

CIRRUS LOGIC INC  
Form 10-Q  
July 25, 2008

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

**FORM 10-Q**

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

**For the quarterly period ended June 28, 2008**

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

**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 0-17795**

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

**DELAWARE**  
**(State or other jurisdiction of  
incorporation or organization)**

**77-0024818**  
**(I.R.S. Employer  
Identification No.)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES  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. (Check one):

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

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

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of July 24, 2008 was 64,927,785.

**CIRRUS LOGIC, INC.**  
**FORM 10-Q QUARTERLY REPORT**  
**QUARTERLY PERIOD ENDED JUNE 28, 2008**  
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**Table of Contents****Part I.****ITEM 1. FINANCIAL STATEMENTS**

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

|  | <b>June 28,<br/>2008</b><br>(unaudited) | <b>March 29,<br/>2008</b> |
|--|---|---------------------------|
| <b>Assets</b>                                  |   |                           |
| Current assets:                                |   |                           |
| Cash and cash equivalents                      | \$ 41,405                               | \$ 56,614                 |
| Restricted investments                         | 5,755                                   | 5,755                     |
| Marketable securities                          | 55,747                                  | 125,129                   |
| Accounts receivable, net                       | 21,554                                  | 22,652                    |
| Inventories                                    | 24,006                                  | 22,464                    |
| Other current assets                           | 8,973                                   | 10,041                    |
| <br>Total current assets                       | <br>157,440                             | <br>242,655               |
| <br>Property and equipment, net                | <br>20,332                              | <br>20,961                |
| Intangibles, net                               | 25,212                                  | 26,044                    |
| Goodwill                                       | 6,194                                   | 6,194                     |
| Other assets                                   | 2,393                                   | 2,452                     |
| <br>Total assets                               | <br>\$ 211,571                          | <br>\$ 298,306            |
| <b>Liabilities and Stockholders' Equity</b>    |   |                           |
| Current liabilities:                           |   |                           |
| Accounts payable                               | \$ 15,235                               | \$ 16,164                 |
| Accrued salaries and benefits                  | 6,159                                   | 7,085                     |
| Other accrued liabilities                      | 8,686                                   | 18,081                    |
| Deferred income on shipments to distributors   | 5,809                                   | 6,584                     |
| Income taxes payable                           | 84                                      | 76                        |
| <br>Total current liabilities                  | <br>35,973                              | <br>47,990                |
| <br>Long-term restructuring accrual            | <br>1,554                               | <br>1,818                 |
| Other long-term obligations                    | 7,321                                   | 7,563                     |
| <br>Stockholders' equity:                      |   |                           |
| Capital stock                                  | 940,702                                 | 937,716                   |
| Accumulated deficit                            | (773,288)                               | (696,557)                 |
| Accumulated other comprehensive loss           | (691)                                   | (224)                     |
| <br>Total stockholders' equity                 | <br>166,723                             | <br>240,935               |
| <br>Total liabilities and stockholders' equity | <br>\$ 211,571                          | <br>\$ 298,306            |

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

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

|   | <b>Three Months Ended</b>    |                          |
|---|------------------------------|--------------------------|
|   | <b>June<br/>28,<br/>2008</b> | <b>June 30,<br/>2007</b> |
| Net sales   | \$ 44,011                    | \$ 41,124                |
| Cost of sales                                       | 19,360                       | 16,759                   |
| Gross Margin  | 24,651                       | 24,365                   |
| Operating expenses:                                 |                              |                          |
| Research and development                            | 11,605                       | 10,913                   |
| Selling, general and administrative                 | 12,003                       | 12,981                   |
| Total operating expenses                            | 23,608                       | 23,894                   |
| Income from operations                              | 1,043                        | 471                      |
| Interest income, net                                | 936                          | 3,507                    |
| Other income, net                                   | 195                          | 26                       |
| Income before income taxes                          | 2,174                        | 4,004                    |
| Provision for income taxes                          | 36                           | 15                       |
| Net income  | \$ 2,138                     | \$ 3,989                 |
| Basic income per share:                             | \$ 0.03                      | \$ 0.05                  |
| Diluted income per share:                           | \$ 0.03                      | \$ 0.04                  |
| Basic weighted average common shares outstanding:   | 66,622                       | 88,490                   |
| Diluted weighted average common shares outstanding: | 67,213                       | 89,669                   |

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

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

|   | <b>Three Months Ended</b> |                          |
|---|---------------------------|--------------------------|
|   | <b>June 28,<br/>2008</b>  | <b>June 30,<br/>2007</b> |
| Cash flows from operating activities:   |                           |                          |
| Net income  | \$ 2,138                  | \$ 3,989                 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                          |
| Depreciation and amortization   | 2,086                     | 1,731                    |
| Stock compensation expense  | 1,538                     | 1,498                    |
| Loss on sale of assets  | 58                        |                          |
| Other non-cash benefits   | (233)                     | (244)                    |
| Net change in operating assets and liabilities                                    | (3,348)                   | (1,931)                  |
| Net cash provided by operating activities   | 2,239                     | 5,043                    |
| Cash flows from investing activities:   |                           |                          |
| Additions to property, equipment and software                                     | (609)                     | (191)                    |
| Investments in technology   | (17)                      | (3,336)                  |
| Purchase of marketable securities   | (4,431)                   | (61,837)                 |
| Proceeds from sale and maturity of marketable securities                          | 73,346                    | 65,593                   |
| Decrease in deposits and other assets   | 47                        | 43                       |
| Net cash provided by investing activities   | 68,336                    | 272                      |
| Cash flows from financing activities:   |                           |                          |
| Repurchase and retirement of common stock   | (87,244)                  |                          |
| Net proceeds from the issuance of common stock                                    | 1,460                     | 4,291                    |
| Net cash provided by (used in) financing activities                               | (85,784)                  | 4,291                    |
| Net increase (decrease) in cash and cash equivalents                              | (15,209)                  | 9,606                    |
| Cash and cash equivalents at beginning of period                                  | 56,614                    | 87,960                   |
| Cash and cash equivalents at end of period  | \$ 41,405                 | \$ 97,566                |

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

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

**1. Basis of Presentation**

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

*Recently Issued Accounting Pronouncements*

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

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

**2. Fair Value of Financial Instruments**

The Company adopted SFAS 157, *Fair Value Measurements* as of March 30, 2008, to measure the fair value of certain of its financial assets required to be measured on a recurring basis. Under SFAS 157, based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality



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and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

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

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

The following table represents the Company's fair value hierarchy for its financial assets (cash equivalents and investments) measured at fair value on a recurring basis as of June 28, 2008 (in thousands):

| Description            | Quoted<br>Prices<br>in Active<br>Markets for<br>Identical<br>Instruments<br>Level 1 | Significant<br>Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 | Total     |
|------------------------|---|---|--|-----------|
| Cash equivalents       | \$ 39,897   | \$  | \$   | \$ 39,897 |
| Short term investments | 55,747  |   |  | 55,747    |
|                        | \$ 95,644   | \$  | \$   | \$ 95,644 |

The Company's cash equivalents and short-term investments are valued using quoted prices generated by market transactions involving identical assets.

**3. Accounts Receivable, net**

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

|                                 | June 28,<br>2008 | March 29,<br>2008 |
|---------------------------------|------------------|-------------------|
| Gross accounts receivable       | \$ 21,977        | \$ 23,056         |
| Allowance for doubtful accounts | (423)            | (404)             |
|                                 | \$ 21,554        | \$ 22,652         |

**4. Inventories**

Inventories are comprised of the following (in thousands):

|                 | June 28,<br>2008 | March 29,<br>2008 |
|-----------------|------------------|-------------------|
| Work in process | \$ 12,467        | \$ 12,329         |
| Finished goods  | 11,539           | 10,135            |
|                 | \$ 24,006        | \$ 22,464         |



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We recorded an income tax provision of \$36 thousand for the first quarter of fiscal year 2009, yielding an effective tax rate of 1.7 percent. Our tax expense for the first quarter of fiscal year 2009 is based on an estimated effective tax rate that is derived from an estimate of consolidated earnings before taxes for fiscal year 2009 and consisted primarily of estimated income taxes due in certain foreign jurisdictions. The estimated effective tax rate is impacted primarily by the worldwide mix of consolidated earnings before taxes and an assessment regarding the realizability of our deferred tax assets. Our tax expense for the first quarter of fiscal year 2009 was less than the Federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset, which had been subjected to a valuation allowance.

We recorded an income tax provision of \$15 thousand for the first quarter of fiscal year 2008 which consisted primarily of estimated income taxes due in certain foreign jurisdictions and the U.S. alternative minimum tax. Our tax expense for the first quarter of fiscal year 2008 was less than the Federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset, which had been subjected to a valuation allowance.

In June 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation ( FIN ) 48, *Accounting for Uncertainty in Income Taxes – an interpretation of Statement of Financial Accounting Standards ( SFAS ) 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. We had \$2.6 million of unrecognized tax benefits at June 30, 2007, and \$0.1 million at June 28, 2008. All of the unrecognized tax benefits are associated with tax carryforwards that, if recognized, would have no effect on the effective tax rate because the recognition of the associated deferred tax asset would be offset by an increase to the valuation allowance. During the first quarter of fiscal year 2009, we had a gross decrease of \$0.1 million to our unrecognized tax benefits related to a tax position taken in a prior year. We do not expect that our unrecognized tax benefits will change significantly in the next 12 months. Our continuing policy is to recognize interest and penalties related to income tax matters in income tax expense. As of June 28, 2008, the balance of accrued interest and penalties was zero. No interest or penalties were incurred during the first quarter of fiscal year 2009.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. The fiscal years 2005 through 2008 remain open to examination by the major taxing jurisdictions to which we are subject. The Internal Revenue Service is currently auditing fiscal year 2006.

**6. Restructuring and Other Costs**

The following table details the changes in all of our restructuring accruals during the three months ended June 28, 2008 (in thousands):

| Description                             | March<br>29,<br>2008 | Benefits to<br>P&L | Cash<br>Payments | June 28,<br>2008 |
|---|----------------------|--------------------|------------------|------------------|
| Severance fiscal year 2008              | \$ 379               | \$                 | \$ (375)         | \$ 4             |
| Facilities abandonment fiscal year 2007 | 5                    |                    | 10               | 15               |
| Facilities abandonment fiscal year 2004 | 2,239                |                    | (63)             | 2,176            |
| Facilities abandonment fiscal year 1999 | 397                  |                    |                  | 397              |
|   | \$ 3,020             | \$                 | \$ (428)         | \$ 2,592         |

As of June 28, 2008, we had a remaining accrual from all of our past restructurings of \$2.6 million, primarily related to net lease expenses that will be paid over their respective lease terms through fiscal year 2013, along with other anticipated lease termination costs. We have classified \$1.6 million of this restructuring accrual as long-term.



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

The weighted average outstanding options excluded from our diluted calculation for the quarter ended June 28, 2008, and June 30, 2007, were 6,050,000 and 3,344,000, respectively, as the exercise price exceeded the average market price during the respective periods.

**8. Legal Matters****Derivative Lawsuits**

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

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

On July 16, 2007, the plaintiffs in the two federal cases filed a motion to voluntarily dismiss their claims in the federal court and indicated their intent to coordinate their efforts in the state district court case. After a hearing on the plaintiffs' motion, the court denied the plaintiff's motion and required the two purported stockholders to file a consolidated complaint in federal court. A consolidated complaint, including substantially similar allegations to the two previous complaints, was filed on October 11, 2007. In response to the consolidated complaint, Cirrus Logic filed a motion to dismiss on November 15, 2007 based on the plaintiffs' failure to make demand on the Board of Directors of Cirrus Logic (the Board) prior to filing this action (the demand futility motion). The plaintiffs filed their opposition to the motion on December 14, 2007. In January 2008, the court ordered a stay to allow the parties to engage in mediation and attempt to reach resolution. After two mediation sessions, we have not resolved the matter. We expect the court to hear our motion to dismiss this fall.

We intend to defend these lawsuits vigorously. However, we cannot predict the ultimate outcome of this litigation and we are unable to estimate any potential liability we may incur.

**Silvaco Data Systems**

On December 8, 2004, Silvaco Data Systems (Silvaco) filed suit against us, and others, in Santa Clara County Superior Court (the Court), alleging misappropriation of trade secrets, conversion, unfair business practices, and civil conspiracy. Silvaco's complaint stems from a trade secret dispute between Silvaco and a software vendor, Circuit Semantics, Inc., who supplied us with certain software design tools.

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Silvaco alleges that our use of Circuit Semantic's design tools infringes upon Silvaco's trade secrets and that we are liable for compensatory damages in the sum of \$10 million. Silvaco has not indicated how it will substantiate this amount of damages and we are unable to reasonably estimate the amount of damages, if any.

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

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

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

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

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

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

**Other Claims**

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

**9. Comprehensive Income**

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

|  | <b>Three Months Ended</b> |                 |
|--|---------------------------|-----------------|
|  | <b>June</b>               |                 |
|  | <b>28,</b>                | <b>June 30,</b> |
|  | <b>2008</b>               | <b>2007</b>     |
| Net income   | \$ 2,138                  | \$ 3,989        |
| Adjustments to arrive at comprehensive income:     |                           |                 |
| Change in unrealized gain on marketable securities | (467)                     | (2)             |
| Comprehensive income                               | \$ 1,671                  | \$ 3,987        |

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

**11. Segment Information**

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

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

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

|                     | <b>Three Months Ended</b> |                  |
|---------------------|---------------------------|------------------|
|                     | <b>June</b>               |                  |
|                     | <b>28,</b>                | <b>June 30,</b>  |
|                     | <b>2008</b>               | <b>2007</b>      |
| Audio Products      | \$ 22,030                 | \$ 22,480        |
| Industrial Products | 21,981                    | 18,644           |
|                     | <b>\$ 44,011</b>          | <b>\$ 41,124</b> |

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

The following discussion should be read along with the unaudited consolidated condensed financial statements and notes thereto included in Item 1 of this Quarterly Report, as well as the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended March 29, 2008, contained in our 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission ( Commission ) on May 29, 2008. We maintain a web site at [www.cirrus.com](http://www.cirrus.com), which makes available free of charge our recent annual report and all other filings we have made with the SEC. This Management's Discussion and Analysis of Financial Condition and Results of Operations and certain information incorporated herein by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates, forecasts and projections and the beliefs and assumptions of our management including, without limitation,

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our expectations regarding second quarter sales, gross margins, and combined research and development and selling, general and administrative expenses. In some cases, forward-looking statements are identified by words such as expect, anticipate, target, project, believe, goals, estimates, intend and variations of these types of words. Expressions are intended to identify these forward-looking statements. In addition, any statements that refer to our plans, expectations, strategies or other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

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

**Overview**

Cirrus Logic ( we, us, our, or the Company ) develops high-precision, analog and mixed-signal integrated circuits ( ICs ) for a broad range of consumer and industrial markets. Building on our diverse analog mixed-signal patent portfolio, Cirrus Logic delivers highly optimized products for consumer and commercial audio, automotive entertainment, industrial and aerospace applications. We develop and market ICs and embedded software used by original equipment manufacturers.

**Critical Accounting Policies**

Our discussion and analysis of the Company's financial condition and results of operations are based upon the consolidated condensed financial statements included in this report, which have been prepared in accordance with U. S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts. We evaluate the estimates on an on-going basis. We base these estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. We also have policies that we consider to be key accounting policies, such as our policies for revenue recognition, including the deferral of revenues and cost of sales on sales to our distributors, and our stock option granting practices; however, these policies do not meet the definition of critical accounting estimates because they do not generally require us to make estimates or judgments that are difficult or subjective.

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

For purposes of determining the variables used in the calculation of stock compensation expense under the provisions of the *Financial Accounting Standards Board's ( FASB ) Statement of Financial Accounting Standards No. 123 (R) ( SFAS No. 123(R) )*, we perform an analysis of current market data and historical company data to calculate an estimate of implied volatility, the expected term of the option and the expected forfeiture rate. With the exception of the expected forfeiture rate, which is not an input, we use these estimates as variables in the Black-Scholes option pricing model. Depending upon the number of stock options granted, any fluctuations in these calculations could have a material effect on the results presented in our Consolidated Condensed Statement of Operations. In addition, any differences between estimated forfeitures and actual forfeitures could also have a material impact on our financial statements.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability or failure of our customers to make required payments. We regularly evaluate our allowance for doubtful accounts based upon the age of the receivable, our ongoing customer relations,



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as well as any disputes with the customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which could have a material effect on our operating results and financial position. Additionally, we may maintain an allowance for doubtful accounts for estimated losses on receivables from customers with whom we are involved in litigation. Inventories are recorded at the lower of cost or market, with cost being determined on a first-in, first-out basis. We write down inventories to net realizable value based on forecasted demand, management judgment and the age of inventory. Actual demand and market conditions may be different from those projected by management, which could have a material effect on our operating results and financial position.

We evaluate the recoverability of property, plant and equipment and intangible assets in accordance with Statement of Financial Accounting Standard No. 144 ( SFAS No. 144 ), *Accounting for the Impairment or Disposal of Long-Lived Assets*. We test for impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amounts. An impairment loss is recognized in the event the carrying value of these assets exceeds the fair value of the applicable assets. Impairment evaluations involve management estimates of asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management, which could have a material effect on our operating results and financial position.

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ( SFAS No. 142 ). Goodwill is recorded at the time of an acquisition and is calculated as the difference between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. Accounting for acquisitions requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair value of the net tangible and intangible assets acquired, including in-process research and development (IPR&D). Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. The amounts and useful lives assigned to other intangible assets impact the amount and timing of future amortization, and the amount assigned to IPR&D is expensed immediately. If the assumptions and estimates used to allocate the purchase price are not correct, or if business conditions change, purchase price adjustments or future asset impairment charges could be required. In accordance with SFAS No. 142, the Company tests goodwill for impairment on an annual basis or more frequently if the Company believes indicators of impairment exist. The value of our intangible assets, including goodwill, could be impacted by future adverse changes such as: (i) any future declines in our operating results, (ii) a decline in the valuation of technology company stocks, including the valuation of our common stock, (iii) a significant slowdown in the worldwide economy and the semiconductor industry or (iv) any failure to meet the performance projections included in our forecasts of future operating results. We evaluate these assets, including purchased intangible assets deemed to have indefinite lives, on an annual basis or more frequently if indicators of impairment exist. Evaluations involve management estimates of asset useful lives and future cash flows. Significant management judgment is required in the forecasts of future operating results that are used in the evaluations. It is possible, however, that the plans and estimates used may be incorrect. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. As previously discussed in Item 1 *Recently Issued Accounting Pronouncements*, SFAS 141 (revised 2007) will change the manner in which the Company accounts for goodwill and other intangible assets acquired through business combinations, and is effective for fiscal years beginning after December 15, 2008. The impact of adopting SFAS 141R will be dependent on the future business combinations that the Company may pursue after its effective date.

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Our available-for-sale investments, non-marketable securities and other investments are subject to a periodic impairment review pursuant to EITF 03-1. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. This determination requires significant judgment and actual results may be materially different than our estimate. Marketable securities are evaluated for impairment if the decline in fair value below cost basis is significant and/or has lasted for an extended period of time. Non-marketable securities or other investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. For investments accounted for using the cost method of accounting, we evaluate information (e.g., budgets, business plans, financial statements, etc.) in addition to quoted market price, if any, in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults and subsequent rounds of financings at an amount below the cost basis of the investment. This list is not all inclusive and we weigh all quantitative and qualitative factors in determining if an other-than-temporary decline in value of an investment has occurred. When a decline in value is deemed to be other-than-temporary, we recognize an impairment loss in the current period's operating results to the extent of the decline. Actual values could be different from those estimated by management, which could have a material effect on our operating results and financial position.

In accordance with Statement of Financial Accounting Standards No. 109 ( SFAS No. 109 ), *Accounting for Income Taxes*, we provide for the recognition of deferred tax assets if realization of such assets is more likely than not. We have provided a valuation allowance against a substantial portion of our net U.S. deferred tax assets due to uncertainties regarding their realization. We evaluate the realizability of our deferred tax assets on a quarterly basis by determining whether or not the anticipated pre-tax income for the upcoming twelve months is expected to be sufficient to utilize the deferred tax assets that we have recognized. If our future income is not sufficient to utilize the deferred tax assets that we have recognized, we increase the valuation allowance to the point at which all of the remaining recognized deferred tax assets will be utilized by the anticipated future pre-tax income for the next twelve months. An increase in the valuation allowance results in a simultaneous increase to income tax expense or, in some cases, a decrease in contributed capital. If our anticipated future pre-tax income is sufficient to conclude that additional deferred tax assets should be recognized, we decrease the valuation allowance. This results in a simultaneous decrease to income tax expense or, possibly, an increase in contributed capital.

Restructuring charges for workforce reductions and facilities consolidations reflected in the accompanying financial statements were accrued based upon specific plans established by management, in accordance with Emerging Issues Task Force No. 94-3 ( EITF 94-3 ), *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* or SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* depending upon the time of the restructuring activity. We use an estimated borrowing rate as the discount rate for all of our restructuring accruals made under SFAS No. 146. Our facilities consolidation accruals are based upon our estimates as to the length of time a facility would be vacant, as well as the amount of sublease income we would receive once we sublet the facility, after considering current and projected market conditions. Changes in these estimates could result in an adjustment to our restructuring accruals in a future quarter, which could have a material effect on our operating results and financial position.

We are subject to the possibility of loss contingencies for various legal matters. We regularly evaluate current information available to us to determine whether any accruals should be made based on the status of the case, the results of the discovery process and other factors. If we ultimately determine that an accrual should be made for a legal matter, this accrual could have a material effect on our operating results and financial position and the ultimate outcome may be materially different than our estimate.

**Table of Contents****Results of Operations**

The following table summarizes the results of our operations for the first quarter of fiscal years 2009 and 2008 as a percent of net sales. All percent amounts were calculated using the underlying data in thousands, unaudited:

|                                     | <b>Percentage of Net Sales</b> |                 |
|-------------------------------------|--------------------------------|-----------------|
|                                     | <b>Three Months Ended</b>      |                 |
|                                     | <b>June</b>                    | <b>June 30,</b> |
|                                     | <b>28,</b>                     | <b>2007</b>     |
|                                     | <b>2008</b>                    | <b>2007</b>     |
| Audio products                      | 50%                            | 55%             |
| Industrial products                 | 50%                            | 45%             |
| Net sales                           | 100%                           | 100%            |
| Cost of sales                       | 44%                            | 41%             |
| Gross Margin                        | 56%                            | 59%             |
| Research and development            | 26%                            | 27%             |
| Selling, general and administrative | 27%                            | 31%             |
| Total operating expenses            | 53%                            | 58%             |
| Income from operations              | 3%                             | 1%              |
| Interest income, net                | 2%                             | 9%              |
| Other income, net                   | 0%                             | 0%              |
| Income before income taxes          | 5%                             | 10%             |
| Provision for income taxes          | 0%                             | 0%              |
| Net income                          | 5%                             | 10%             |

*Net Sales*

Net sales for the first quarter of fiscal year 2009 increased \$2.9 million, or 7 percent, to \$44.0 million from \$41.1 million for the first quarter of fiscal year 2008. Industrial products net sales increased \$3.3 million, or 18 percent, during the first quarter of fiscal year 2009 from the comparable quarter of the prior fiscal year substantially due to the contributions from our precision amplifier products, which were acquired in July, 2007. Net sales from our audio products declined \$0.5 million, or 2 percent, due primarily to decreases in sales of our audio analog to digital converters, digital to audio converters, interface products, and audio processors. These sales decreases were substantially offset by increases in sales of portable products and surround codecs.

Export sales, principally to Asia, including sales to U.S.-based customers with manufacturing plants overseas, were 62 percent and 60 percent of net sales during the first quarter of fiscal years 2009 and 2008, respectively. Our sales are denominated primarily in U.S. dollars. As a result, we have not entered into foreign currency forward exchange and option contracts.

We had no direct customers that accounted for more than 10 percent of our sales. We had one distributor that represented 33 percent and 30 percent of our sales for the first quarter of fiscal year 2009 and fiscal year 2008, respectively.

*Gross Margin*

Gross margin was 56.0 percent in the first quarter of fiscal year 2009, down from 59.2 percent in the first quarter of fiscal year 2008. The decrease in gross margin was driven primarily by a change in both customer and product mix,

and in particular by the recent growth in our portable products.

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**Table of Contents***Research and Development Expense*

Research and development expense for the first quarter of fiscal year 2009 was \$11.6 million, an increase of \$0.7 million from \$10.9 million in the first quarter of fiscal year 2008. This increase was primarily due to higher depreciation and amortization expenses of \$0.3 million, substantially as a result of the Apex acquisition in July 2007, coupled with higher outside product development expenses.

*Selling, General and Administrative Expense*

Selling, general and administrative expense in the first quarter of fiscal year 2009 was \$12.0 million, a decrease of \$1.0 million from \$13.0 million in the first quarter of fiscal year 2008. This decrease was primarily attributable to a decrease in salaries and benefit costs of \$0.7 million. Additionally, professional expenses decreased by \$0.3 million, largely due to charges related to our external stock option review during the first quarter of fiscal year 2008, which did not occur in the first quarter of fiscal year 2009.

*Interest Income*

Interest income was \$0.9 million and \$3.5 million for the first quarter of fiscal years 2009 and 2008, respectively. The decrease of \$2.6 million was primarily due to decreased cash, cash equivalents, and marketable securities balances on which interest was earned coupled with lower rates of return on our investment portfolio. The average interest-earning portfolio balance during the first quarter of fiscal year 2009 was \$145 million, down from \$275 million for the corresponding period of fiscal year 2008. The decrease in the balance was primarily attributable to the Company's \$150 million common stock repurchases completed during the first half of calendar year 2008.

*Income Taxes*

We recorded an income tax provision of \$36 thousand for the first quarter of fiscal year 2009, yielding an effective tax rate of 1.7 percent. Our tax expense for the first quarter of fiscal year 2009 is based on an estimated effective tax rate that is derived from an estimate of consolidated earnings before taxes for fiscal year 2009 and consisted primarily of estimated income taxes due in certain foreign jurisdictions. The estimated effective tax rate is impacted primarily by the worldwide mix of consolidated earnings before taxes and an assessment regarding the realizability of our deferred tax assets. Our tax expense for the first quarter of fiscal year 2009 was less than the Federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset, which had been subjected to a valuation allowance.

We realized income tax expense of \$15 thousand for the first quarter of fiscal year 2008, which consisted primarily of estimated income taxes due in certain foreign jurisdictions and the U.S. alternative minimum tax. Our tax expense for the first quarter of fiscal year 2008 was less than the Federal statutory rate primarily as a result of the utilization of a portion of our U.S. deferred tax asset, which had been subjected to a valuation allowance.

*Recently Issued Accounting Pronouncements*

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

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

**Liquidity and Capital Resources**

During the first quarter of fiscal year 2009, we generated approximately \$2.2 million in cash from operating activities. The primary increase in cash from operations was related to the cash components of our net income, coupled with a \$1.1 million decrease in accounts receivable and a \$1.0 million decrease in other current assets. These increases in cash from operations were partially offset by decreases in accounts payable and accrued liabilities of \$3.1 million and an increase in inventory of \$1.5 million. During the first quarter of fiscal year 2008, we generated approximately \$5.0 million of cash and cash equivalents from operating activities. The increase in cash from operations during this period was primarily related to the cash components of our net income, partially offset by a planned increase in inventory of \$1.0 million to accommodate projected revenue growth.

Net cash provided by investing activities was \$68.3 million during the first quarter of fiscal year 2009, primarily as a result of the net proceeds of \$68.9 million from our available-for-sale securities partially offset by purchases of property, equipment, and software \$0.6 million. Net cash provided by investing activities was \$0.3 million during the first quarter of fiscal year 2008, primarily as a result of the net proceeds of \$3.8 million from our available-for-sale securities partially offset by investments in technology and equipment of approximately \$3.5 million, primarily resulting from the purchase of certain intellectual property from Tripath Technology, Inc.

We used \$85.8 million in cash from financing activities during the first quarter of fiscal year 2009, due primarily to the use of \$87.2 million to complete the share repurchases previously discussed in Note 10 *Stockholder's Equity* of the Notes to Consolidated Financial Statements contained in Item 1, partially offset by the issuance of common stock in connection with option exercises and our employee stock purchase plan of \$1.4 million. We generated \$4.3 million in cash from financing activities during the first quarter of fiscal year 2008, due primarily to the issuance of common stock in connection with option exercises and our employee stock purchase plan.

As of June 28, 2008, we have restricted cash of \$5.7 million, which primarily secures certain obligations under our lease agreement for the headquarters and engineering facility in Austin, Texas.

We have not paid cash dividends on our common stock and currently intend to continue our policy of retaining any earnings for reinvestment in our business. Although we cannot give assurance that we will be able to generate cash in the future, we anticipate that our existing capital resources and cash flow generated from future operations will enable us to maintain our current level of operations for at least the next 12 months.

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risks associated with interest rates on our debt securities, currency movements on non-U.S. dollar denominated assets and liabilities, and the affect of market factors on the value of our non-marketable equity securities. We assess these risks on a regular basis and have established policies that are designed to protect against the adverse effects of these and other potential exposures. There have been no significant changes in our interest rate or foreign exchange risk since we filed our 2008 Annual Report on Form 10-K on May 29, 2008.

**ITEM 4. CONTROLS AND PROCEDURES**

*Evaluation of disclosure control and procedures*

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, the CEO and the Chief Financial Officer ( CFO ) concluded that, as of June 28, 2008, our disclosure controls and procedures were effective at providing reasonable assurance that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that our controls and procedures are effective in timely alerting them to material information required to be included in this report.

*Changes in control over financial reporting*

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

**PART II**

**ITEM 1. LEGAL PROCEEDINGS**

*Derivative Lawsuits*

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

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

On July 16, 2007, the plaintiffs in the two federal cases filed a motion to voluntarily dismiss their claims in the federal court and indicated their intent to coordinate their efforts in the state district court case. After a hearing on the plaintiffs' motion, the court denied the plaintiff's

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motion and required the two purported stockholders to file a consolidated complaint in federal court. A consolidated complaint, including substantially similar allegations to the two previous complaints, was filed on October 11, 2007. In response to the consolidated complaint, Cirrus Logic filed a motion to dismiss on November 15, 2007 based on the plaintiffs' failure to make demand on the Board of Directors of Cirrus Logic (the Board) prior to filing this action (the demand futility motion). The plaintiffs filed their opposition to the motion on December 14, 2007. In January 2008, the court ordered a stay to allow the parties to engage in mediation and attempt to reach resolution. After two mediation sessions, we have not resolved the matter. We expect the court to hear our motion to dismiss this fall.

We intend to defend these lawsuits vigorously. However, we cannot predict the ultimate outcome of this litigation and we are unable to estimate any potential liability we may incur.

**Silvaco Data Systems**

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

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

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

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

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

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

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

**Other Claims**

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



**Table of Contents****ITEM 1A. RISK FACTORS**

In evaluating all forward-looking statements, readers should specifically consider risk factors that may cause actual results to vary from those contained in the forward-looking statements. Various risk factors associated with our business are included in our Annual Report on Form 10-K for the fiscal year ended March 29, 2008, as filed with the U.S. Securities and Exchange Commission ( Commission ) on May 29, 2008 and available at [www.sec.gov](http://www.sec.gov). There have been no material changes to those risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended March 29, 2008, which was filed with the Commission on May 29, 2008.

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

On January 30, 2008, we announced that our Board authorized a share repurchase program of up to \$150 million. The Company repurchased 13.3 million shares of its common stock for \$71.1 million during fiscal year 2008. During the first quarter of fiscal year 2009, we continued our stock repurchase activity by repurchasing a total of 11.2 million shares of our common stock for \$78.9 million as part of this program. As of June 28, 2008 the share repurchase program is completed, with a cumulative 24.5 million shares acquired at a total cost of \$150 million. All of these shares were repurchased in the open market and were funded from existing cash. All shares of our common stock that were repurchased have been cancelled as of June 28, 2008. The following table summarizes repurchases of our common stock during the three months ended June 28, 2008:

| Monthly Period                  | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan or Programs |
|---------------------------------|----------------------------------|------------------------------|--|---|
| March 30, 2008 - April 26, 2008 | 10,990                           | \$ 7.01                      | 10,990   | \$ 1,797  |
| April 27, 2008 - May 24, 2008   | 247                              | \$ 7.28                      | 247  | \$  |
| May 25, 2008 - June 28, 2008    |                                  |                              |  | \$  |
| Total                           | 11,237                           |                              | 11,237   |   |

**ITEM 6. EXHIBITS**

The following exhibits are filed as part of or incorporated by reference into this Report:

- 3.1 Certificate of Incorporation of Registrant, filed with the Delaware Secretary of State on August 26, 1998. (1)
- 3.2 Amended and Restated Bylaws of Registrant. (2)
- 31.1 Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  
\*
- 31.2 Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  
\*
- 32.1 Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
\*
- 32.2 Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  
\*

\* Filed with this Form 10-Q.

- (1) Incorporated by reference from Registrant's Report on Form 10-K for the fiscal year ended March 31, 2001, filed with the Commission on June 22, 2001.
  
- (2) Incorporated by reference from Registrant's Report of Form 8-K filed with the Commission on September 21, 2005.

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**SIGNATURE**

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

CIRRUS LOGIC, INC.

Date: July 25, 2008

By: /s/ Thurman K. Case  
Thurman K. Case  
Chief Financial Officer and Principal Accounting  
Officer

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