Income from discontinued operations	1,396	3,639	2,595	7,297
Net loss	<u>\$(10,649)</u>	<u>\$(7,537)</u>	<u>\$(26,220)</u>	<u>\$(13,843)</u>
Warrant liability gain	—	—	—	—
Net loss attributable to common stockholders	<u>\$(10,649)</u>	<u>\$(7,537)</u>	<u>\$(26,220)</u>	<u>\$(13,843)</u>
Denominator:				
Weighted average common shares outstanding-basic	53,228	50,593	53,122	49,100
Dilutive effect of options and warrants	—	—	—	—
Weighted average common shares outstanding-diluted	<u>53,228</u>	<u>50,593</u>	<u>53,122</u>	<u>49,100</u>
Common stock (loss) earnings per share-basic:				
Continuing operations	\$ (0.23)	\$ (0.22)	\$ (0.54)	\$ (0.43)
Discontinued operations	0.03	0.07	0.05	0.15
Net common stock loss per share-basic	<u>\$ (0.20)</u>	<u>\$ (0.15)</u>	<u>\$ (0.49)</u>	<u>\$ (0.28)</u>
Common stock (loss) earnings per share-diluted:				
Continuing operations	\$ (0.23)	\$ (0.22)	\$ (0.54)	\$ (0.43)
Discontinued operations	0.03	0.07	0.05	0.15
Net common stock loss per share-diluted	<u>\$ (0.20)</u>	<u>\$ (0.15)</u>	<u>\$ (0.49)</u>	<u>\$ (0.28)</u>

The following common equivalent shares were excluded from the calculation from net income per share as their inclusion would have been antidilutive (in thousands):

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Restricted stock units and awards	935	721	900	704
Stock options	381	441	384	666
Warrants	823	746	797	444
Total common stock equivalent shares excluded	<u>2,139</u>	<u>1,908</u>	<u>2,081</u>	<u>1,815</u>

12. COMMITMENTS AND CONTINGENCIES

Litigation—From time to time we may be subject to commercial disputes, employment issues, claims by other companies in the industry that we have infringed their intellectual property rights and other similar claims and litigations. Any such claims may lead to future litigation and material damages and defense costs. Other than as set forth below, we were not involved in any material pending legal proceedings during the quarter ended April 1, 2016.

Class Action Suit Against Mindspeed Technologies, Inc. On March 10, 2015, Philip Alvarez, a former employee of Mindspeed Technologies, Inc. (“Mindspeed”) filed a putative class action lawsuit against Mindspeed in the Superior Court of California for the County of Orange. On April 24, 2015, Alvarez filed a First Amended Complaint adding our subsidiary M/A-COM Technology Solutions Inc. as a defendant. The lawsuit alleged, among other things, that Alvarez and certain other employees who designed and manufactured hardware systems for Mindspeed or M/A-COM Technology Solutions Inc. between March 10, 2011 and the present were misclassified as exempt employees under California law. The lawsuit seeks recovery of alleged unpaid overtime wages, meal and rest period premiums, penalties and attorneys’ fees. We dispute the allegations of the lawsuit. On June 15, 2015, Mindspeed removed the action to the United States District Court for the Central District of California. On July 15, 2015, Plaintiff filed a Motion to Remand, which Motion was denied in an Order dated September 9, 2015. The parties have reached an agreement for the dismissal of all class action allegations and claims in the action, as well as certain other claims against Mindspeed and M/A-COM Technology Solutions Inc. and Plaintiff filed a Second Amended Complaint effectuating this agreement. Accordingly, the only claims remaining in the action were those of Alvarez on an individual basis. Subsequently, the parties reached a final and confidential resolution of the matter.

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GaN Lawsuit Against Infineon. On April 26, 2016, we and our wholly-owned subsidiary Nitronex, LLC brought suit against International Rectifier Corporation (“International Rectifier”), Infineon Technologies Americas Corporation, and Infineon Technologies AG (collectively, “Infineon”) in the Federal District Court for the Central District of California, seeking injunctive relief, monetary damages, and specific performance of certain contractual obligations. The suit arises out of agreements relating to GaN patents that were executed several years ago by Nitronex Corporation (acquired by MACOM in 2014) and International Rectifier (acquired by Infineon AG in 2015). We assert claims for breach of contract, breach of the covenant of good faith and fair dealing, declaratory judgment of contractual rights, and declaratory judgment of non-infringement of patents. If successful, the relief sought would, among other remedies, require International Rectifier and Infineon to assign back to MACOM certain GaN-related Nitronex patents that were previously assigned to International Rectifier.

With respect to the above and other legal proceedings, we have not been able to reasonably estimate the amount or range of any possible loss, and accordingly has not accrued or disclosed any related amounts of possible loss in the accompanying consolidated financial statements.

13. RESTRUCTURINGS

We have periodically implemented restructuring actions in connection with broader plans to reduce staffing, reduce our internal manufacturing footprint and, generally, reduce operating costs. The restructuring expenses are primarily comprised of direct and incremental costs related to headcount reductions including severance and outplacement fees for the terminated employees, as well as facility close costs.

The following is a summary of the costs incurred and remaining balances included in accrued expenses for the six months ended April 1, 2016 (in thousands):

Balance as of October 2, 2015	\$ 943
Current period adjustments	1,008
Payments	(770)
Balance as of April 1, 2016	<u>\$1,181</u>

The restructuring expenses recorded to date are expected to be paid through the remainder of fiscal year 2016. Our restructuring charges incurred to date are primarily employee related with non-employee related charges determined to be immaterial. We expect to incur additional restructuring costs in the range of approximately \$4.0 million to \$6.0 million during the remainder of calendar year 2016 as we complete restructuring actions primarily associated with the Metelics Acquisition.

14. SHARE-BASED COMPENSATION

Stock Plans

As of April 1, 2016, we had 8.2 million shares available for future issuance under our 2012 Omnibus Incentive Plan (as Amended and Restated) (the “2012 Plan”). Under the 2012 Plan, we have the ability to issue incentive stock options (ISOs), non-statutory stock options (NSOs), performance-based non-statutory stock options, stock appreciation rights, restricted stock (RSAs), restricted stock units (RSUs), performance-based stock units (PRSUs), performance shares, and other equity-based awards to employees, directors and outside consultants. Options granted to date primarily vest over a four-year period with 25% vesting at the end of one year and the remaining vesting monthly thereafter, and generally have a term of up to 10 years. Certain of the share-based awards granted and outstanding as of April 1, 2016 are subject to accelerated vesting upon a changes in control. The financial impact of any modifications to share-based awards during the periods presented was not material. As of April 1, 2016, total unrecognized compensation cost related to the employee stock purchase plan was not material.

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Share-Based Compensation

The following table shows a summary of share-based compensation expense included in the Condensed Consolidated Statement of Operations for the three and six months ended April 3, 2015 and April 1, 2016 (in thousands):

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Cost of revenue	\$ 493	\$ 549	\$ 950	\$ 895
Research and development	1,671	1,165	3,508	2,127
Selling, general and administrative	3,680	4,255	8,768	6,106
Total stock-based compensation expense	<u>\$ 5,844</u>	<u>\$ 5,969</u>	<u>\$13,226</u>	<u>\$9,128</u>

As of April 1, 2016, the total unrecognized compensation costs related to outstanding stock options and RSUs expected to vest was \$52.5 million, which we expect to recognize over a weighted-average period of 4.2 years.

Stock Options

We had 1.1 million stock options outstanding as of April 1, 2016, with a weighted-average exercise price per share of \$22.69 and weighted-average remaining contractual term of 6.2 years. The aggregate intrinsic value of the stock options outstanding as of April 1, 2016 was \$23.8 million which represents our closing stock price value on the last trading day of the period in excess of the weighted-average exercise price multiplied by the number of options outstanding.

During the six months ended April 1, 2016, we granted 300,000 performance-based non-qualified stock options with a grant date fair value of \$3.5 million that are subject to vesting only upon the market price of the Company's underlying public stock closing above a certain price target within seven years of the date of grant. Due to the market condition upon which vesting is based, the fair value of the awards was estimated using a Monte Carlo simulation model. Compensation cost is recognized regardless of the number of awards that are earned based on the market condition. Compensation cost is recognized on a straight-line basis over the estimated service period of approximately three years. In the event that the Company's common stock achieves the target price of \$64.22 per share based on a 30 day trailing average prior to the end of the estimated service period, any remaining unamortized compensation cost will be recognized.

The total intrinsic value of options at the time of exercise was \$0.8 million and \$2.7 million for the three and six months ended April 1, 2016 and was \$3.2 million and \$4.0 million for the three and six months ended April 3, 2015.

Restricted Stock, Restricted Stock Units and Performance-Based Restricted Stock Units

A summary of restricted stock, restricted stock unit and performance-based restricted stock unit activity for the six months ended April 1, 2016, is as follows (in thousands):

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Balance at October 2, 2015	1,692	\$ 25.30	\$ 48,375
Granted	624	\$ 40.72	
Vested and released	(454)	\$ 23.52	
Forfeited, canceled or expired	(23)	\$ 26.95	
Balance at April 1, 2016	<u>1,839</u>	<u>\$ 30.95</u>	<u>\$ 81,876</u>

Restricted stock, restricted stock units and performance-based restricted stock units that vested during the six months ended April 1, 2016 and April 3, 2015 had fair value of \$15.7 million and \$13.1 million as of the vesting date, respectively.

15. INCOME TAXES

We are subject to income tax in the United States as well as other tax jurisdictions in which we conduct business. Earnings from non-U.S. activities are subject to local country income tax and may also be subject to current U.S. income tax. For interim periods, we record a tax provision or benefit based upon the estimated effective tax rate expected for the full fiscal year, adjusted for material discrete taxation matters arising during the interim periods.

The difference between the U.S. federal statutory income tax rate of 35% and our effective income tax rates for the three and six months ended April 1, 2016 and April 3, 2015, was primarily impacted in all periods by changes in fair values of the common stock warrant liability which is neither deductible nor taxable for tax purposes, income taxed in foreign jurisdictions at generally lower tax rates, non-deductible compensation, research and development tax credits and non-deductible merger expenses, offset by U.S. state income taxes.

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The balance of the unrecognized tax benefit for the three and six months ending April 1, 2016 did not change and remained at \$1.7 million. The unrecognized tax benefits primarily relate to positions taken by us in our 2014 US tax filings. The entire balance of unrecognized tax benefits, if recognized, will reduce income tax expense. It is our policy to recognize any interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the quarter ending April 1, 2016, we did not make any payment of interest and penalties.

As disclosed in *Note 2 - Acquisitions*, our purchase accounting for the FiBest Acquisition, including income taxes, is preliminary and subject to revision upon obtaining and analyzing additional information. At the closing of the FiBest Acquisition, we recorded, on a preliminary basis, a deferred income tax asset relating to net operating loss (NOL) carryforwards of approximately \$2.6 million. The aggregate net deferred income tax liability acquired in the FiBest Acquisition is estimated to be \$12.9 million which includes the net deferred income tax asset of \$2.6 million relating to NOL carryforwards and a net deferred income tax liability of \$15.5 million related to the difference between the book and tax basis of the intangible and other assets acquired. We do not anticipate the recording of any deferred taxes associated with the Metelics Acquisition due to a Section 338(h) (10) election which will permit us to have tax basis equal to the purchase price.

16. RELATED PARTY TRANSACTIONS

GaAs Labs, a former stockholder and an affiliate of directors John and Susan Ocampo, continues to engage us to provide administrative and business development services to GaAs Labs on a time and materials basis. There are no minimum service requirements or payment obligations and the agreement may be terminated by either party with 30 days notice. In the three and six months ended April 1, 2016, we recorded charges to GaAs Labs of less than \$0.1 million for services provided pursuant to this agreement and have recorded these amounts as other income in the accompanying condensed consolidated statements of operations. All of this amount was recorded in the first quarter of fiscal year 2016.

In the three and six months ended April 1, 2016, and April 3, 2015 we recorded revenue of less than \$0.1 million associated with product sales from sales of product to a privately-held company with a common director.

17. SUPPLEMENTAL CASH FLOW INFORMATION

As of April 1, 2016 and April 3, 2015, we had \$0.7 million and \$0.7 million in unpaid amounts related to purchases of property and equipment and intangibles included in accounts payable and accrued liabilities during each period, respectively. These amounts have been excluded from the payments for purchases of property and equipment in the accompanying condensed consolidated statements of cash flows until paid.

The following is supplemental cash flow information regarding non-cash investing and financing activities (in thousands):

	Six Months Ended	
	April 1, 2016	April 3, 2015
Cash paid for interest	\$8,229	\$7,574
Cash paid for income taxes	\$ 722	\$ 794

18. GEOGRAPHIC AND SIGNIFICANT CUSTOMER INFORMATION

We have one reportable operating segment that designs, develops, manufactures and markets semiconductors and modules. The determination of the number of reportable operating segments is based on the chief operating decision maker's use of financial information for the purposes of assessing performance and making operating decisions. In evaluating financial performance and making operating decisions, the chief operating decision maker primarily uses consolidated revenue, gross profit and operating income (loss).

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Information about our operations in different geographic regions, based upon customer locations, is presented below (in thousands):

Revenue by Geographic Region	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
United States	\$ 36,502	\$ 36,336	\$ 70,984	\$ 82,185
Asia Pacific (1)	87,009	57,901	159,464	99,952
Other Countries (2)	10,068	8,194	18,905	16,850
Total	<u>\$133,579</u>	<u>\$102,431</u>	<u>\$249,353</u>	<u>\$198,987</u>

Long-Lived Assets by Geographic Region	As of	
	April 1, 2016	October 2, 2015
United States	\$83,553	\$ 72,617
Asia Pacific (1)	13,167	8,740
Other Countries (2)	2,917	2,402
Total	<u>\$99,637</u>	<u>\$ 83,759</u>

- (1) Asia Pacific represents China, Taiwan, Hong Kong, Japan, Singapore, India, Thailand, Korea, Australia, Malaysia and the Philippines.
(2) No international country or region represented greater than 10% of the total net long-lived assets as of the dates presented, other than the Asia-Pacific region as presented above.

The following is a summary of customer concentrations as a percentage of revenue and accounts receivable as of and for the periods presented:

Revenue	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Customer A	17%	5%	16%	6%
Customer B	12%	13%	12%	13%
Customer C	11%	19%	12%	21%
Customer D	10%	2%	10%	1%

Accounts Receivable	As of	
	April 1, 2016	October 2, 2015
Customer A	13%	14%
Customer B	16%	10%
Customer C	14%	22%

No other customer represented more than 10% of revenue or accounts receivable in the periods presented in the accompanying consolidated financial statements. For the three and six months ended April 1, 2016, our top ten customers represented 66% and 64% and for the three and six months ended April 3, 2015, our top ten customers represented 59% and 58% of total revenue, respectively.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended October 2, 2015 filed with the United States Securities and Exchange Commission (SEC) on November 24, 2015.

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

“M/A-COM” and “MACOM” are trademarks of M/A-COM Technology Solutions Holdings, Inc. All other brands and names listed are trademarks of their respective owners.

Cautionary Note Regarding Forward-Looking Statements

This Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other sections of this Quarterly Report on Form 10-Q contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make other written and oral communications from time to time that contain such statements. Forward-looking statements include statements as to industry trends and our future expectations and other matters that do not relate strictly to historical facts. These statements are often identified by the use of words such as “anticipates,” “believes,” “could,” “continue,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “targets,” “will,” “would,” and similar expressions or variations. These statements are based on management’s beliefs and assumptions as of the date of this Quarterly Report on Form 10-Q, based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, among others, the risks described in the section entitled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended October 2, 2015 as filed with the SEC on November 24, 2015. We caution the reader to carefully consider such factors. Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

We are a leading provider of high-performance analog semiconductor solutions that enable next-generation Internet applications, the cloud connected apps economy, and the modern, networked battlefield across the radio frequency (RF), microwave, millimeterwave and photonic spectrum. We design and manufacture differentiated, high-value products for customers who demand high performance, quality, and reliability. We offer a broad portfolio of over 3,500 standard and custom devices, which include integrated circuits (IC), multi-chip modules, power pallets and transistors, diodes, amplifiers, switches and switch limiters, passive and active components and complete subsystems, across approximately 40 product lines serving over 6,000 end customers in three primary markets. Our semiconductor products are electronic components that our customers incorporate into their larger electronic systems, such as, point-to-point wireless backhaul radios, high density networks, active antenna arrays, radar, magnetic resonance imaging systems (MRI) and unmanned aerial vehicles (UAVs). Our primary markets are: Networks, which includes carrier and enterprise infrastructure, wired broadband and cellular backhaul, cellular infrastructure, photonic solutions and fiber optic applications; Aerospace and Defense (A&D), which includes military and commercial radar, RF jammers, electronic countermeasures, and communication data links; and Multi-market, which includes industrial, medical, test and measurement and scientific applications.

On December 9, 2015, we completed the acquisition of FiBest Limited (“FiBest Acquisition”), a Japan-based merchant market component supplier of optical sub-assemblies. In connection with the FiBest Acquisition, all of the outstanding equity interests (including outstanding options) of FiBest were exchanged for aggregate consideration of \$59.1 million including net cash of \$47.5 million and assumed debt of \$11.6 million. We funded the FiBest Acquisition with cash on hand. The FiBest Acquisition was accounted for as a stock purchase and the operations of FiBest have been included in our consolidated financial statements since the date of acquisition.

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On December 14, 2015, we acquired Aeroflex/Metelics, Inc. (“Metelics Acquisition”), a diode supplier for aggregate cash consideration of \$38.0 million. We funded the acquisition with cash on hand. The Metelics Acquisition was accounted for as a stock purchase and the operations of Metelics have been included in our consolidated financial statements since the date of acquisition.

In August 2015, we divested our Automotive business which we had determined was no longer consistent with our long-term strategic vision from either a growth or profitability perspective. We expect that in future periods the performance of our remaining and more recently acquired businesses will generate consolidated earnings and cash flows consistent with our pre-divestment results for our businesses as a whole.

Description of Our Revenue

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

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

- engaging early with our lead customers to develop products and solutions that can be driven across multiple growth markets;
- leveraging our core strength and leadership position in standard, catalog products that can service multiple end market applications;
- increasing content of our semiconductor solutions in our customers’ systems through cross-selling of our more than 40 product lines;
- introducing new products through internal development and acquisitions with market reception that command higher prices based on the application of advanced technologies such as GaN, added features, higher levels of integration and improved performance; and
- growth in the market for high-performance analog semiconductors generally, and in our three primary markets in particular.

Our core strategy is to develop innovative, high-performance products that address our customers’ most difficult technical challenges in our primary markets: Networks, A&D and Multi-market. While sales in any or all of our primary markets may slow or decline from period to period, over the long-term we generally expect to benefit from strength in these markets.

We expect our revenue in the Networks market to be primarily driven by continued upgrades and expansion of communications equipment to support expansion in the Internet of Things (IoT), the proliferation of mobile computing devices such as smartphones and tablets, increasing adoption of bandwidth rich services such as video on demand and cloud computing, the rapid adoption of cloud-based services, and the migration to an application centric architecture, which we expect will drive faster adoption of higher speed, low latency optical and wireless links.

We expect our revenue in the A&D market to be driven by the upgrading of radar systems and modern battlefield communications equipment and networks designed to improve situational awareness. Growth in this market is subject to changes in governmental programs and budget funding, which is difficult to predict.

We expect revenue in Multi-market to be driven by diverse demand for our multi-purpose catalog products.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements. The preparation of financial statements, in conformity with generally accepted accounting principles in the U.S. (GAAP), requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and

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expenses during the reporting period. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty and actual results could differ materially from our estimates and judgments. On an ongoing basis, we re-evaluate our estimates and judgments.

We base our estimates and judgments on our historical experience and on other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The accounting policies which our management believes involve the most significant application of judgment, or involve complex estimation, are inventories and associated reserves; goodwill and intangibles asset valuations and associated impairment assessments; revenue reserves; contingent consideration valuations, share-based compensation valuations and income taxes and deferred income tax accounting.

For additional information related to these and other accounting policies refer to *Note 2 - Summary of Significant Accounting Policies* to our Consolidated Financial Statements included in Item 8 of Part II, "Financial Statements and Supplementary Data," of our 2015 Annual Report on Form 10-K for the fiscal year ended October 2, 2015.

Results of Operations

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

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Revenue	\$ 133,579	\$ 102,431	\$ 249,353	\$ 198,987
Cost of revenue (1) (5) (6)	68,054	55,717	123,510	104,854
Gross profit	65,525	46,714	125,843	94,133
Operating expenses:				
Research and development (1)	26,203	20,439	51,525	39,221
Selling, general and administrative (1) (3)	34,617	28,247	69,303	53,475
Impairment charges (6)	11,005	—	11,005	—
Restructuring charges	851	413	1,008	413
Total operating expenses	72,676	49,099	132,841	93,109
Income (loss) from operations	(7,151)	(2,385)	(6,998)	1,024
Other income (expense):				
Warrant liability expense (2)	(4,201)	(5,609)	(19,079)	(16,217)
Interest expense	(4,408)	(4,723)	(8,754)	(9,446)
Other (income) expense, net	(81)	(1,376)	19	(1,001)
Total other expense	(8,690)	(11,708)	(27,814)	(26,664)
Loss before income taxes	(15,841)	(14,093)	(34,812)	(25,640)
Income tax loss (benefit)	(3,796)	(2,917)	(5,997)	(4,500)
Loss from continuing operations	(12,045)	(11,176)	(28,815)	(21,140)
Income from discontinued operations (4)	1,396	3,639	2,595	7,297
Net loss	\$ (10,649)	\$ (7,537)	\$ (26,220)	\$ (13,843)

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- (1) Includes (a) Amortization expense related to intangible assets arising from acquisitions and (b) Stock-based compensation included in our consolidated statements of operations as set forth below (in thousands):

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
(a) Intangible amortization expense:				
Cost of revenue	\$ 6,642	\$ 7,347	\$13,809	\$12,706
Selling, general and administrative	6,304	3,096	10,727	4,149
(b) Stock-based compensation expense:				
Cost of revenue	\$ 493	\$ 549	950	895
Research and development	1,671	1,165	3,508	2,127
Selling, general and administrative	3,680	4,255	8,768	6,106

- (2) Represents changes in the fair value of common stock warrants recorded as liabilities and adjusted each reporting period to fair value.
- (3) Includes acquisition and transaction related costs of \$2.7 million and \$0.5 million associated with the FiBest and Metelics acquisitions primarily during the six months ended April 1, 2016 and \$4.1 million for BinOptics during the six months ended April 3, 2015, respectively.
- (4) For additional information related to this item refer to Note 3 - Discontinued Operations in this Quarterly Report on Form 10-Q.
- (5) Includes acquisition fair market value inventory step-up related expenses of \$2.1 million for the six months ended April 1, 2016, and \$4.0 million for the six months ended April 3, 2015.
- (6) Includes impairment and inventory related charges of \$11.0 million and \$2.0 million, respectively, related to exiting a product line.

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

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	50.9	54.4	49.5	52.7
Gross profit	49.1	45.6	50.5	47.3
Operating expenses:				
Research and development	19.6	20.0	20.7	19.7
Selling, general and administrative	25.9	27.6	27.8	26.9
Impairment charges	8.2	—	4.4	—
Restructuring charges	0.6	0.4	0.4	0.2
Total operating expenses	54.4	47.9	53.3	46.8
Income (loss) from operations	(5.4)	(2.3)	(2.8)	0.5
Other income (expense):				
Warrant liability expense	(3.1)	(5.5)	(7.7)	(8.1)
Interest expense	(3.3)	(4.6)	(3.5)	(4.7)
Other income, net	(0.1)	(1.3)	—	(0.5)
Total other expense	(6.5)	(11.4)	(11.2)	(13.4)
Loss before income taxes	(11.9)	(13.8)	(14.0)	(12.9)
Income tax expense (benefit)	(2.8)	(2.8)	(2.4)	(2.3)
Loss from continuing operations	(9.0)	(10.9)	(11.6)	(10.6)
Income from discontinued operations	1.0	3.6	1.0	3.7
Net loss	(8.0)%	(7.4)%	(10.5)%	(7.0)%

Comparison of the Three and Six Months Ended April 1, 2016 to the Three and Six Months Ended April 3, 2015

We acquired FiBest and Metelics during December 2015. These acquisitions had annualized revenue of approximately \$24.0 million and \$37.0 million, respectively. We acquired BinOptics in December 2014 which had annualized revenue of approximately \$45.0 million. Our quarterly Statements of Operations includes activity since the dates of acquisition, representing less than four months of activity for FiBest and Metelics for the three and six months ended April 1, 2016 and BinOptics for the three and six months ended April 3, 2015.

Revenue. Our revenue increased \$31.1 million, or 30.4%, to \$133.6 million for the three months ended April 1, 2016, from \$102.4 million for the three months ended April 3, 2015 and our revenue increased \$50.4 million, or 25.3%, to \$249.4 million for the six months ended April 1, 2016, from \$199.0 million for the six months ended April 3, 2015, respectively. The increase in revenue in the three and six months ended April 1, 2016 is further described by end market in the following paragraphs.

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

	Three Months Ended			Six Months Ended		
	April 1, 2016	April 3, 2015	% Change	April 1, 2016	April 3, 2015	% Change
Networks	\$ 96,344	\$ 67,132	43.5%	\$179,364	\$120,592	48.7%
A&D	18,046	19,461	(7.3)%	36,338	44,313	(18.0)%
Multi-market	19,188	15,838	21.2%	33,651	34,082	(1.3)%
Total	<u>\$133,578</u>	<u>\$102,431</u>		<u>\$249,353</u>	<u>\$198,987</u>	
Networks	72.1%	65.5%		71.9%	60.6%	
A&D	13.5%	19.0%		14.6%	22.3%	
Multi-market	14.4%	15.5%		13.5%	17.1%	
Total	<u>100.0%</u>	<u>100.0%</u>		<u>100.0%</u>	<u>100.0%</u>	

For the three and six months ended April 3, 2015, the table above includes \$3.7 million and \$18.8 million, respectively, recognized in connection with a change in estimate related to distribution revenue recognition. These amounts include \$1.2 million and \$7.4 million related to Networks, \$0.9 million and \$5.2 million to A&D and \$1.6 million and \$6.2 million to Multi-market, respectively. See “*Note 2 - Summary of Significant Accounting Policies “Revenue Recognition”*” of our 2015 Annual Report on Form 10-K for additional information.

In the three and six months ended April 1, 2016, our Networks market revenue increased by \$29.2 million, or 43.5% and \$58.8 million, or 48.7%, respectively, compared to the three and six months ended April 3, 2015. The increase was primarily related to the BinOptics Acquisition and FiBest Acquisition, along with other products addressing carrier infrastructure, fiber to the home access networks and initial 100G long haul deployments, as well as, increased sales of our other products targeting optical applications and Optoelectronic sales and increasing revenues from our FiBest Acquisition. These increases were partially offset by weakness in our products targeting wired broadband and wireless backhaul during the six months ended April 3, 2015 and the change in distributor revenue recognition.

In the three and six months ended April 1, 2016, our A&D market revenue decreased by \$1.4 million, or 7.3%, and \$8.0 million, or 18.0%, respectively, compared to the three and six months ended April 3, 2015. The decrease was primarily due to the impact related to the change in distributor revenue recognition during the first quarter of fiscal 2015 as well as lower demand for products targeting radar and satellite communication applications during the first six months of 2016, which were partially offset by incremental revenue from the Metelics Acquisition.

In the three and six months ended April 1, 2016, our Multi-market revenues increased by \$3.4 million, or 21.2%, and decreased by \$0.4 million, or 1.3%, respectively, compared to the three and six months ended April 3, 2015. The increase was primarily due to incremental revenue from the Metelics Acquisition, partially offset by the change in distributor revenue recognition during the six months ended April 3, 2015.

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Gross profit. Gross margin was 49.1% and 50.5%, respectively, for the three and six months ended April 1, 2016, and 45.6% and 47.3%, respectively, for the three and six months ended April 3, 2015. Gross profit during the three and six months ended April 1, 2016, was positively impacted by increased sales of higher gross profit products, as well as lower expenses associated with the step-up in fair value of inventory related to acquisitions, partially offset by lower gross margins on newly acquired businesses and inventory charges associated with the exit of one of our product lines.

Research and development. R&D expense increased by \$5.8 million, or 28.2%, to \$26.2 million, or 19.6% of our revenue, for the three months ended April 1, 2016, compared with \$20.4 million, or 20.0% of our revenue, for the three months ended April 3, 2015. R&D expense increased by \$12.3 million, or 31.4%, to \$51.5 million, or 20.7% of our revenue, for the six months ended April 1, 2016, compared with \$39.2 million, or 19.7% of our revenue, for the six months ended April 3, 2015. R&D expense increased in the 2016 periods primarily as a result of additional costs from our acquisitions, higher stock-based and variable compensation as well as increased spending on new product development initiatives.

Selling, general and administrative. Selling, general and administrative expense increased by \$6.4 million, or 22.6%, to \$34.6 million, or 25.9% of our revenue, for the three months ended April 1, 2016, compared with \$28.2 million, or 27.6% of our revenue, for the three months ended April 3, 2015. Selling, general and administrative expense increased by \$15.8 million, or 29.6%, to \$69.3 million, or 27.8% of our revenue, for the six months ended April 1, 2016, compared with \$53.5 million, or 26.9% of our revenue, for the six months ended April 3, 2015. Selling, general and administrative expenses increased in the 2016 periods primarily due to higher intangible amortization, stock-based and variable compensation as well as additional costs from acquisitions, partially offset by lower acquisition related transaction compensation expenses.

Impairment charges. Impairment charges totaled \$11.0 million for the three and six months ended April 1, 2016. During the three months ended April 1, 2016, we made a strategic decision to exit the product line and end programs associated with our GaN-on Silicon Carbide license and technology transfer. As a result of this strategic decision, we determined that the intangible assets and contractual commitments under the long term technology licensing and transfer agreement signed in July 2013, as well as certain dedicated fixed assets as well as inventory with a value of \$2.0 million would no longer have any future benefit. There were no impairment charges during the same periods in the prior fiscal year.

Restructuring charges. Restructuring charges totaled \$0.9 million and \$0.4 million for the three months ended April 1, 2016 and April 3, 2015 and \$1.0 million and \$0.4 million during the six months ended April 1, 2016 and April 3, 2015, respectively. The increase in restructuring charges during the first six months of 2016 were primarily related to the Metelics Acquisition. We expect to incur additional restructuring costs in the range of approximately \$4.0 million and \$6.0 million during the remainder of calendar year 2016 as we complete these restructuring actions.

Warrant liability. Our warrant liability resulted in an expense of \$4.2 million and \$19.1 million for the three and six months ended April 1, 2016, compared to an expense of \$5.6 million and \$16.2 million for the three and six months ended April 3, 2015, respectively. The differences between periods was driven by changes in the estimated fair value of common stock warrants we issued in December 2010, which we carry as a liability at fair value.

Provision for income taxes. The income tax benefit was \$3.8 million for the three months ended April 1, 2016, compared to a benefit of \$2.9 million for the three months ended April 3, 2015. The income tax benefit was \$6.0 million for the six months ended April 1, 2016, compared to a benefit of \$4.5 million for the six months ended April 3, 2015. The income tax benefit for the three and six months ended April 1, 2016 was impacted by a non-deductible discrete loss of \$4.2 million and \$19.1 million, respectively, for changes in fair market values of the stock warrant liability. The income tax benefit for the three months ended April 1, 2016 was also impacted by a discrete write-off of \$11.0 million for assets associated with the exiting of a product line.

The difference between the U.S. federal statutory income tax rate of 35% and our effective income tax rate for the six months ended April 1, 2016 and April 3, 2015, respectively, was primarily impacted by changes in fair values of the common stock warrant liability which is not deductible nor taxable for tax purposes, income taxed in foreign jurisdictions at generally lower tax rates, non-deductible compensation, research and development tax credits and non-deductible merger expenses, offset by U.S. state income taxes.

As disclosed in *Note 2 - Acquisitions*, our purchase accounting for the FiBest Acquisition, including income taxes, is preliminary and subject to revision upon obtaining and analyzing additional information. At the closing of the FiBest Acquisition, we recorded, on a preliminary basis, a deferred income tax asset relating to net operating loss (NOL)

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carryforwards of approximately \$2.6 million. The aggregate net deferred income tax liability acquired in the FiBest Acquisition is estimated to be \$12.9 million which includes the net deferred income tax asset of \$2.6 million relating to NOL carryforwards and a net deferred income tax liability of \$15.5 million related to the difference between the book and tax basis of the intangible and other assets acquired in the acquisition. We do not anticipate the recording of any deferred taxes associated with the Metelics Acquisition due to a Section 338(h) (10) election which will permit us to have tax basis equal to the purchase price.

Liquidity and Capital Resources

The following table summarizes our cash flow activities for the six months ended April 1, 2016 and April 3, 2015, respectively (in thousands):

	Six Months Ended	
	April 1, 2016	April 3, 2015
Cash and cash equivalents, beginning of period	\$ 122,312	\$ 173,895
Net cash provided by operating activities	35,098	1,432
Net cash used in investing activities	(83,909)	(224,242)
Net cash (used in) provided by financing activities	(15,146)	122,885
Effect of exchange rates on cash balances	(168)	—
Cash and cash equivalents, end of period	<u>\$ 58,187</u>	<u>\$ 73,970</u>

Cash Flow from Operating Activities:

Our cash flow from operating activities for the six months ended April 1, 2016 of \$35.1 million consists of a net loss of \$26.2 million, plus adjustments to reconcile our net loss to cash provided by operating activities of \$77.5 million less changes in operating assets and liabilities of \$16.2 million. Adjustments to reconcile our net loss to cash provided by operating activities of \$77.5 million primarily included depreciation and intangible amortization expense of \$34.1 million, stock-based incentive compensation expense of \$13.2 million, impairment charges of \$13.0 million and warrant liability expense of \$19.1 million. In addition cash used by operating assets and liabilities was \$16.2 million for the six months ended April 1, 2016 primarily driven by an increase in inventory of \$15.0 million and decreases in accounts payable of \$2.9 million. Inventory increases during the first six months of our fiscal year 2016 are expected to support anticipated customer demand in the second half of fiscal 2016.

Our cash flow from operating activities for the six months ended April 3, 2015 of \$1.4 million consists of a net loss of \$13.8 million plus adjustments to reconcile our net loss to cash provided by operating activities of \$61.9 million less changes in operating assets and liabilities of \$46.7 million. Adjustments to reconcile our net loss to cash provided by operating activities of \$61.9 million primarily included depreciation and intangible amortization expense of \$24.9 million, stock-based incentive compensation expense of \$9.1 million and warrant liability expense of \$16.2 million. In addition cash used by operating assets and liabilities was \$46.7 million for the six months ended April 3, 2015 primarily driven by an escrow payment associated with the retention of BinOptics Acquisition employees of \$14.6 million, a decrease in deferred revenue of \$17.0 million, a decrease in accounts payable of \$5.5 million and a decrease in accrued liabilities of \$9.9 million, primarily associated with a payment for BinOptics Acquisition related professional fees.

Cash Flow from Investing Activities:

Our cash flow used by investing activities consists primarily of cash paid for the FiBest and Metelics acquisitions of \$85.5 million and capital expenditures of \$17.0 million, for the six months ended April 1, 2016. The \$3.8 million of cash provided from discontinued operations during the six months ended April 1, 2016, was associated with the sale of our Automotive business in August 2015. Additionally, during the six months ended April 1, 2016, we purchased \$7.7 million of short term investments and received proceeds of \$23.3 million related to the sale of short term investments which was used to fund acquisitions and operating activities.

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Our cash flow used by investing activities consists primarily of cash paid for the BinOptics Acquisition of \$208.4 million and capital expenditures of \$14.0 million for the six months ended April 3, 2015. For additional information related to Acquisitions, Divestitures and Investments see Notes 2, 3 and 4 to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

Cash Flow from Financing Activities:

During the six months ended April 1, 2016, our cash used from financing activities of \$15.1 million was primarily related to \$9.1 million in payments of debt assumed in connection with our FiBest Acquisition and \$6.2 million in purchases of stock associated employee tax withholdings, partly offset by \$3.1 million of proceeds from stock option exercises and employee stock purchases.

Cash flow from financing activities for the six months ended April 3, 2015 was \$122.9 million and included proceeds of \$100.0 million from our revolving credit facility which was subsequently used to fund our BinOptics Acquisition.

In addition we paid \$4.9 million in purchases of stock associated employee tax withholdings, partly offset by \$2.9 million of proceeds from stock option exercises and employee stock purchases.

Liquidity

As of April 1, 2016, we held \$58.2 million of cash and cash equivalents, primarily deposited with financial institutions. The undistributed earnings of our foreign subsidiaries are indefinitely reinvested and we do not intend to repatriate such earnings. We believe the decision to reinvest these earnings will not have a significant impact on our liquidity. As of April 1, 2016, cash held by our foreign subsidiaries was \$35.3 million, which, along with cash generated from foreign operations, is expected to be used in the support of international growth and working capital requirements.

We plan to use our available cash and cash equivalents, short term investments, and potential remaining borrowing capacity under our Revolving Facility for general corporate purposes, including working capital, or for the acquisition of or investment in complementary technologies, design teams, products and businesses. We may also use a portion of our cash and cash equivalents and any amounts remaining under our Revolving Facility, which we may draw on from time to time, for the acquisition of, or investment in, complementary technologies, design teams, products and companies. We believe that our cash and cash equivalents, short term investments, cash generated from operations, and borrowing availability under the Revolving Facility will be sufficient to meet our working capital requirements for at least the next 12 months. We may need to raise additional capital from time to time through the issuance and sale of equity or debt securities, and there is no assurance that we will be able to do so on favorable terms or at all.

For additional information related to our Liquidity and Debt, see *Note 8 - Debt* included in this Quarterly report on Form 10-Q.

Recent Accounting Pronouncements

Our Recent Accounting Pronouncements are described in the notes to our October 2, 2015 consolidated financial statements, which were included in our Annual Report on Form 10-K.

In April 2015, the FASB issued ASU 2015-03 related to the simplification of the presentation of debt issuance costs. The standard requires entities to present 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 ASU provides that debt issuance costs are analogous to debt discounts and reduce the proceeds of borrowing which increases the effective interest rate. Prior to the amendment, debt issuance costs were reported in the balance sheet as an asset. The amended guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and requires retrospective adoption. As of April 1, 2016, we have \$6.3 million of unamortized deferred finance costs which under the amendment would be reclassified on our balance sheet. Any remaining deferred financing costs such as of September 30, 2016 will be reclassified when we adopt the amendment in fiscal 2017.

In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, Balance Sheet Classification of Deferred Taxes. This update simplifies the presentation of deferred income taxes by eliminating the current requirements to classify deferred income tax assets and liabilities between current and noncurrent. The amendments in this update require that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. For public business entities, the standard is effective in the annual reporting periods beginning after December 15, 2016. Early adoption is permitted as of the beginning of any interim or annual reporting period and can be applied either prospectively or retrospectively to all periods presented. We have elected to adopt this standard early and have implemented the change prospectively as of the second quarter of fiscal 2016; prior periods were not adjusted. As of the second quarter of fiscal 2016, we included \$31.4 million of current deferred income tax assets with our noncurrent deferred income tax assets; no adjustments were made to deferred tax liabilities.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing

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arrangements. Certain qualitative and quantitative disclosures are required, as well as a retrospective recognition and measurement of impacted leases. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2018, with early adoption permitted. We have not yet selected a transition method and we are evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09 which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Early adoption is permitted and the updated standard must be adopted no later than our fiscal first quarter of fiscal 2018. We have not yet selected a transition method and we are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of April 1, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the ordinary course of business, which consists primarily of interest rate risk associated with our cash and cash equivalents short-term investments, and our variable rate debt, as well as foreign exchange rate risk. In addition, the value of our warrant liability is based on the underlying price of our common stock and changes in its value could significantly impact our warrant liability expense.

Interest rate risk. The primary objectives of our investment activity are to preserve principal, provide liquidity, and earn a money market rate of return. To minimize market risk, we maintain our portfolio in cash and diversified short-term investments, which may consist of bank deposit and money market funds. The interest rates are variable and fluctuate with current market conditions. The risk associated with fluctuating interest rates is limited to this investment portfolio. We believe that a 10% change in interest rates would not have a material impact on our financial position or results of operations.

Our exposure to interest rate risk also relates to the increase or decrease in the amount of interest expense we must pay on the outstanding debt under the Credit Agreement. The interest rates on our term loans and revolving credit facility are variable interest rates based on our lender's prime rate or a LIBOR rate, in each case plus an applicable margin, which exposes us to market interest rate risk when we have outstanding borrowings under the Credit Agreement. As of April 1, 2016, we had \$343.9 million of outstanding borrowings under the Credit Agreement. Assuming our outstanding debt remains constant under the Credit Agreement for an entire year and the applicable annual interest rate increases or decreases by 1%, our annual interest expense would increase or decrease by \$3.5 million.

Foreign currency risk. To date, our international customer agreements have been denominated primarily in U.S. dollars. Accordingly, we have limited exposure to foreign currency exchange rates. The foreign operations we acquired in the FiBest acquisition have transactions which are predominately denominated in Japanese Yen. The functional currency of a majority of our foreign operations continues to be in U.S. dollars with the remaining operations being local currency. Increases in the value of the United States dollar relative to other currencies could make our products more expensive, which could negatively impact demand in certain regions. Conversely, decreases in the value of the United States dollar relative to other currencies could result in our products being more expensive to certain customers and could reduce or delay orders, or otherwise negatively affect how they do business with us. The effects of exchange rate fluctuations on the net assets of the majority of our operations are accounted for as transaction gains or losses. We believe that a change of 10% in such foreign currency exchange rates would not have a material impact on our financial position or results of operations. In the future, we may enter into foreign currency exchange hedging contracts to reduce our exposure to changes in exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are intended to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were not effective as of April 1, 2016 due to the material weakness in internal control over financial reporting described below.

Changes in Internal Control over Financial Reporting

As a result of the FiBest and Metelics acquisitions, we have commenced a project to evaluate the processes and procedures of their internal controls over financial reporting and incorporate such internal controls into our financial reporting framework. In addition, we implemented certain information technology controls as described in our remediation activities noted below. Except for the activities described above, there were no changes in our internal control over financial reporting during the quarter ended April 1, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation of Material Weakness

As disclosed in our Annual Report on Form 10-K, Item 9A, for the year ended October 2, 2015, we identified a material weakness in our internal control over financial reporting related to information technology general controls in the areas of user access and program change management. We have developed a remediation plan for this material weakness, the implementation of which remains ongoing as of April 1, 2016 and is described in our Annual Report on Form 10-K filed with the SEC on November 24, 2015.

Specifically, in the second quarter, we:

- Implemented stricter administrator access control on certain information systems including our primary ERP system by limiting ability to make program changes to only authorized and appropriate personnel;
- Implemented formal provisioning and monitoring procedures specific to privileged user access in our primary ERP system;
- Implemented new change management controls to ensure that all system changes are properly monitored and controlled;
- Expanded the number and expertise of resources to support and monitor our information technology control structure; and
- Initiated a role redesign process for our primary ERP system to reduce segregation of duties conflict risk.

We believe the measures identified above will remediate the material weakness and will strengthen our internal controls over financial reporting related to information technology general controls in the areas of user access and program change management. We are in the process of testing the ongoing operating effectiveness of the enhanced controls and plan to complete our testing before or in connection with the preparation of our consolidated financial statements for the fiscal year ended September 30, 2016. We will consider the material weakness remediated after the applicable remedial controls operate effectively for a sufficient period of time.

Notwithstanding the identified material weakness and the conclusion above that our disclosure controls and procedures were not effective as of April 1, 2016, management believes that the consolidated financial statements contained in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we may be subject to commercial disputes, employment issues, claims by other companies in the industry that we have infringed their intellectual property rights and other similar claims and litigations. Any such claims may lead to future litigation and material damages and defense costs. Other than as set forth below, we were not involved in any material pending legal proceedings during the quarter ended April 1, 2016.

Class Action Suit Against Mindspeed Technologies, Inc. On March 10, 2015, Philip Alvarez, a former employee of Mindspeed Technologies, Inc. (“Mindspeed”) filed a putative class action lawsuit against Mindspeed in the Superior Court of California for the County of Orange. On April 24, 2015, Alvarez filed a First Amended Complaint adding our subsidiary M/A-COM Technology Solutions Inc. as a defendant. The lawsuit alleged, among other things, that Alvarez and certain other employees who designed and manufactured hardware systems for Mindspeed or M/A-COM Technology Solutions Inc. between March 10, 2011 and the present were misclassified as exempt employees under California law. The lawsuit seeks recovery of alleged unpaid overtime wages, meal and rest period premiums, penalties and attorneys’ fees. We dispute the allegations of the lawsuit. On June 15, 2015, Mindspeed removed the action to the United States District Court for the Central District of California. On July 15, 2015, Plaintiff filed a Motion to Remand, which Motion was denied in an Order dated September 9, 2015. The parties have reached an agreement for the dismissal of all class action allegations and claims in the action, as well as certain other claims against Mindspeed and M/A-COM Technology Solutions Inc. and Plaintiff filed a Second Amended Complaint effectuating this agreement. Accordingly, the only claims remaining in the action were those of Alvarez on an individual basis. Subsequently, the parties reached a final and confidential resolution of the matter.

GaN Lawsuit Against Infineon. On April 26, 2016, we and our wholly-owned subsidiary Nitronex, LLC brought suit against International Rectifier Corporation (“International Rectifier”), Infineon Technologies Americas Corporation, and Infineon Technologies AG (collectively, “Infineon”) in the Federal District Court for the Central District of California, seeking injunctive relief, monetary damages, and specific performance of certain contractual obligations. The suit arises out of agreements relating to GaN patents that were executed several years ago by Nitronex Corporation (acquired by MACOM in 2014) and International Rectifier (acquired by Infineon AG in 2015). We assert claims for breach of contract, breach of the covenant of good faith and fair dealing, declaratory judgment of contractual rights, and declaratory judgment of non-infringement of patents. If successful, the relief sought would, among other remedies, require International Rectifier and Infineon to assign back to MACOM certain GaN-related Nitronex patents that were previously assigned to International Rectifier.

ITEM 1A. RISK FACTORS

Our business involves a high degree of risk. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended October 2, 2015, which could materially affect our business, financial condition or future results. As of the date of this Quarterly Report on Form 10-Q, there has been no material changes in any of the risk factors described in our Annual Report on Form 10-K for the year ended October 2, 2015, except as noted below:

We may be unable to successfully integrate the businesses and personnel of our acquired companies and businesses, and may not realize the anticipated synergies and benefits of such acquisitions.

From time to time, we complete acquisitions of companies and certain businesses of companies, and we may not realize the expected benefits from such acquisitions because of integration difficulties or other challenges. The success of our acquisitions will depend, in part, on our ability to realize all or some of the anticipated synergies and other benefits from integrating the acquired businesses with our existing businesses. The integration process may be complex, costly, and time-consuming. The potential difficulties we may face in integrating the operations of our acquisitions include, among others:

- failure to implement our business plans for the combined businesses and consolidation or expansion of production capacity as planned and where applicable;

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- unexpected losses of key employees, customers or suppliers of our acquired companies and businesses;
- unanticipated issues in conforming our acquired companies' and businesses' standards, processes, procedures and controls with our operations;
- coordinating new product and process development;
- increasing the scope, geographic diversity and complexity of our operations;
- diversion of management's attention from other business concerns;
- adverse effects on our or our acquired companies' and businesses' existing business relationships;
- unanticipated changes in applicable laws and regulations;
- operating risks inherent in our acquired companies' and businesses' business and operations;
- unanticipated expenses and liabilities;
- potential unfamiliarity with our acquired companies and businesses technology, products and markets, which may place us at a competitive disadvantage; and
- other difficulties in the assimilation of our acquired companies and businesses operations, technologies, products and systems.

Our acquired companies and businesses may have unanticipated or larger than anticipated liabilities for patent and trademark infringement claims, violations of laws, commercial disputes, taxes and other known and unknown types of liabilities. There may be liabilities that we underestimated or did not discover in the course of performing our due diligence investigation of our acquired companies and businesses. We may have limited recourse under the applicable acquisition-related agreement to recover damages relating to the liabilities of our acquired companies and businesses.

We may not be able to maintain or increase the levels of revenue, earnings or operating efficiency that each of our acquired companies and businesses and us had achieved or might achieve separately. In addition, we may not accomplish the integration of our acquired companies and businesses smoothly, successfully or within the anticipated costs or timeframe. If we experience difficulties with the integration process or if the business of our acquired companies or businesses deteriorates, the anticipated cost savings, growth opportunities and other synergies of our acquired companies and businesses may not be realized fully, or at all, or may take longer to realize than expected. If any of the above risks occur, our business, financial condition, results of operations and cash flows may be materially and adversely impacted, we may fail to meet the expectations of investors or analysts, and our stock price may decline as a result.

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

We have operations in Europe, Asia and Australia, and customers around the world. In addition, in December 2015 we acquired FiBest, a Japan-based merchant market component supplier of optical sub-assemblies. The FiBest Acquisition significantly increased our overall scope of operations and employee base in Japan. As a result, we are subject to regulatory, geopolitical and other risks associated with doing business outside the U.S. Global operations involve inherent risks, including currency controls, currency exchange rate fluctuations, tariffs, required import and export licenses, associated delays and other related international trade restrictions and regulations. Further, there is a risk that language barriers, cultural differences and other factors associated with our international operations may make them more difficult to manage effectively.

The legal system in many of the regions where we conduct business can lack transparency in certain respects relative to that of the U.S. and can accord local government authorities a higher degree of control and discretion over business than is customary in the U.S. This makes the process of obtaining necessary regulatory approvals and maintaining compliance inherently more difficult and unpredictable. In addition, the protection accorded to proprietary technology and know-how under these legal systems may not be as strong as in the U.S., and, as a result, we may lose valuable trade secrets and competitive advantages. The cost of doing business in European jurisdictions can also be higher than in the U.S. due to exchange rates, local collective bargaining regimes, and local legal requirements and norms regarding employee benefits and employer-employee relations, in particular. We are also subject to U.S. legal requirements related to our foreign operations, including the Foreign Corrupt Practices Act.

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Sales to customers located outside the U.S. accounted for 63.6% of our revenue for the fiscal year ended October 2, 2015. Sales to customers located in the Asia Pacific region typically account for a substantial majority of our overall sales to customers located outside the U.S. We expect that revenue from international sales generally, and sales to the Asia Pacific region specifically, will continue to be a significant part of our total revenue. Therefore, any financial crisis or other major event causing business disruption in international jurisdictions generally, and the Asia Pacific region in particular, could negatively effect our future revenues and results of operations. Because the majority of our foreign sales are denominated in U.S. dollars, our products become less price-competitive in countries with currencies that are low or are declining in value against the U.S. dollar. Also, we cannot be sure that our international customers will continue to accept orders denominated in U.S. dollars. If they do not, our reported revenue and earnings will become more directly subject to foreign exchange fluctuations. Some of our customer purchase orders and agreements are governed by foreign laws, which may differ significantly from U.S. laws. We may be limited in our ability to enforce our rights under such agreements and to collect amounts owed to us.

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

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

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

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

- the accurate prediction of market requirements, changes in technology and evolving standards;
- the availability of qualified product designers and process technologies needed to solve difficult design challenges in a cost-effective, reliable manner;
- our ability to design products that meet customers' cost, size and performance requirements;
- our ability to manufacture new products according to customer needs with acceptable manufacturing yields;
- our ability to offer new products at competitive prices;
- the acceptance by customers of our new product designs;
- the identification of and entry into new markets for our products, such as our recently announced market opportunities in 100G optical networks, GaN RF power and active antennas;

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- the acceptance of our customers' products by the market and the lifecycle of such products;
- our ability to innovate, the strength of our intellectual property rights, and our ability to protect our intellectual property rights;
- our ability to deliver products in a timely manner within our customers' product planning and deployment cycle; and
- our ability to maintain and increase our level of product content in our customers' systems.

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

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

Our future growth depends to a significant extent on the continued growth in usage of advanced electronic systems in our primary markets: Networks, A&D and Multi-market. The rate and extent to which these markets grow, if at all, is uncertain. For example, our ability to capitalize on our recently announced market opportunities in 100G optical networks, GaN RF power and active antennas will depend on, among other things, the future size and growth rates of these markets and the future pace of adoption of our products in these markets. Our markets may fail to grow or decline for many reasons, including insufficient consumer demand, lack of access to capital, sequestration or other changes in the U.S. defense budget and procurement processes, changes in export controls or other regulatory environments, macro-economic factors and changes in network specifications. If demand for electronic systems that incorporates our products declines, fails to grow, or grows more slowly than we anticipate, purchases of our products may be reduced, which may adversely affect our business, financial condition and results of operations. In particular, we believe that the rollout of fiber-to-the-home network technology and other new network technology developments in China, Japan and certain other geographies will be an important factor in our future growth. If any such expected rollout fails to occur, occurs more slowly than we expect or does not result in the amount or type of new business we anticipate, purchases of our products intended to address the affected markets may be reduced or not occur, which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

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

Even when we achieve a design win, success is not assured. Customer qualification and design cycles can be lengthy, and it may take a year or more following a successful design win and product qualification for one of our products to be purchased in volume by the customer. We may experience difficulties manufacturing the part in volume, such as low yields, supply chain delays or shortages, or quality issues. Further, while the customer has successfully qualified our part for use in its system, it may not have qualified all of the other components being sourced for its system, or qualified its system as a whole with its end customers. Any difficulties our customer may experience in completing those qualifications may delay or prevent us from translating the design win into revenue. These risks can be particularly acute in our A&D market, where we may spend material amounts and commit substantial design engineer resources to product development work in support of an OEM customer's attempt to win business tied to a government contract award, but realize no related revenue or less than expected revenue from

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our investment due to failure of the OEM to win the business, government program cancellation, federal budget limitations, or otherwise. Any of these events, or any cancellation of a customer's program or failure of our customer to successfully market its own product after our design win could materially and adversely affect our business, financial condition and results of operations, as we may have incurred significant expense and generated no revenue.

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

The semiconductor industry is highly competitive. While we compete with a wide variety of companies, we compete with ADI across most of our primary markets. Our other significant competitors include, among others, Broadcom Limited, Cobham, Microsemi, Qorvo and Skyworks.

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

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

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

The semiconductor industry is generally subject to frequent litigation regarding patents and other intellectual property rights. For example, we have initiated legal action against Infineon in federal court to confirm and defend our exclusive rights to use certain patented GaN-on-Silicon technology developed by Nitronex in our core RF markets. Other companies in the industry have numerous patents that protect their intellectual property rights in these areas and technology is frequently licensed. In the past, we have been, and may in the future be, subject to claims that we have breached infringed or misappropriated patent, license or other intellectual property rights. Our customers may assert claims against us for indemnification if they receive claims alleging that their or our products infringe upon others' intellectual property rights, and have in the past and may in the future choose not to purchase our products based on their concerns over such a pending claim. In the event of an adverse result of any intellectual property rights litigation, we could be required to incur significant costs to defend or settle such litigation, pay substantial damages for infringement, expend significant resources to develop non-infringing technology, incur material liability for royalty payments or fees to obtain licenses to the technology covered by the litigation or be subjected to an injunction, which could prevent us from selling our products, and materially and adversely affect our revenue and results of operations. Negotiated settlements resolving such claims may require us to pay substantial sums, as was the case in September 2013 when we paid \$7.25 million in settlement of a suit alleging intellectual property misappropriation. We cannot be sure that we will be successful in any such non-infringing development or that any such license would be available on commercially reasonable terms, if at all. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, lost sales or damaged customer relationships and diversion of management's attention and resources.

Many of our products currently incorporate technology licensed or acquired from third parties and we expect our products in the future to also require technology from third parties. If the licenses to such technology that we currently hold become unavailable or the terms on which they are available become commercially unreasonable, or if we are unable to acquire or license necessary technology for our products in the future, our business could be adversely affected.

We sell products in markets that are characterized by rapid technological changes, evolving industry standards, frequent new product introductions and increasing levels of integration. Our ability to keep pace with this market at times depends on our ability to obtain technology from third parties on commercially reasonable terms to allow our products to remain

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competitive. If licenses to such technology are not available on commercially reasonable terms and conditions or at all, and we cannot otherwise acquire or integrate such technology, our products or our customers' products could become unmarketable or obsolete, and we could lose market share. In addition, disputes with third party licensors over required payments, scope of licensed rights and compliance with contractual terms are common in our industry, and we have in the past and may in the future be subjected to disputes over the terms of such licenses. For example, the outcome of our current litigation with Infineon relating to the scope of our rights to use certain patented GaN-on-Silicon technology developed by Nitronex may impact our associated intellectual property rights and related future revenue prospects. Such disputes may require us to incur significant costs defending our license rights, divert management's attention or result in our inability to sell or develop certain products. In such instances, we could also incur substantial unanticipated costs or scheduling delays to develop substitute technology to deliver competitive products, damaged customer and vendor relationships, indemnification liabilities, and declining revenues and profitability. Such events could have a material adverse effect on our financial condition and results of operations and the value of an investment in our common stock.

Many of our products currently incorporate technology licensed or acquired from third parties and we expect our products in the future to also require technology from third parties. If the licenses to such technology that we currently hold become unavailable or the terms on which they are available become commercially unreasonable, or if we are unable to acquire or license necessary technology for our products in the future, our business could be adversely affected.)

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

The semiconductor industry requires substantial investment in technology as well as research and development in order to develop and bring to market new and enhanced technologies and products. Our investments in new and improved process technologies for use in our products require substantial expenditures that may not generate any return on investment, may take longer than we anticipate to generate a return or may generate a return on investment that is inadequate. For example, during the second quarter of fiscal year 2016, we made a strategic decision to exit the product line and end programs associated with our GaN-on Silicon Carbide license and technology transfer to focus on development of GaN-on-Silicon efforts. As a result of this strategic decision, management determined that the intangible assets and contractual commitments under a long term technology licensing and transfer agreement signed in July 2013 with Global Communications Semiconductors, LLC, as well as certain dedicated fixed assets and inventory would no longer have any future benefit, and we incurred certain charges in connection with this decision. We also have undertaken significant research and development efforts aimed at targeting emerging market segments where we see potential for growth including the wireless base station, data center and radar tile markets. Research and development expenses were \$82.2 million for the fiscal year ended October 2, 2015. In each of the last three fiscal years, we invested in technology as well as research and development as part of our strategy toward the development of innovative products and solutions to fuel our growth and profitability. We cannot assure you if, or when, the products and solutions where we have focused our research and development expenditures will become commercially successful. In addition, we may not have sufficient resources to maintain the level of investment in research and development required to remain competitive or succeed in our strategy. We have in the past and may in the future experience unexpected difficulties, expenses or delays in driving the performance, qualification, licensing arrangements, scale manufacturing, decreased manufacturing cost structure, productization or customer adoption of any of the new products or process technology types that we are targeting. We may not be successful in our efforts or may not realize the competitive advantage or revenues or profits we anticipate from this technology, any of which may lead to higher research and development expense, lower than expected revenues, gross margin and reduce profitability or may otherwise harm our business or reduce the price of our common stock.

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

We believe our continued ability to recruit, hire, retain and motivate highly-skilled engineering, operations, sales, administrative and managerial personnel is key to our future success. Competition for these employees is intense, particularly with respect to qualified engineers. Our failure to retain our present employees and hire additional qualified personnel in a timely manner and on reasonable terms could harm our competitiveness and results of operations. In addition, from time to time, we may recruit and hire employees from our competitors, customers, suppliers and distributors, which could result in

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liability to us, and has in the past and could in the future, damage our business relationship with these parties. None of our senior management team is contractually bound to remain with us for a specified period, and we generally do not maintain key person life insurance covering our senior management. The loss of any member of our senior management team could strengthen a competitor or harm our ability to implement our business strategy.

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

Our future success and ability to compete is dependent in part upon our protection of our proprietary information and technology through patent filings, enforcement of agreements related to intellectual property and otherwise. We cannot be certain that any patents we apply for will be issued or that any claims allowed from pending applications will be of sufficient scope or strength to provide meaningful protection or commercial advantage. Our competitors may also be able to design around our patents. Similarly, counterparties to our intellectual property agreements may fail to comply with their obligations under those agreements, requiring us to resort to expensive and time-consuming litigation in an attempt to protect our rights, which may or may not be successful. The laws of some countries in which our products are or may be developed, manufactured, or sold, may not protect our products or intellectual property rights to the same extent as U.S. laws, increasing the possibility of piracy of our technology and products. Although we intend to vigorously defend our intellectual property rights, we may not be able to prevent misappropriation of our technology or may need to expend significant financial and other resources in defending our rights.

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

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

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number that May Yet Be Purchased Under the Plans or Programs
January 2, 2016 - January 29, 2016	—	\$ —	—	—
January 30, 2016 - February 26, 2016	167,671	34.70	—	—
February 27, 2016 - April 1, 2016	53	39.72	—	—
	<u>167,724</u>	<u>\$ 34.70</u>	<u>—</u>	<u>—</u>

- (1) We employ “withhold to cover” as a tax payment method for vesting of restricted stock awards for our employees, pursuant to which, we withheld from employees the shares noted in the table above to cover tax withholding related to the vesting of their awards. The average prices listed in the above table are averages of the fair market prices at which we valued shares withheld for purposes of calculating the number of shares to be withheld.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	Fourth Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to Amendment No. 6 to our Registration Statement on Form S-1 (File No. 333-175934) filed on February 28, 2012).
3.2	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.4 to Amendment No. 6 to our Registration Statement on Form S-1 (File No. 333-175934) filed on February 28, 2012).
10.1*	M/A-COM Technology Solutions Holdings, Inc. 2012 Omnibus Incentive Plan (as Amended and Restated).
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

* *Management contract or compensatory plan*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.

Dated: April 27, 2016

By: /s/ John Croteau
John Croteau
President and Chief Executive Officer
(Principal Executive Officer)

Dated: April 27, 2016

By: /s/ Robert J. McMullan
Robert J. McMullan
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

* *Management contract or compensatory plan*

M/A-COM TECHNOLOGY SOLUTIONS HOLDINGS, INC.**2012 OMNIBUS INCENTIVE PLAN (AS AMENDED AND RESTATED)****SECTION 1. PURPOSE**

The purpose of the M/A-COM Technology Solutions Holdings, Inc. 2012 Omnibus Incentive Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its Related Companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's stockholders.

SECTION 2. DEFINITIONS

Certain capitalized terms used in the Plan have the meanings set forth in Appendix A.

SECTION 3. ADMINISTRATION**3.1 Administration of the Plan**

(a) The Plan shall be administered by the Board or the Compensation Committee (including a subcommittee thereof), which shall be composed of two or more directors, each of whom is a "non-employee director" within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission and, to the extent determined by the Board or the Compensation Committee, an "outside director" within the meaning of the regulations under Section 162(m).

(b) Notwithstanding the foregoing, the Board may delegate concurrent responsibility for administering the Plan, including with respect to designated classes of Eligible Persons, to different committees consisting of one or more members of the Board, subject to such limitations as the Board deems appropriate, including limitations with respect to grants of Awards to Participants who are subject to Section 16 of the Exchange Act and with respect to Awards that are intended to qualify for the performance-based compensation exemption under Section 162(m). Members of any committee shall serve for such term as the Board may determine, subject to removal by the Board at any time. To the extent consistent with applicable law, the Board or the Compensation Committee may authorize one or more officers of the Company to grant Awards to designated classes of Eligible Persons, within limits specifically prescribed by the Board or the Compensation Committee; provided, however, that no such officer shall have or obtain authority to grant Awards to himself or herself or to any person subject to Section 16 of the Exchange Act.

(c) All references in the Plan to the “**Committee**” shall be, as applicable, to the Board, the Compensation Committee or any other committee or any officer to whom authority has been delegated to administer the Plan.

3.2 Administration and Interpretation by Committee

(a) Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Committee shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board or a Committee composed of members of the Board, to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms and conditions of any Award granted under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (vii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement executed or entered into under the Plan; (viii) establish such rules and regulations as it shall deem appropriate for the proper administration of the Plan; (ix) delegate ministerial duties to such of the Company’s employees as it so determines; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(b) The Committee shall have the right, without stockholder approval, to (i) lower the exercise or grant price of an Option or SAR after it is granted; (ii) cancel an Option or SAR at a time when its exercise or grant price exceeds the Fair Market Value of the underlying stock, in exchange for cash, another option or stock appreciation right, restricted stock, or other equity award; or (iii) take any other action that is treated as a repricing under generally accepted accounting principles.

(c) The effect on the vesting of an Award of a Company-approved leave of absence or a Participant’s reduction in hours of employment or service shall be determined by the Company’s general counsel or other person performing that function or, with respect to directors or executive officers, by the Compensation Committee, whose determination shall be final.

(d) Decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, any Participant, any stockholder and any Eligible Person. A majority of the members of the Committee may determine its actions.

SECTION 4. SHARES SUBJECT TO THE PLAN; LIMITS ON AWARDS

4.1 Authorized Number of Shares

Subject to adjustment from time to time as provided in Section 16.1, the number of shares of Common Stock available for issuance under the Plan shall be:

(a) 4.5 million shares; plus

(b) an annual increase to be added as of the first day of each fiscal year of the Company equal to the least of (i) 4% of the outstanding Common Stock on a fully diluted basis (including the effect of shares of Common Stock issuable pursuant to outstanding warrants, options and similar rights and conversion of any outstanding securities convertible into Common Stock) as of the last day of the Company's immediately preceding fiscal year, (ii) 1.9 million shares of Common Stock, and (iii) a lesser amount determined by the Board; provided, however, that any shares from any such increases in previous years that are not actually issued shall continue to be available for issuance under the Plan; plus

(c) (i) any authorized shares available for issuance, and not issued or subject to outstanding awards, under the Company's Amended and Restated 2009 Omnibus Stock Plan (the "**Prior Plan**") on the Effective Date shall cease to be set aside and reserved for issuance pursuant to the Prior Plan, effective on the Effective Date, and shall instead be set aside and reserved for issuance pursuant to the Plan and (ii) any shares subject to outstanding awards under the Prior Plan on the Effective Date that cease to be subject to such awards following the Effective Date (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested or nonforfeitable shares) shall cease to be set aside or reserved for issuance pursuant to the Prior Plan, effective on the date upon which they cease to be so subject to such awards, and shall instead be set aside and reserved for issuance pursuant to the Plan, up to an aggregate maximum of 6 million shares pursuant to clauses (i) and (ii) of this paragraph.

Shares issued under the Plan shall be drawn from authorized and unissued shares or shares now held or subsequently acquired by the Company as treasury shares.

4.2 Share Usage

(a) Shares of Common Stock covered by an Award shall not be counted as used unless and until they are actually issued and delivered to a Participant. If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Common Stock are issued under the Plan to a Participant and thereafter are forfeited to or otherwise reacquired by the Company, the shares subject to such Awards and the forfeited or reacquired shares shall again be available for issuance under the Plan. Any shares of Common Stock (i) tendered by a Participant or retained by the Company as full or partial payment to the Company for the purchase price of an Award or to satisfy tax withholding obligations in connection with an Award, or (ii) covered by an Award that is settled in cash,

or in a manner such that some or all of the shares of Common Stock covered by the Award are not issued, shall be available for Awards under the Plan. The number of shares of Common Stock available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional shares of Common Stock subject or paid with respect to an Award.

(b) The Committee shall also, without limitation, have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

(c) Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Substitute Awards under the Plan. To the extent consistent with the requirements of applicable law, Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. To the extent consistent with the requirements of applicable law, in the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination and previously approved by the Acquired Entity's stockholders, then, to the extent determined by the Board or the Compensation Committee, the shares available for grant pursuant to the terms of such preexisting plans (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of securities of the entities that are parties to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Related Company prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation is completed is approved by the Board and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Committee without any further action by the Committee, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

(d) Notwithstanding any other provision of this Section 4.2 to the contrary, the maximum number of shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate share number stated in Section 4.1 (which is 29.5 million shares of Common Stock over the term of the Plan), subject to adjustment as provided in Section 16.1.

4.3 Individual Limits

(a) The following additional limits will apply to Awards of the specified type granted, or in the case of Cash Awards, payable, to any person in any fiscal year of the Company:

- (1) Options: 2,400,000 shares of Common Stock.
- (2) SARs: 2,400,000 shares of Common Stock.
- (3) Awards other than Options, SARs or Cash Awards: 2,400,000 shares of Common Stock.
- (4) Cash Awards: \$10,000,000.

In applying the foregoing limits, (i) all Awards of the specified type granted to the same person in the same fiscal year of the Company will be aggregated and made subject to one limit; (ii) the limits applicable to Options and SARs refer to the number of shares of Common Stock subject to those Awards; (iii) the share limit under clause (3) refers to the maximum number of shares of Common Stock that may be delivered, or the value of which could be paid in cash or other property, under an Award or Awards of the type specified in clause (3) assuming a maximum payout; and (iv) the dollar limit under clause (4) refers to the maximum dollar amount payable under an Award or Awards of the type specified in clause (4) assuming a maximum payout. The foregoing provisions will be construed in a manner consistent with Section 162(m), including, without limitation, where applicable, the rules under Section 162(m) pertaining to permissible deferrals of exempt awards.

(b) In the case of a Director, additional limits shall apply such that the maximum grant date fair value of Common Stock-denominated Awards granted in any fiscal year of the Company during any part of which the Director is then eligible under the Plan shall be \$600,000, except that such limit for a Director who is the Chairman of the Board or lead director shall be \$800,000, in each case, computed in accordance with FASB ASC Topic 718 (or any successor provision). The foregoing additional limits related to Directors shall not apply to any Award or shares of Common Stock granted pursuant to a Director's election to receive an Award or shares of Common Stock in lieu of cash retainers or other fees (to the extent such Award or shares of Common Stock have a fair value equal to the value of such cash retainers or other fees).

SECTION 5. ELIGIBILITY

An Award may be granted to any key employee of the Company or a Related Company or any other employee who is in a position to contribute to the success of the Company or any Related Company and to any officer or director of the Company or a Related Company whom the Committee from time to time selects; provided, that Directors shall not be eligible for Cash Awards under the Plan. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that (a) are not in connection with the offer and sale of the Company's securities in a capital-raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

SECTION 6. AWARDS

6.1 Form, Grant and Settlement of Awards

The Committee shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under the Plan. Such Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Committee shall determine.

6.2 Evidence of Awards

Awards granted under the Plan shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the Committee shall deem advisable and that are not inconsistent with the Plan.

6.3 Deferrals

To the extent permitted by applicable law, the Committee may permit or require a Participant to defer receipt of the payment of any Award. If any such deferral election is permitted or required, the Committee, in its sole discretion, shall establish rules and procedures for such payment deferrals, which may include the grant of additional Awards or provisions for the payment or crediting of interest or dividend equivalents, including converting such credits to deferred stock unit equivalents. All deferrals by Participants shall be made in accordance with Section 409A.

6.4 Dividends and Distributions

Participants may, if the Committee so determines, be credited with dividends or dividend equivalents paid with respect to shares of Common Stock underlying an Award in a manner determined by the Committee in its sole discretion. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Stock Units. Notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on the number of shares underlying an Option or a Stock Appreciation Right may not be contingent, directly or indirectly, on the exercise of the Option or Stock Appreciation Right, and must comply with or qualify for an exemption under Section 409A. Also notwithstanding the foregoing, the right to any dividends or dividend equivalents declared and paid on Restricted Stock must (a) be paid at the same time such dividends or dividend equivalents are paid to other stockholders and (b) comply with or qualify for an exemption under Section 409A.

SECTION 7. OPTIONS

7.1 Grant of Options

The Committee may grant Options designated as Incentive Stock Options or Nonqualified Stock Options.

7.2 Option Exercise Price

Options shall be granted with an exercise price per share not less than 100% of the Fair Market Value of the Common Stock on the Grant Date (and not less than the minimum exercise price required by Section 422 of the Code with respect to Incentive Stock Options), except in the case of Substitute Awards.

7.3 Term of Options

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be ten years from the Grant Date.

7.4 Exercise of Options

(a) The Committee shall establish and set forth in each instrument that evidences an Option the time at which, or the installments in which, the Option shall vest and become exercisable, any of which provisions may be waived or modified by the Committee at any time.

(b) To the extent an Option has vested and become exercisable, the Option may be exercised in whole or from time to time in part by delivery to or as directed or approved by the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Committee, setting forth the number of shares with respect to which the Option is being exercised, the restrictions imposed on the shares purchased under such exercise agreement or notice, if any, and such representations and agreements as may be required by the Committee, accompanied by payment in full as described in Section 7.5. An Option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the Committee.

7.5 Payment of Exercise Price

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Committee for that purchase, which forms may include:

- (a) cash;
- (b) check or wire transfer;

(c) having the Company withhold shares of Common Stock that would otherwise be issued on exercise of a Nonqualified Stock Option that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(d) tendering (either actually or, so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) shares of Common Stock owned by the Participant that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(e) so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to deliver promptly to the Company the aggregate amount of proceeds to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(f) such other consideration as the Committee may permit.

7.6 Effect of Termination of Service

The Committee shall establish and set forth in each instrument that evidences an Option whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Committee at any time. If not otherwise established in the instrument evidencing the Option, the Option shall be exercisable according to the following terms and conditions, which may be waived or modified by the Committee at any time:

(a) Any portion of an Option that is not vested and exercisable on the date of a Participant's Termination of Service shall expire on such date.

(b) Any portion of an Option that is vested and exercisable on the date of a Participant's Termination of Service shall expire on the earliest to occur of:

(i) if the Participant's Termination of Service occurs for reasons other than Cause, Disability or death, the date that is three months after such Termination of Service;

(ii) if the Participant's Termination of Service occurs by reason of Disability or death, the one-year anniversary of such Termination of Service; and

(iii) the Option Expiration Date.

Notwithstanding the foregoing, if a Participant dies after his or her Termination of Service but while an Option is otherwise exercisable, the portion of the Option that is vested and exercisable on the date of such Termination of Service shall expire upon the earlier to occur of (y) the Option Expiration Date and (z) the one-year anniversary of the date of death, unless the Committee determines otherwise.

Also notwithstanding the foregoing, in case a Participant's Termination of Service occurs for Cause, all Options granted to the Participant shall automatically expire upon first notification to the Participant of such termination, unless the Committee determines otherwise. If a Participant's employment or service relationship with the Company is suspended pending an investigation of whether the Participant shall be terminated for Cause, all the Participant's rights under any Option shall likewise be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after a Participant's Termination of Service, any Option then held by the Participant may be immediately terminated by the Committee, in its sole discretion.

SECTION 8. INCENTIVE STOCK OPTION LIMITATIONS

Notwithstanding any other provision of the Plan to the contrary, the terms and conditions of any Incentive Stock Options shall in addition comply in all respects with Section 422 of the Code, or any successor provision, and any applicable regulations thereunder. If the shareholders of the Company do not approve the Plan within 12 months after the Board's adoption of the Plan (or the Board's adoption of any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code) Incentive Stock Options granted under the Plan after the date of the Board's adoption (or approval) will be treated as Nonqualified Stock Options. No Incentive Stock Options may be granted more than ten years after the earlier of the approval by the Board or the shareholders of the Plan (or any amendment to the Plan that constitutes the adoption of a new plan for purposes of Section 422 of the Code).

SECTION 9. STOCK APPRECIATION RIGHTS

9.1 Grant of Stock Appreciation Rights

The Committee may grant Stock Appreciation Rights to Participants at any time on such terms and conditions as the Committee shall determine in its sole discretion. An SAR may be granted in tandem with an Option (a "**tandem SAR**") or alone (a "**freestanding SAR**"). The grant price of a tandem SAR shall be equal to the exercise price of the related Option. The grant price of a freestanding SAR shall be established in accordance with procedures for Options set forth in Section 7.2. An SAR may be exercised upon such terms and conditions and for such term as the Committee determines in its sole discretion; provided, however, that, subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the SAR, the maximum term of a freestanding SAR shall be ten years, and in the case of a tandem SAR, (a) the term shall not exceed the term of the related Option and (b) the tandem SAR may be exercised for all or part of the shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option, except that the tandem SAR may be exercised only with respect to the shares for which its related Option is then exercisable.

9.2 Payment of SAR Amount

Upon the exercise of an SAR, a Participant shall be entitled to receive payment in an amount determined by multiplying: (a) the difference between the Fair Market Value of the Common Stock on the date of exercise over the grant price of the SAR by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Committee as set forth in the instrument evidencing the Award, the payment upon exercise of an SAR may be in cash, in shares, in some combination thereof or in any other manner approved by the Committee in its sole discretion.

9.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive any other terms, conditions or restrictions on any SAR under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 10. STOCK AWARDS, RESTRICTED STOCK AND STOCK UNITS

10.1 Grant of Stock Awards, Restricted Stock and Stock Units

The Committee may grant Stock Awards, Restricted Stock and Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with the Company or a Related Company or the achievement of any performance goals, as the Committee shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

10.2 Vesting of Restricted Stock and Stock Units

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Stock Units, or upon a Participant's release from any terms, conditions and restrictions on Restricted Stock or Stock Units, as determined by the Committee, (a) the shares covered by each Award of Restricted Stock shall become freely transferable by the Participant, and (b) Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock. Any fractional shares subject to such Awards shall be paid to the Participant in cash.

10.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive the repurchase or forfeiture period and any other terms, conditions or restrictions on any Restricted Stock or Stock Units under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 11. PERFORMANCE AWARDS

11.1 Performance Shares

The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award. Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals (including Performance Goals as set forth in Appendix A), as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

11.2 Performance Units

The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award. Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals (including Performance Goals as set forth in Appendix A), as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Units may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

11.3 Section 162(m) Awards

The Committee may grant Awards intended to qualify for the performance-based compensation exemption under Section 162(m) to any key employee of the Company or a Related Company whom the Committee from time to time selects. In the case of any Award (other than an Option or SAR) intended to qualify for the performance-based compensation exception under Section 162(m), the Committee will establish the applicable Performance Goal or Goals in writing no later than ninety (90) days after the commencement of the period of service to which the performance relates (or at such earlier time as is required to qualify the Award as performance-based under Section 162(m)) and, prior to the event or occurrence (grant, vesting or payment, as the case may be) that is conditioned on the attainment of such Performance Goal or Goals, shall take such steps as are sufficient to satisfy the certification

requirement of the regulations under Section 162(m) as to whether and to what extent, if at all, the Performance Goal or Goals applicable to such Award have been satisfied. The Committee shall then determine the actual payment, if any, under each Award. In the case of any Award to which this Section 11.3 applies, the Plan and such Award shall be construed and administered in a manner consistent with the exemption of such Award as performance-based compensation under Section 162(m).

SECTION 12. OTHER STOCK OR CASH-BASED AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Committee deems appropriate, the Committee may grant other incentives payable in cash ("Cash Awards") or in shares of Common Stock under the Plan.

SECTION 13. OUTSIDE DIRECTOR GRANTS

(a) Each Outside Director who is first elected or appointed to the Board on or after January 7, 2016 shall be granted on the first business day following the date of such election or appointment (which such date shall be the Grant Date for purposes hereunder), automatically and without further action by the Board or Committee, the number of Restricted Stock Units (or, upon the Outside Director's request, Restricted Stock Awards), rounded down to the nearest whole number, equal to the quotient of (i) \$170,000 divided by (ii) the Fair Market Value of a share of Common Stock on such Grant Date (the "**Initial Director Award**"). Each Initial Director Award shall vest in three (3) equal annual increments over the three calendar years immediately following the calendar year of its Grant Date, on whichever of February 15, May 15, August 15 or November 15 is soonest to follow such Grant Date; provided that the Outside Director remains in continuous service through each such date. In the event that an Outside Director experiences a Termination of Service for any reason prior to any such vesting date, the Outside Director shall forfeit any then unvested Initial Director Award (or portion thereof) without consideration therefor.

(b) On the first business day following the date of each Annual Meeting occurring on or after January 7, 2016 (which such date shall be the Grant Date for purposes hereunder), each Outside Director shall be granted, automatically and without further action by the Board or Committee, the number of Restricted Stock Units (or, upon the Outside Director's request, Restricted Stock Awards), rounded down to the nearest whole number, equal to the quotient of (i) \$130,000 divided by (ii) the Fair Market Value of a share of Common Stock on such Grant Date (the "**Annual Director Award**"). Each Annual Director Award shall vest in full on February 15th of the calendar year immediately following the calendar year of its Grant Date; provided that the Outside Director remains in continuous service through such date. In the event that an Outside Director experiences a Termination of Service for any reason prior to such vesting date, the Outside Director shall forfeit any then unvested Annual Director Award without consideration therefor.

(c) Each Outside Director who is first elected or appointed to the Board on or after January 7, 2016 and on a date following the date of the Annual Meeting for the calendar year of such election or appointment, shall be granted on the first business day following the date

of such election or appointment (which such date shall be the Grant Date for purposes hereunder), automatically and without further action by the Board or Committee, the number of Restricted Stock Units (or, upon the Outside Director's request, Restricted Stock Awards), rounded down to the nearest whole number, equal to the quotient of (i) \$130,000 divided by (ii) the Fair Market Value of a share of Common Stock on such Grant Date, which quotient shall be pro-rated based on the number of calendar days remaining in the calendar year following such election or appointment divided by three hundred and sixty-five (365) (the "**Pro-rated Annual Director Award**"). Each Pro-Rated Annual Director Award shall vest in full on the first February 15th following its Grant Date; provided that the Outside Director remains in continuous service through such date. In the event that an Outside Director experiences a Termination of Service for any reason prior to such vesting date, the Outside Director shall forfeit any then unvested Pro-rated Annual Director Award without consideration therefor.

(d) Each Initial Director Award, Annual Director Award and Pro-Rated Annual Director Award shall be subject to the Company's form of instrument evidencing Awards to Outside Directors as of the Grant Date.

(e) The Company shall deliver to each Outside Director the number of shares of Common Stock subject to any Initial Director Award, Annual Director Award or Pro-Rated Annual Director Award of Restricted Stock Units, or, if set forth in the instrument evidencing such Award, cash or a combination of cash and shares of Common Stock, within thirty (30) days of the vesting date set forth in subsection (a), (b) or (c) above, as applicable.

(f) The Board may amend the provisions of this Section 13 at any time and in such respects as it shall deem advisable.

SECTION 14. WITHHOLDING

(a) The Company may require the Participant to pay to the Company or a Related Company, as applicable, the amount of (i) any taxes that the Company or a Related Company is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award ("**tax withholding obligations**") and (ii) any amounts due from the Participant to the Company or to any Related Company ("**other obligations**"). Notwithstanding any other provision of the Plan to the contrary, the Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

(b) The Committee, in its sole discretion, may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations and other obligations by (i) paying cash to the Company or a Related Company, as applicable, (ii) having the Company withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company to the Participant, (iii) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, (iv) surrendering a number of shares of Common Stock the Participant

already owns having a value equal to the tax withholding obligations and other obligations, (v) selling shares of Common Stock issued under an Award on the open market or to the Company, or (vi) taking such other action as may be necessary in the opinion of the Committee to satisfy any applicable tax withholding obligations. The value of the shares so withheld or tendered may not exceed the employer's applicable minimum required tax withholding rate or such other applicable rate as is necessary to avoid adverse treatment for financial accounting purposes, as determined by the Committee in its sole discretion.

SECTION 15. ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death. During a Participant's lifetime, an Award may be exercised only by the Participant. Notwithstanding the foregoing, and to the extent permitted by Section 422 of the Code, the Committee, in its sole discretion, may permit a Participant to assign or transfer an Award subject to such terms and conditions as the Committee shall specify.

SECTION 16. ADJUSTMENTS

16.1 Adjustment of Shares

In the event that, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (a) the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or (b) new, different or additional securities of the Company or any other company being received by the holders of shares of Common Stock, then the Committee shall make proportional adjustments in (i) the maximum number and kind of securities available for issuance under the Plan; (ii) the maximum number and kind of securities issuable as Incentive Stock Options as set forth in Section 4.2(d); (iii) the per-person limits set forth in Section 4.3(a), and (iv) the number and kind of securities that are subject to any outstanding Award and the per share price of such securities, without any change in the aggregate price to be paid therefor. The determination by the Committee as to the terms of any of the foregoing adjustments shall be conclusive and binding.

Notwithstanding the foregoing, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also notwithstanding the foregoing, a dissolution or liquidation of the Company or a Company Transaction shall not be governed by this Section 16.1 but shall be governed by Sections 16.2 and 16.3, respectively.

16.2 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Committee in its sole discretion, Awards shall terminate immediately prior to the dissolution or liquidation of the Company. To the extent a vesting condition, forfeiture provision or repurchase right applicable to an Award has not been waived by the Committee, the Award shall be forfeited immediately prior to the consummation of the dissolution or liquidation.

16.3 Change in Control

Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, in the event of a Change in Control:

(a) All outstanding Awards that are subject to vesting based on continued employment or service with the Company or a Related Company shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change in Control and such Awards shall terminate at the effective time of the Change in Control; provided, however, that with respect to a Change in Control that is a Company Transaction in which such Awards could be converted, assumed, substituted for or replaced by the Successor Company, such Awards shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, only if and to the extent such Awards are not converted, assumed, substituted for or replaced by the Successor Company. If and to the extent that the Successor Company converts, assumes, substitutes for or replaces an Award, the vesting restrictions and/or forfeiture provisions applicable to such Award shall not be accelerated or lapse, and all such vesting restrictions and/or forfeiture provisions shall continue with respect to any shares of the Successor Company or other consideration that may be received with respect to such Award.

For the purposes of this Section 16.3(a), an Award shall be considered converted, assumed, substituted for or replaced by the Successor Company if following the Company Transaction the Award confers the right to purchase or receive, for each share of Common Stock subject to the Award immediately prior to the Company Transaction, the consideration (whether stock, cash or other securities or property) received in the Company Transaction by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Company Transaction is not solely common stock of the Successor Company, the Committee may, with the consent of the Successor Company, provide for the consideration to be received pursuant to the Award, for each share of Common Stock subject thereto, to be solely common stock of the Successor Company substantially equal in fair market value to the per share consideration received by holders of Common Stock in the Company Transaction. The determination of such substantial equality of value of consideration shall be made by the Committee, and its determination shall be conclusive and binding.

(b) All Performance Shares, Performance Units and other outstanding Awards that are subject to vesting based on the achievement of specified performance goals and that are earned and outstanding as of the date the Change in Control is determined to have occurred and for which the payout level has been determined shall be payable in full in accordance with the payout schedule pursuant to the instrument evidencing the Award. Any existing deferrals or other restrictions not waived by the Committee in its sole discretion shall remain in effect.

(c) Notwithstanding the foregoing, the Committee, in its sole discretion, may instead provide in the event of a Change in Control that is a Company Transaction that a Participant's outstanding Awards shall terminate upon or immediately prior to such Company Transaction and that such Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the value of the per share consideration received by holders of Common Stock in the Company Transaction, or, in the event the Company Transaction is one of the transactions listed under subsection (c) in the definition of Company Transaction or otherwise does not result in direct receipt of consideration by holders of Common Stock, the value of the deemed per share consideration received, in each case as determined by the Committee in its sole discretion, multiplied by the number of shares of Common Stock subject to such outstanding Awards (to the extent then vested and exercisable or whether or not then vested and exercisable, as determined by the Committee in its sole discretion) exceeds (y) if applicable, the respective aggregate exercise price or grant price for such Awards.

(d) For the avoidance of doubt, nothing in this Section 16.3 requires all outstanding Awards to be treated similarly.

16.4 Further Adjustment of Awards

Subject to Sections 16.2 and 16.3, the Committee shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change of control of the Company, as defined by the Committee, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Committee may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Committee may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change of control that is the reason for such action.

16.5 No Limitations

The grant of Awards shall in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

16.6 No Fractional Shares

In the event of any adjustment in the number of shares covered by any Award, each such Award shall cover only the number of full shares resulting from such adjustment, and any fractional shares resulting from such adjustment shall be disregarded.

16.7 Section 409A

Notwithstanding any other provision of the Plan to the contrary, (a) any adjustments made pursuant to this Section 16 to Awards that are considered "deferred compensation" within the meaning of Section 409A shall be made in compliance with the requirements of Section 409A and (b) any adjustments made pursuant to this Section 16 to Awards that are not considered "deferred compensation" subject to Section 409A shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A or (ii) comply with the requirements of Section 409A.

SECTION 17. MARKET STANDOFF

In the event of an underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, no person may sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose of or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any shares issued pursuant to an Award granted under the Plan without the prior written consent of the Company or its underwriters. Such limitations shall be in effect for such period of time as may be requested by the Company or such underwriters; provided, however, that in no event shall such period exceed (a) 180 days after the effective date of the registration statement for such public offering or (b) such longer period requested by the underwriter as is necessary to comply with regulatory restrictions on the publication of research reports (including, but not limited to, NYSE Rule 472, NASD Conduct Rule 2711 or any amendments or successor rules thereto). The limitations of this Section 17 shall in all events terminate two years after the effective date of the Company's initial public offering.

In the event of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the Company's outstanding Common Stock effected as a class without the Company's receipt of consideration, any new, substituted or additional securities distributed with respect to the shares issued under the Plan shall be immediately subject to the provisions of this Section 17, to the same extent the shares issued under the Plan are at such time covered by such provisions.

In order to enforce the limitations of this Section 17, the Company may impose stop-transfer instructions with respect to the shares until the end of the applicable standoff period.

SECTION 18. AMENDMENT AND TERMINATION

18.1 Amendment, Suspension or Termination

The Board or the Compensation Committee may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the Plan; and provided, further, that any amendment that requires stockholder approval may be made only by the Board. Subject to Section 18.3, the Committee may amend the terms of any outstanding Award, prospectively or retroactively.

18.2 Term of the Plan

Unless sooner terminated as provided herein, the Plan shall automatically terminate on the tenth anniversary of the earlier of (a) the date the Board adopts the Plan and (b) the date the stockholders approve the Plan. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their terms and conditions and the Plan's terms and conditions.

18.3 Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Any change or adjustment to an outstanding Incentive Stock Option shall not, without the consent of the Participant, be made in a manner so as to constitute a "modification" that would cause such Incentive Stock Option to fail to continue to qualify as an Incentive Stock Option. Notwithstanding the foregoing, any adjustments made pursuant to Section 16 shall not be subject to these restrictions.

SECTION 19. GENERAL

19.1 No Individual Rights

No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant's employment or other relationship at any time, with or without cause.

19.2 Issuance of Shares

(a) Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(b) The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

(c) As a condition to the exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (i) the Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such shares and (ii) such other action or agreement by the Participant as may from time to time be necessary to comply with federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurring in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Committee may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

(d) To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

19.3 Indemnification

Each person who is or shall have been a member of the Board, the Compensation Committee, or a committee of the Board or an officer of the Company to whom authority was delegated in accordance with Section 3.1, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or

proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person, unless such loss, cost, liability or expense is a result of such person's own willful misconduct or except as expressly provided by statute; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

19.4 No Rights as a Stockholder

Unless otherwise provided by the Committee or in the instrument evidencing the Award or in a written employment, services or other agreement, no Award, other than a Stock Award or an Award of Restricted Stock, shall entitle the Participant to any cash dividend, voting or other right of a stockholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

19.5 Compliance with Laws and Regulations

- (a) In interpreting and applying the provisions of the Plan, any Option granted as an Incentive Stock Option pursuant to the Plan shall, to the extent permitted by law, be construed as an "incentive stock option" within the meaning of Section 422 of the Code.
- (b) The Plan and Awards granted under the Plan are intended to be exempt from the requirements of Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the exclusion applicable to stock options, stock appreciation rights and certain other equity-based compensation under Treasury Regulation Section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to the Plan or any Award granted under the Plan, it is intended that the Plan and any Awards granted under the Plan shall comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, the Plan and any Award granted under the Plan shall be interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, with respect to any payments and benefits under the Plan or any Award granted under the Plan to which Section 409A applies, all references in the Plan or any Award granted under the Plan to the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i). In addition, if the Participant is a "specified employee," within the meaning of Section 409A, then to the extent necessary to avoid subjecting the Participant to

the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under the Plan or any Award granted under the Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death. Notwithstanding any other provision of the Plan to the contrary, the Committee, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify the Plan and any Award granted under the Plan so that the Award qualifies for exemption from or complies with Section 409A; provided, however, that the Committee makes no representations that Awards granted under the Plan shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to Awards granted under the Plan.

(c) Also notwithstanding any other provision of the Plan to the contrary, the Board or the Compensation Committee shall have broad authority to amend the Plan or any outstanding Award without the consent of the Participant to the extent the Board or the Compensation Committee deems necessary or advisable to comply with, or take into account, changes in applicable tax laws, securities laws, accounting rules or other applicable laws, rules or regulations.

19.6 Participants in Other Countries or Jurisdictions

Without amending the Plan, the Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the Company or any Related Company may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax-efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

19.7 No Trust or Fund

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

19.8 Successors

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

19.9 Severability

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

19.10 Choice of Law and Venue

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Delaware without giving effect to principles of conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of Delaware.

19.11 Legal Requirements

The granting of Awards and the issuance of shares of Common Stock under the Plan are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

SECTION 20. EFFECTIVE DATE

The Plan shall become effective on the IPO Date (the "*Effective Date*").

APPENDIX A

DEFINITIONS

As used in the Plan,

“**Acquired Entity**” means any entity acquired by the Company or a Related Company or with which the Company or a Related Company merges or combines.

“**Annual Director Award**” has the meaning set forth in Section 13.1(b).

“**Annual Meeting**” means the annual meeting of the stockholders of the Company.

“**Award**” means any Option, Stock Appreciation Right, Stock Award, Restricted Stock, Stock Unit, Performance Share, Performance Unit, Cash Award or other incentive payable in cash or in shares of Common Stock as may be designated by the Committee from time to time.

“**Board**” means the Board of Directors of the Company.

“**Cash Award**” has the meaning set forth in Section 12.

“**Cause**,” unless otherwise defined in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means dishonesty, fraud, serious or willful misconduct, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor violations), in each case as determined by the Company’s general counsel or other person performing that function or, in the case of directors and executive officers, the Compensation Committee, whose determination shall be conclusive and binding.

“**Change in Control**,” unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means the occurrence of any of the following events:

(a) an acquisition by any Entity of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (1) the number of then outstanding shares of Common Stock (the “**Outstanding Company Common Stock**”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege where the security being so converted was not acquired directly from the Company by the party exercising the conversion privilege, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Related Company, (iv) any acquisition of additional Common Stock by any Entity who, prior to such acquisition, is considered to

own more than 50% the Outstanding Company Common Stock or Outstanding Company Voting Securities, or (v) an acquisition by any Entity pursuant to a transaction that meets the conditions of clauses (i), (ii) and (iii) set forth in the definition of Company Transaction;

(b) a change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this definition, any individual who becomes a member of the Board subsequent to the Effective Date, whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; and provided further, however, that any such individual whose initial assumption of office occurs as a result of or in connection with an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be considered a member of the Incumbent Board; or

(c) consummation of a Company Transaction.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

“**Committee**” has the meaning set forth in Section 3.1.

“**Common Stock**” means the common stock, par value \$0.001 per share, of the Company.

“**Company**” means M/A-COM Technology Solutions Holdings, Inc., a Delaware corporation.

“**Company Transaction,**” unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means consummation of:

(a) a merger or consolidation of the Company with or into any other company;

(b) a sale in one transaction or a series of transactions undertaken with a common purpose of at least 50% of the Company’s outstanding voting securities; or

(c) a sale, lease, exchange or other transfer in one transaction or a series of related transactions undertaken with a common purpose of all or substantially all of the Company’s assets,

excluding, however, in each case, a transaction pursuant to which

(i) the Entities who are the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Company Transaction will beneficially own, directly or indirectly, at least 50% of the outstanding shares

of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the Successor Company in substantially the same proportions as their ownership, immediately prior to such Company Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities;

(ii) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, a Related Company or a Successor Company) will beneficially own, directly or indirectly, 50% or more of, respectively, the outstanding shares of common stock of the Successor Company or the combined voting power of the outstanding voting securities of the Successor Company entitled to vote generally in the election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Company Transaction; and

(iii) individuals who were members of the Incumbent Board will immediately after the consummation of the Company Transaction constitute at least a majority of the members of the board of directors of the Successor Company.

Where a series of transactions undertaken with a common purpose is deemed to be a Company Transaction, the date of such Company Transaction shall be the date on which the last of such transactions is consummated.

“**Compensation Committee**” means the Compensation Committee of the Board.

“**Director**” means an individual appointed or elected to the Board who is not otherwise an officer or employee of the Company or any Related Company.

“**Disability**,” unless otherwise defined by the Committee for purposes of the Plan in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means a mental or physical impairment of the Participant that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes the Participant to be unable to perform his or her material duties for the Company or a Related Company and to be engaged in any substantial gainful activity, in each case as determined by the Company’s chief human resources officer or other person performing that function or, in the case of directors and executive officers, the Compensation Committee, whose determination shall be conclusive and binding.

“**Effective Date**” has the meaning set forth in Section 19.

“**Eligible Person**” means any person eligible to receive an Award as set forth in Section 5.

“**Entity**” means any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time.

“**Fair Market Value**” means the closing price for the Common Stock on any given date during regular trading, or if not trading on that date, such price on the last preceding date on which the Common Stock was traded, unless determined otherwise by the Committee using such methods or procedures as it may establish.

“**GAAP**” means U.S. generally accepted accounting principles.

“**Grant Date**” means the later of (a) the date on which the Committee completes the corporate action authorizing the grant of an Award or such later date specified by the Committee and (b) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

“**Incentive Stock Option**” means an Option granted with the intention that it qualify as an “incentive stock option” as that term is defined for purposes of Section 422 of the Code or any successor provision.

“**Incumbent Board**” has the meaning set forth in the definition of “Change in Control.”

“**Initial Director Award**” has the meaning set forth in Section 13.1(a).

“**IPO Date**” means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering.

“**Nonqualified Stock Option**” means an Option other than an Incentive Stock Option.

“**Option**” means a right to purchase Common Stock granted under Section 7.

“**Option Expiration Date**” means the last day of the maximum term of an Option.

“**Outside Director**” unless otherwise determined by the Board, means a Director who does not beneficially own (within the meaning of Rule 13d-3 of the Exchange Act) more than 25% of either the Outstanding Company Common Stock or the Outstanding Company Voting Securities.

“**Outstanding Company Common Stock**” has the meaning set forth in the definition of “Change in Control.”

“**Outstanding Company Voting Securities**” has the meaning set forth in the definition of “Change in Control.”

“**Parent Company**” means a company or other entity which as a result of a Company Transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries.

“**Participant**” means any Eligible Person to whom an Award is granted.

“Performance Award” means an Award of Performance Shares or Performance Units granted under Section 11 or, to the extent designated as such, a Cash Award granted under Section 12. The Committee in its discretion may grant Performance Awards that are intended to qualify as exempt performance-based compensation under Section 162(m) and Performance Awards that are not intended to so qualify.

“Performance Goals”: means specified goals, other than the mere continuation of employment or service or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of an Award. For purposes of Awards that are intended to qualify for the performance-based compensation exception under Section 162(m), a Performance Goal will mean an objectively determinable measure of performance relating to any or any combination of the following (measured either absolutely or comparatively (including, without limitation, by reference to an index or indices or a specified peer group or other group of companies) and determined either on a gross, net or consolidated basis or, as the context permits, on a divisional, subsidiary, product line, line of business, project or geographical basis or any combinations thereof and subject to such adjustments, if any, as the Committee specifies, consistent with the requirements of Section 162(m)): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or equity expense, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital, capital employed or assets; one or more operating ratios; operating income or profit, including on an after tax basis; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; research and development expenditures; cash flow; margins; stock price; stockholder return; sales of particular products or services; product launches; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings. A Performance Goal and any targets with respect thereto determined by the Committee need not be based upon an increase, a positive or improved result or avoidance of loss and may be based on GAAP, non-GAAP or other metrics as provided for herein. Provided that the Committee has specified at least one Performance Goal that is intended to qualify an Award under the performance-based compensation exception under Section 162(m), the Committee may specify other performance goals or criteria (whether or not noted herein) as a basis for its exercise of negative discretion with respect to the Award. To the extent consistent with the requirements for satisfying the performance-based compensation exception under Section 162(m), the Committee may provide in the case of any Award intended to qualify for such exception that one or more of the Performance Goals applicable to such Award will be adjusted in an objectively determinable manner to reflect events (for example, the impact of charges for restructurings, discontinued operations, mergers, acquisitions, or other items and the cumulative effects of tax or accounting changes or other objective events or adjustments) occurring during the performance period that affect the applicable Performance Goal or Goals.

“Performance Share” means an Award of units denominated in shares of Common Stock granted under Section 11.1.

“Performance Unit” means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 11.2.

“Plan” means the M/A-COM Technology Solutions Holdings, Inc. 2012 Omnibus Incentive Plan, as amended from time to time.

“Prior Plan” has the meaning set forth in Section 4.1(c).

“Pro-rated Annual Director Award” has the meaning set forth in Section 13.1(c).

“Related Company” means any entity that is directly or indirectly controlled by, in control of or under common control with the Company.

“Restricted Stock” means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are subject to restrictions prescribed by the Committee.

“Restricted Stock Unit” means a Stock Unit subject to restrictions prescribed by the Committee.

“Section 162(m)” means Section 162(m) of the Code.

“Section 409A” means Section 409A of the Code.

“Securities Act” means the Securities Act of 1933, as amended from time to time.

“Stock Appreciation Right” or **“SAR”** means a right granted under Section 9.1 to receive the excess of the Fair Market Value of a specified number of shares of Common Stock over the grant price.

“Stock Award” means an Award of shares of Common Stock granted under Section 10, the rights of ownership of which are not subject to restrictions prescribed by the Committee.

“Stock Unit,” including a Restricted Stock Unit, means an Award denominated in units of Common Stock granted under Section 10.

“Substitute Awards” means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

“Successor Company” means the surviving company, the successor company or Parent Company, as applicable, in connection with a Company Transaction.

“Termination of Service,” unless the Committee determines otherwise with respect to an Award, means a termination of employment or service relationship with the Company or a Related Company for any reason, whether voluntary or involuntary, including by reason of death or Disability. Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company’s general counsel or other person performing that function or, with respect to directors and executive officers, by the Compensation Committee, whose

determination shall be conclusive and binding. Transfer of a Participant's employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Committee determines otherwise, a Termination of Service shall be deemed to occur if the Participant's employment or service relationship is with an entity that has ceased to be a Related Company. A Participant's change in status from an employee of the Company or a Related Company to a nonemployee director, consultant, advisor, or independent contractor of the Company or a Related Company, or a change in status from a nonemployee director, consultant, advisor or independent contractor of the Company or a Related Company to an employee of the Company or a Related Company, shall not be considered a Termination of Service.

"Vesting Commencement Date" means the Grant Date or such other date selected by the Committee as the date from which an Award begins to vest.

CERTIFICATION OF THE CEO PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Croteau, certify that:

1. I have reviewed this quarterly report on Form 10-Q of M/A-COM Technology Solutions Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 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: April 27, 2016

/s/ John Croteau

John Croteau
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF THE CFO PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert J. McMullan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of M/A-COM Technology Solutions Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 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: April 27, 2016

/s/ Robert J. McMullan

Robert J. McMullan

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of M/A-COM Technology Solutions Holdings, Inc. (the "Company") on Form 10-Q for the three months ended April 1, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), John Croteau, as President and Chief Executive Officer of the Company, and Robert J. McMullan, as Senior Vice President and Chief Financial Officer of the Company, each hereby certifies to the best of his knowledge, pursuant to and solely for the purpose of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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 for the period covered by the Report.

Date: April 27, 2016

/s/ John Croteau

John Croteau
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Robert J. McMullan

Robert J. McMullan
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)