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id #000000">**Cost Basis Unrealized Gain**

U.S. government issues

$69,449 $69,380 $69 $62,555 $62,435 $120

Corporate issues

18,979 18,714 265 19,070 18,762 308

Total investments

$88,428 $88,094 $334 $81,625 $81,197 $428

The following table summarizes the maturities of the Company s investments at May 2, 2010 and January 31, 2010:

Investment maturities

(in thousands)	**May 2, 2010**		**January 31, 2010**	
	Market Value	**Cost Basis**	**Market Value**	**Cost Basis**
Within 1 year	$ 57,134	$ 57,093	$ 55,462	$ 55,376
After 1 year through 5 years	31,294	31,001	26,163	25,821
Total investments	$ 88,428	$ 88,094	$ 81,625	$ 81,197

In the first quarter of fiscal years 2011 and 2010, the Company incurred $68,000 and $98,000, respectively, of unrealized loss (net of tax) on investments. These unrealized losses are the result of fluctuations in the market value of the Company s investments and are included in Accumulated other comprehensive income on the consolidated condensed balance sheets. The tax associated with these comprehensive income items for the first quarter of fiscal years 2011 and 2010 was a reduction to the deferred tax liability of $26,000 and $3,000, respectively.

Investments and cash and cash equivalents generated interest income of $224,000 and $706,000 in the first quarter of fiscal years 2011 and 2010, respectively.

Note 7: Fair Value

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. The Company uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Three levels of inputs are used to measure fair value:

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

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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-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

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

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

All items recorded or measured at fair value on a recurring basis in the accompanying consolidated condensed financial statements were based on the use of Level 1 inputs and consisted of the following items as of May 2, 2010:

(in thousands)	Total	Quoted Prices in Active Markets for Identical Instruments (Level 1)
Assets		
Temporary investments	$ 57,134	$ 57,134
Investments, maturities in excess of 1 year	31,294	31,294
Other investments-deferred compensation	5,917	5,917
	$ 94,345	$ 94,345
Liabilities		
Deferred compensation	$ (8,605)	$ (8,605)

Note 8: Inventories

Inventories, consisting of material, labor, and manufacturing overhead, are stated at the lower of cost (first-in, first-out) or market and consisted of the following:

Inventories:

(in thousands)	May 2, 2010	January 31, 2010
Raw materials	$ 5,334	$ 3,445
Work in process	16,897	17,488
Finished goods	10,972	12,886
	$ 33,203	$ 33,819

Note 9: Intangible Assets

Goodwill - Goodwill is not amortized, but is tested for impairment using a two-step method on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit s carrying amount, including goodwill, to the fair market value of the reporting unit. The Company concluded that there were no indicators of impairment as of May 2, 2010.

There were no changes to goodwill during the first three months of fiscal year 2011.

Purchased Intangibles Purchased intangibles are amortized on a straight-line basis over their estimated useful lives. In-process research and development is recorded at fair value as an indefinite-lived intangible

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asset until the completion or abandonment of the associated research and development efforts. Upon completion of development, acquired in-process research and development assets are transferred to finite-lived assets and amortized over their useful lives.

Intangible assets consisted of the following:

(in thousands)		Gross Carrying Amount		Accumulated Amortization		Net Book Value	
	Estimated Useful Life	May 2, 2010	January 31, 2010	May 2, 2010	January 31, 2010	May 2, 2010	January 31, 2010
Core technologies	2-10 years	$ 65,900	$ 65,900	$ (7,989)	$ (5,953)	$ 57,911	$ 59,947
In-process research and development	Indefinite	12,370	12,370			12,370	12,370
Customer relationships	8-10 years	12,130	12,130	(553)	(214)	11,577	11,916
Other Intangibles	2 years	230	230	(150)	(120)	80	110
Total other intangibles		$ 90,630	$ 90,630	$ (8,692)	$ (6,287)	$ 81,938	$ 84,343

Amortization expense related to intangible assets was $2.4 million and $303,000 as of May 2, 2010 and April 26, 2009, respectively.

Note 10: Taxes

The effective tax rate differs from the 35 percent statutory corporate tax rate in part due to the impact of lower foreign tax rates.

The gross unrecognized tax benefits (before federal impact of state items) were $13.8 million at May 2, 2010 and January 31, 2010, respectively. Included in the balances of unrecognized tax benefits at May 2, 2010 and January 31, 2010, are $12.1 million of net tax benefits (after federal impact of state items) that, if recognized, would impact the effective tax rate. The liability for uncertain tax positions was $12.1 million as of May 2, 2010 and January 31, 2010. This liability is reflected on the consolidated condensed balance sheets as Accrued taxes. The Company s policy is to include net interest and penalties related to unrecognized tax benefits within the provision for taxes. The Company had approximately $193,000 of net interest and penalties accrued at May 2, 2010 and January 31, 2010.

Tax years prior to 2006 (fiscal year 2007) are generally not subject to examination by the Internal Revenue Service except for items with tax attributes that could impact open tax years.

For state returns, the Company is generally not subject to income tax examinations for years prior to 2005 (fiscal year 2006). The Company s significant foreign tax presence is in Switzerland. The Company s material Swiss tax filings have been examined through fiscal year 2009. The Company is also subject to routine examinations by various foreign tax jurisdictions in which it operates.

As of May 2, 2010, it was reasonably possible that the total amounts of unrecognized tax benefits would decrease by up to $90,000 within twelve months due to the resolution of a foreign tax audit. Such resolution will result in tax payments by the Company if its positions are not sustained and will result in decreases in the liability for uncertain tax positions and a reduction to the tax provision if the Company s positions are sustained.

Note 11: Commitments and Contingencies

Legal Matters

From time to time in the ordinary course of its business, the Company is involved in various claims, litigation, and other legal actions that are normal to the nature of its business, including with respect to intellectual property, contract, product liability, employment, and environmental matters.

The Company records any amounts recovered in these matters when collection is certain. Liabilities for claims against the Company are accrued when it is probable that a liability has been incurred and the amount can reasonably be estimated. Any amounts recorded are based on periodic reviews by outside

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counsel, in-house counsel and management and are adjusted as additional information becomes available or assessments change.

While some insurance coverage is maintained for such matters, there can be no assurance that the Company has a sufficient amount of insurance coverage, that asserted claims will be within the scope of coverage of the insurance, or that the Company will have sufficient resources to satisfy any amount due not covered by insurance.

The Company s management is of the opinion that the ultimate resolution of such matters now pending will not, individually or in the aggregate, have a material adverse effect on the Company s consolidated results of operations, financial position or cash flows. However, the outcome of legal proceedings cannot be predicted with any degree of certainty.

Refer to the discussion in Note 11 to the consolidated financial statements in Item 8 of the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2010 filed with the SEC on April 1, 2010. All proceedings discussed in the Form 10-K remain outstanding.

Product Warranties

The Company s general warranty policy provides for repair or replacement of defective parts. In some cases, a refund of the purchase price is offered. In certain instances the Company has agreed to other warranty terms, including some indemnification provisions. The table below summarizes changes in product warranty allowances in accrued liabilities.

(in thousands)	
Balance at January 25, 2009	$ 50
Accruals acquired as part of acquisition	2,780
Settlements made (in cash or in kind) during period	(580)
Balance at January 31, 2010	2,250
Current accruals	61
Settlements made (in cash or in kind) during period	(317)
Balance at May 2, 2010	$ 1,994

Note 12: Geographic Information and Concentration of Risk

The Company operates exclusively in the semiconductor industry and primarily within the analog and mixed-signal sector.

Net sales activity by geographic region is as follows:

Sales by Region

(percentage of net sales)	**Three Months Ended**	
	May 2, 2010	**April 26, 2009**
North America	26%	27%
Asia-Pacific	58%	51%
Europe	16%	22%
	100%	100%

The Company generally attributes sales to a country based on the ship-to address. The table below summarizes sales activity to countries that represented greater than 10% of total sales:

(percentage of total sales)	May 2, 2010	April 26, 2009
United States	23%	22%
China (including Hong Kong)	31%	21%
South Korea	15%	22%
Total net sales	69%	65%

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Income from continuing operations before income taxes is as follows:

(in thousands)	May 2, 2010	April 26, 2009
Domestic	$ (3,890)	$ (1,269)
Foreign	17,075	7,448
Total	$ 13,185	$ 6,179

Sales to the Company s customers are generally made on open account, subject to credit limits the Company may impose, and the receivables are subject to the risk of being uncollectible.

Concentration of Net Sales - Significant Customers

(percentage of net sales)	Three Months Ended	
	May 2, 2010	April 26, 2009
Samsung Electronics (and affiliates)	13%	20%
Frontek Technology Corp	12%	10%

Concentration of Accounts Receivable - Significant Customers

(percentage of accounts receivable)	Balance as of	
	May 2, 2010	April 26, 2009
Samsung Electronics (and affiliates)	14%	16%
Frontek Technology Corp	14%	7%

Outside Subcontractors and Suppliers

The Company relies on a limited number of outside subcontractors and suppliers for the production of silicon wafers, packaging and certain other tasks. Disruption or termination of supply sources or subcontractors, due to natural disasters or other causes, could delay shipments and could have a material adverse effect on the Company. Although there are generally alternate sources for these materials and services, qualification of the alternate sources could cause delays sufficient to have a material adverse effect on the Company. Several of the Company s outside subcontractors and suppliers, including third-party foundries that supply silicon wafers, are located in foreign countries, including China, Taiwan, Singapore, Thailand, Malaysia, the Philippines, Germany, Israel and Canada. The Company s largest source of silicon wafers is an outside foundry located in China and a significant amount of the Company s assembly and test operations are conducted by third-party contractors in Malaysia, the Philippines and China.

Note 13: Matters Related to Historical Stock Option Practices

Since May 2006, the Company has incurred substantial expenses for legal, accounting, tax and other professional services in connection with matters associated with or stemming from its historical stock option practices. In the first quarter of fiscal years 2011 and 2010, the Company incurred expenses of $1.6 million and $409,000, respectively, in support of these matters. All activity related to these matters is charged to Selling, general and administrative on the consolidated condensed statements of operations.

The Company expects to continue to incur significant expense in connection with the on-going government inquires and class action litigation. These expenses include claims for advancement of legal expenses to current and former directors, officers and executives under pre-existing indemnification agreements and to other current and former employees under the California Labor Code and a resolution of the Board of Directors authorizing such advances.

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Note 14: Restructuring Costs

During fiscal years 2009 and 2010, the Company initiated restructuring plans to reorganize certain Company operations, consolidate research and development activities and reduce its workforce. The following table summarizes the restructuring charge and liability balance included in Accrued liabilities and Other long-term liabilities on the consolidated condensed balance sheet as of May 2, 2010.

Lease termination costs

(in thousands)	Restructuring at January 31, 2010	Additional Restructuring	Cash Payments / Other	Restructuring at May 2, 2010
	$ 484	$	$ (106)	$ 378

The outstanding liability for restructuring costs is classified on the Company s consolidated condensed balance sheet as of May 2, 2010 as follows:

(in thousands)	
Accrued liabilities	$ 167
Other long-term liabilities	211
	$ 378

Note 15: Stock Repurchase Program; Treasury Shares

In the first quarter of fiscal year 2009, the Company announced that its Board of Directors authorized the repurchase of up to $50 million of the Company s common stock from time to time through negotiated or open market transactions (the 2008 Program). The 2008 Program does not have an expiration date.

In addition to repurchase activity under the 2008 Program, the Company typically withholds shares from vested restricted stock to pay employee payroll and income tax withholding liabilities.

Summary of Repurchase and Withholding Activity

(in thousands, except share data)	Three Months Ended			
	May 2, 2010		April 26, 2009	
	Shares	Value	Shares	Value
Repurchases under the 2008 Program		$	104,528	$ 1,388
Shares withheld from vested restricted shares	23,378	376	25,609	305
Total activity	23,378	$ 376	130,137	$ 1,693

The Company currently intends to hold the repurchased and withheld shares as treasury stock. The Company typically reissues treasury shares to settle stock option exercises and restricted share grants.

Note 16: Recent Accounting Pronouncements

FASB ASC 105-10, Generally Accepted Accounting Principles (formerly FASB Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the Codification)) In June 2009, the Financial Accounting

Standards Board (FASB) issued the Codification, which became effective on July 1, 2009. The Codification became the single source of authoritative non-governmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. The Codification eliminates the U.S. GAAP hierarchy previously provided and establishes one level of authoritative U.S. GAAP. All other literature is considered non-authoritative. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company s disclosures have been updated to be consistent with the Codification.

FASB ASU 2010-06, Fair Value Measurements and Disclosures Topic 820 Improving Disclosures about Fair Value Measurements In January 2010, the FASB issued guidance to improve the disclosures for Level 1, Level 2 and Level 3 fair value measurements. This standard requires new disclosures for significant transfers in and out of Level 1 and level 2 fair value measurements, and separate report information about purchases, sales issuances and settlements of Level 3 fair value measurements. This

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standard is effective for interim and annual periods beginning with the Company s fiscal quarter ended May 2, 2010. This statement will not impact the Company s consolidated results, but could result in additional disclosures in future periods.

FASB ASU 2010-09, Subsequent Events Topic 855 In February 2010, the FASB amended FASB ASC 855-110, Subsequent Events to provide that an entity that is a SEC filer is not required to disclose the date through which subsequent events have been evaluated. The Company s disclosures have been updated to be consistent with this amendment.

Note 17: Subsequent Events

The Company has completed an evaluation of all subsequent events through the issuance date of these consolidated condensed financial statements. The Company has concluded that no subsequent events have occurred that required recognition or disclosure.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations together with the consolidated condensed financial statements and the notes to the consolidated condensed financial statements included elsewhere in this Quarterly Report on Form 10-Q (this Quarterly Report).

Forward Looking Statements

This Quarterly Report contains forward-looking statements. Forward-looking statements are statements other than historical information or statements of current condition and relate to matters such as our future financial performance, future operational performance and our plans, objectives and expectations. Some forward-looking statements may be identified by use of terms such as expects, anticipates, intends, estimates, believes, projects, should, will, plans and similar words. In light of the risks and uncertainties inherent in all such projected matters, forward-looking statements should not be regarded as a representation by us or any other person that our objectives or plans will be achieved or that any of our operating expectations or financial forecasts will be realized. Results could differ materially from those projected in forward-looking statements, due to factors including, but not limited to, those set forth in the Risk Factors and Quantitative and Qualitative Disclosures About Market Risk sections of this Quarterly Report and the Risk Factors section of our Annual Report on Form 10-K for the fiscal year ended January 31, 2010 filed with the Securities and Exchange Commission (the SEC) on April 1, 2010. We undertake no duty to update any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition to regarding forward-looking statements with caution, you should consider that the preparation of financial statements requires us to draw conclusions and make interpretations, judgments, assumptions and estimates with respect to factual, legal, and accounting matters. Different conclusions, interpretations, judgments, assumptions, or estimates could result in materially different results. See Note 1 to the consolidated condensed financial statements included in Item 1 of this Quarterly Report.

Overview

We design, develop, manufacture and market high-performance analog and mixed signal semiconductor products. We operate and account for results in one reportable segment. Our product lines include:

Power Management Products. Power management products control, alter, regulate and condition the power supplies within electronic systems. The highest volume product types within the power management product line are switching voltage regulators, combination switching and linear regulators, smart regulators and charge pumps. Our power management products feature highly integrated devices for the telecom industry and low-power, small form factor and high-efficiency products for mobile phones, notebook computers, computer peripherals and other portable devices. The primary application for these products is power regulation for computer, communications, high-end consumer and industrial systems.

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Protection Products. We design, develop and market high performance protection devices, which are often referred to as transient voltage suppressors (TVS). TVS devices provide protection for electronic systems where voltage spikes (called transients), such as electrostatic discharge generated by the human body, can permanently damage voltage-sensitive components. Our portfolio includes filter and termination devices that can be sold as a complement to TVS devices. Our protection products feature low capacitance, providing robust protection while preserving signal integrity in high-speed voice and video interfaces and are low leakage, thus increasing battery life in electronic devices. Our protection products can be found in a broad range of applications including computer, data-communications, telecommunications and industrial applications.

Advanced Communication and Sensing Products. We design, develop and market a portfolio of proprietary advanced wired communication, wireless communication and sensing integrated circuits (ICs). These ICs perform specialized timing and synchronization functions used in high-speed networks, specialized radio frequency (RF) functions used in a wide variety of industrial, medical and networking applications, and specialized sensing functions used in industrial and consumer applications. Our advanced communications products feature a leading integrated timing solution for packet based communications networks. Our wireless and sensing products feature industry leading and longest range ISM radio enabling low cost of ownership and increased reliability in all environments. Our unique sensing interface platforms can interface to any sensor and output digital data in any form. Our advanced communications and sensing products can be found in a broad range of applications including communications, industrial, medical and consumer applications.

Transport and Datacom Products. We design, develop and market ultra high speed Serializer/Deserializer (SerDes) products for transport communication, including 40Gbps and 100Gbps chips and transceivers for short reach, metro and long haul applications and high performance transceivers for datacenter applications. These products can be found primarily in communications applications.

Microwave and High-Reliability Products. We design, develop and market transceivers for wireless communications infrastructure, including 2G/3G/4G cellular repeaters, WiMAX CPE and base stations and defense and aerospace products, including satellite communication, ground to air beacons and unmanned air vehicles (UAV). This product segment also includes our line of high-reliability discrete semiconductor products comprised of rectifiers, assemblies (packaged discrete rectifiers) and other products. These products are typically used to convert alternating currents (AC) into direct currents (DC) and to protect circuits against very high voltage spikes or high current surges. Our microwave and high-reliability products can be found in a broad range of applications including industrial, military, medical and communications systems.

We operate our business in one enterprise-wide reportable segment. Most of our sales to customers are made on the basis of individual customer purchase orders. Many customers include liberal cancellation provisions in their purchase orders. Trends within the industry toward shorter lead-times and just-in-time deliveries have resulted in our reduced ability to predict future shipments. As a result, we rely on orders received and shipped within the same quarter for a significant portion of our sales. Orders received and shipped in the first quarter of fiscal years 2011 and 2010, represented 43% and 41%% of net sales, respectively. Sales made directly to customers during the first quarter of fiscal year 2011 were 53% of net sales. The remaining 47% of net sales were made through independent distributors.

Our business involves reliance on foreign-based entities. Most of our outside subcontractors and suppliers, including third-party foundries that supply silicon wafers, are located in foreign countries, including China, Taiwan, Singapore, Thailand, Malaysia, the Philippines, Germany, Israel and Canada. For the first quarter of fiscal year 2011, approximately 52% of our silicon, in terms of cost of wafers purchased, was manufactured in China. Foreign sales during the first quarter of fiscal year 2011 constituted approximately 77% of our net sales. Approximately 58% of sales during the first quarter of fiscal year 2011 were to customers located in the Asia-Pacific region. The remaining foreign sales were primarily to customers in Europe, Canada, and Mexico.

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Critical Accounting Policies and Estimates

In addition to the discussion below, you should refer to the disclosures regarding our critical accounting policies in Management s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 31, 2010 filed with the SEC on April 1, 2010.

Revenue and Cost of Sales

We recognize product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. Product design and engineering revenue is recognized during the period in which services are performed. We record a provision for estimated sales returns in the same period as the related revenues are recorded. We base these estimates on historical sales returns and other known factors. Actual returns could be different from our estimates and current provisions for sales returns and allowances, resulting in future charges to earnings.

We defer revenue recognition on shipment of products to certain customers, principally distributors, under agreements which provide for limited pricing credits or product return privileges, until these products are sold through to end-users or the return privileges lapse. For sales subject to certain pricing credits or return privileges, the amount of future pricing credits or inventory returns cannot be reasonably estimated given the relatively long period in which a particular product may be held by the customer. Therefore, we have concluded that sales to customers under these agreements are not fixed and determinable at the date of the sale and revenue recognition has been deferred. We estimate the deferred gross margin on these sales by applying an average gross profit margin to the actual gross sales. The average gross profit margin is calculated for each category of material using current standard costs. The estimated deferred gross margin on these sales, where there are no outstanding receivables, is recorded on the balance sheet under the heading of Deferred revenue. There were no significant impairments of deferred cost of sales in fiscal year 2010 or the first quarter of fiscal year 2011.

The following table summarizes the deferred net revenue balance:

Deferred net revenue

(in thousands)	May 2, 2010	January 31, 2010
Deferred revenues	$ 4,119	$ 4,099
Deferred cost of revenues	1,251	1,771
Deferred revenues, net	$ 2,868	$ 2,328
Deferred product design and enginering revenue	585	948
Total deferred revenue	$ 3,453	$ 3,276

Gross profit is equal to our net sales less our cost of sales. Our cost of sales includes materials, depreciation on fixed assets used in the manufacturing process, shipping costs, direct labor and overhead. We determine the cost of inventory by the first-in, first-out method. Our operating costs and expenses generally consist of selling, general and administrative, product development and engineering costs, costs associated with acquisitions, and other operating related charges.

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Results of Operations

The following table sets forth, for the periods indicated, our statements of operations data expressed as a percentage of revenues.

	Three Months Ended	
	May 2, 2010	April 26, 2009
Net Sales	100.0%	100.0%
Cost of Sales	44.0%	45.5%
Gross Profit	56.0%	54.5%
Operating costs and expenses:		
Selling, general & administrative	25.9%	29.1%
Product development & engineering	15.0%	16.8%
Intangible amortization	2.4%	0.5%
Total operating costs and expenses	43.2%	46.3%
Operating income	12.7%	8.1%
Interest and other income, net	0.2%	2.1%
Income before taxes	12.9%	10.3%
Provision for taxes	2.3%	2.1%
Net income	10.6%	8.2%

Percentages may not add precisely due to rounding.

Comparison of The Three Months Ended May 2, 2010 and April 26, 2009

We report on the basis of 52 and 53 week periods and end our fiscal year on the last Sunday in January. All quarters consist of 13 weeks, except for one 14-week quarter in 53-week years. The first quarter of fiscal years 2011 and 2010 were both 13 week periods.

Our estimates of sales by major end-market are detailed below:

End-Market

(in thousands; % of net sales)	Three Months Ended			
	May 2, 2010		April 26, 2009	
Computing	$ 11,233	11%	$ 8,577	14%
Communications	34,496	34%	11,043	19%
High-end Consumer (1)	34,580	34%	21,759	36%
Industrial	21,571	21%	18,698	31%
Total	$ 101,880	100%	$ 60,077	100%

(1)

For Samsung Electronics (and affiliates) which is a significant customer because net sales to Samsung accounted for more than 10% of our net sales in the first quarter of fiscal years 2011 and 2010, in the first quarter of fiscal years 2011 and 2010, approximately $5.0 million and $4.4 million, respectively, of the net sales into the High-end Consumer end-market, relate to products targeted for the handheld market (which includes mobile phones).

Net Sales. Net sales for the first quarter of fiscal year 2011 were $101.9 million, an increase of 70% compared to $60.1 million for the first quarter of fiscal year 2010. The higher revenue in the current quarter resulted from higher demand for products across all end-markets and the benefit of sales of new products resulting from our acquisition of Sierra Monolithics, Inc. (SMI) in the fourth quarter of fiscal year 2010.

Gross Profit. During the first quarter of fiscal year 2011, gross profit increased to $57.0 million from $32.7 million in the first quarter of fiscal year 2010. Gross profit margins increased to 56.0% from 54.5% in the first quarter of fiscal year 2010. This increase in gross profit reflects the impact of substantially higher sales and specifically a more favorable end-market product mix and the benefit of higher manufacturing

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volumes. Also contributing to the higher margins was the transition away from lower margin Computing products within Power Management.

Operating Costs and Expenses.

Operating Costs and Expenses

(in thousands)	Three Months Ended				
	May 2, 2010		April 26, 2009		Change
Selling, general and administrative	$ 26,351	60%	$ 17,455	63%	51%
Product development and engineering	15,303	35%	10,085	36%	52%
Intangible amortization	2,405	5%	303	1%	694%
Total operating costs and expenses	$ 44,059	100%	$ 27,843	100%	58%

Selling, General and Administrative Expenses.

Selling, general and administrative (SG&A) expenses were $26.4 million and $17.5 million in the first quarter of fiscal years 2011 and 2010, respectively or an increase of 51%. This increase was driven by higher selling costs attributable to higher sales volumes and higher labor costs associated with an overall increase in personnel, including personnel added as a result of the SMI acquisition. SG&A expenses in the first quarter of fiscal year 2010 benefited from various short-term cost reduction initiatives. While expenses were higher in absolute dollars, SG&A expenses expressed as a percentage of sales dropped to 25.9% in the first quarter of fiscal year 2011 from 29.1% in the first quarter of fiscal year 2010, demonstrating enhanced leverage from the higher sales volumes.

Stock-based compensation expense was $5.6 million and $3.6 million in the first quarter of fiscal years 2011 and 2010, respectively. The increase is primarily attributable to inducement and replacement awards issued to employees that joined our company as a result of the acquisition of SMI, increased levels of awards granted to executives, increased projected performance vesting levels for equity awards with performance vesting metrics, and mark-to-market adjustments associated with liability based awards.

Selling, general and administrative expenses for the first quarter of fiscal years 2011 and 2010 include approximately $1.6 million and $409,000, respectively, for legal, accounting, tax and other professional services incurred in connection with matters related to our historical stock option practices, including the government inquiries, the related litigation, and other associated matters. These expenses also include claims for advancement of legal expenses to current and former directors, officers and employees. See Note 13 to our consolidated financial statements included in Item 1 of this Quarterly Report for additional information regarding expenses related to the class action lawsuit and historical stock option matters.

Product Development and Engineering Expenses

Product development and engineering expenses were $15.3 million and $10.1 million in the first quarter of fiscal years 2011 and 2010, respectively or an increase of 52%. The increase is principally driven by higher product development and engineering expenses across all product lines and incremental activity resulting from the acquisition of SMI. Additionally, stock-based compensation expense (which includes the impact of inducement and replacement awards issued to employees that joined our company as a result of the SMI acquisition) increased to $2.1 million in the first quarter of fiscal year 2011 from $860,000 in the first quarter of fiscal year 2010.

Intangible Amortization

Intangible amortization, which reflects amortization costs associated with acquired intangibles, was $2.4 million and $303,000 in the first quarter of fiscal years 2011 and 2010, respectively. The increase reflects the impact of the amortization of intangibles associated with our acquisition of SMI.

Interest and Other Income, Net.

Interest and other income was $0.2 million in the first quarter of fiscal year 2011, compared to $1.3 million in the first quarter of fiscal year 2010. This decrease is attributable to declining interest rates on lower cash

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and investment balances compared to the same period last year. Additionally, in the first quarter of fiscal year 2011 we recognized a negligible amount of foreign exchange transaction loss compared to the first quarter of fiscal year 2010, where we recognized $0.6 million of foreign exchange transaction gains.

Provision for Taxes.

Provision for income taxes was $2.4 million for the first quarter of fiscal year 2011, compared to $1.2 million in the first quarter of fiscal year 2010. The effective tax rate for the first quarter of fiscal years 2011 and 2010 was 18% and 20%, respectively. The decrease in rate is primarily attributable to a greater percentage of income in lower tax jurisdictions.

Business Outlook

On May 26, 2010, we announced our outlook for the second quarter of fiscal year 2011. At that time, we expected sequential revenue to be up 6% to 10% from the first quarter and we expected earnings per diluted share of approximately $0.25 to $0.27. Refer to Exhibit 99.1 of our Current Report on Form 8-K filed with the SEC on May 26, 2010 for the complete announcement.

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Liquidity and Capital Resources

Our capital requirements depend on a variety of factors, including but not limited to, the rate of increase or decrease in our existing business base; the success, timing and amount of investment required to bring new products to market; revenue growth or decline; and potential acquisitions. We believe that we have the financial resources necessary to meet business requirements for the next 12 months, including funds needed for working capital requirements. As of May 2, 2010, our total shareholders equity was $429.1 million. At that date we also had approximately $139.5 million in cash and short-term investments, as well as $31.3 million in long-term investments. We have no outstanding debt.

Our primary sources and uses of cash during the comparative fiscal quarters are presented below:

(in millions)	**Three Months Ended**	
	May 2, 2010	**April 26, 2009**
Sources of Cash		
Operating activities, including changes in working capital	$ 8.2	$ 15.8
Proceeds from exercise of compensatory stock plans, including tax benefits	5.3	1.4
Net (increase) decrease in investments	(6.9)	3.1
	$ 6.6	***$ 20.3***
Uses of Cash		
Capital expenditures, net of sale proceeds	$ (4.4)	$ (1.4)
Purchased intangibles		(2.3)
Repurchase of common stock	(0.4)	(1.7)
	$ (4.8)	***$ (5.4)***
Net increase in cash and cash equivalents	***$ 1.8***	***$ 14.9***

We incur significant expenditures in order to fund the development, design, and manufacture of new products. We intend to continue to focus on those areas that have shown potential for viable and profitable market opportunities, which may require additional investment in equipment and will require continued, and perhaps additional investment in design and application engineers aimed at developing new products. Certain of these expenditures, particularly the addition of design engineers, do not generate significant payback in the short-term. We plan to finance these expenditures with cash generated by operations and our existing cash balances.

A meaningful portion of our capital resources, and the liquidity they represent, are held by our foreign subsidiaries. As of May 2, 2010, our foreign subsidiaries held approximately $109.1 million of cash, cash equivalents and short-term investments, compared to $108.0 million at January 31, 2010. If we need these funds for investment in domestic operations, any repatriation, such as that which occurred in fiscal year 2010 to partially fund the acquisition of SMI, could result in increased tax liabilities.

One of our primary goals is to improve the cash flows from our existing business activities. Our cash, cash equivalents and investments, when combined with the lack of any outstanding debt obligations, give us the flexibility to use our free cash flow to return value to shareholders (in the form of stock repurchases) while also pursuing business improvement opportunities.

Additionally, we will continue to seek to maintain and improve our existing business performance with capital expenditures and, potentially, acquisitions that meet our rate of return requirements. Acquisitions might be made for either cash or stock consideration, or a combination of both. Alternatively, we could be willing to use debt to complete an acquisition.

Operating Activities

Net cash provided by operating activities is primarily due to net income adjusted for non-cash items plus fluctuations in operating assets and liabilities. Non-cash adjustments include deferred income taxes, stock-based compensation expense, depreciation, amortization of intangible assets, and tax benefits from stock-based awards.

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Depreciation and amortization expense was $3.9 million for the first quarter of fiscal year 2011, compared to $1.9 million in the first quarter of fiscal year 2010. The increase is primarily attributable to the increase in fixed and intangible assets resulting from the acquisition of SMI in the fourth quarter of fiscal year 2010.

Stock-based compensation was $8.3 million in the first quarter of fiscal year 2011, compared to $4.8 million in the first quarter of fiscal year 2010. The increase is primarily attributable to inducement and replacement awards issued to employees that joined our company as a result of the acquisition of SMI, increased levels of awards granted to executives, increased projected performance vesting levels for equity awards with performance vesting metrics, and mark-to-market adjustments associated with liability based awards.

Fluctuations in operating assets and liabilities generated cash in the first quarter of fiscal year 2011, driven primarily by the following:

- Accounts receivable increased by $8.7 million due to higher sales
- Prepaid expenses and other assets increased by $2.4 million primarily due to the payment of annual insurance premiums
- Accounts payable increased by $5.4 million primarily due to higher level of operating expenditures resulting from the overall increase in sales and related business activities
- Accrued liabilities decreased by $3.8 million primarily due to payments related to employee bonus programs
- Income taxes payable decreased by $7.9 million primarily due to the payment of U.S. federal income taxes

Investing Activities

Cash used in investing activities is primarily attributable to capital expenditures and purchases and sales/maturities of investments.

Capital expenditures were $4.5 million for the first quarter of fiscal year 2011, compared to $1.4 million for the first quarter of fiscal year 2010. The increases in capital expenditures were made primarily to maintain and expand our test capacity and support engineering and manufacturing functions.

Financing Activities

Cash provided by financing activities is primarily attributable to the proceeds from stock option exercises, the payment of statutory tax withholding obligations related to the vesting of restricted stock, and stock repurchases, if any.

For the first quarter of fiscal year 2011, cash collected directly from the exercise of stock options was $5.1 million, compared to $1.4 million in the first quarter of fiscal year 2010. We do not directly control the timing of the exercise of vested stock options by our grantees. Such exercises are decisions made by those grantees and are influenced most directly by the level of our stock price. Such proceeds are difficult to forecast. The level of such cash inflows to us is subject to several factors which are not within our control. We believe that such proceeds will remain an important secondary source of cash after cash flow from operating activities.

We currently have in effect a stock repurchase program. This program represents one of our principal efforts to return value to our shareholders. In the first quarter of fiscal year 2011, we did not repurchase any shares under this program. In addition to the stock repurchase program, shares valued at $376,000 were withheld in connection with the vesting of restricted stock to cover statutory tax withholding obligations.

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Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as those arrangements are defined by the SEC, that are reasonably likely to have a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

We do not have any unconsolidated subsidiaries or affiliated entities. We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity or market or credit risk support, engage in leasing, hedging, research and development services, or other relationships that expose us to liability that is not reflected on the face of the financial statements.

Certain contractual obligations, representing various commitments we have associated with our business, such as lease commitments and open purchase obligations, are not recorded as liabilities on our balance sheet because we have not yet received the related goods or services as of May 2, 2010.

Contractual Obligations

There were no material changes in our contractual obligations during the first quarter of fiscal year 2011 from those disclosed in Management s Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 31, 2010 filed with the SEC on April 1, 2010.

Inflation

Inflationary factors have not had a significant effect on our performance over the past several years. A significant increase in inflation would affect our future performance.

Available Information

General information about us can be found on our website at www.semtech.com. The information on our website is for informational purposes only and should not be relied on for investment purposes. The information on our website is not incorporated by reference into this Quarterly Report and should not be considered part of this or any other report filed with the SEC.

We make available free of charge, either by direct access on our website or by a link to the SEC website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. Our reports filed with, or furnished to, the SEC are also available directly at the SEC s website at www.sec.gov.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to a variety of market risks, including commodity risk as discussed below and the risks related to foreign currency, interest rates and market performance that are discussed in Item 7A of our Annual Report on Form 10-K for fiscal year 2010 that ended on January 31, 2010 filed with the SEC on April 1, 2010. Many of the factors that can have an impact on our market risk are external to us, and so we are unable to fully predict them.

Global Economic Conditions

Current global economic conditions pose a risk to the overall economy as consumers and businesses may continue to defer purchases in response to the uncertainty around tighter credit and negative financial news. These conditions could reduce demand for our products. Such demand could be different from our expectations due to many factors including changes in business and economic conditions, conditions in the credit market that affect consumer confidence, customer acceptance of our products, changes in customer order patterns, including order cancellations, and changes in the level of inventory held by vendors.

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Commodity Risk

We are subject to risk from fluctuating market prices of certain commodity raw materials, particularly gold, that are incorporated into our end products or used by our suppliers to process our end products. Increased commodity prices are passed on to us in the form of higher prices from our suppliers, either in the form of general price increases or a commodity surcharge. Although we generally deal with our suppliers on a purchase order basis rather than on a long-term contract basis, we generally attempt to obtain firm pricing for volumes consistent with planned production. Our gross margins may decline if we are not able to increase selling prices of our products or obtain manufacturing efficiencies to offset the increased cost. We do not enter into formal hedging arrangements to mitigate against commodity risk.

ITEM 4. Controls and Procedures

Disclosure Controls

We carried out, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures were effective.

Changes in Internal Controls

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) occurred during the fiscal quarter ended May 2, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

Information about legal proceedings is set forth in Note 11 to the consolidated condensed financial statements included in Item 1 of this Quarterly Report.

ITEM 1A. Risk Factors

You should carefully consider and evaluate all of the information in this Quarterly Report and *the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended January 31, 2010 filed with the SEC on April 1, 2010. The risks set forth in our Annual Report on Form 10-K are not the only ones we face. Additional risks not now known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business could be materially harmed. If our business is harmed, the trading price of our common stock could decline.*

The risk factors associated with our business have not materially changed, as compared to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2010 filed with the SEC on April 1, 2010. Also see Management s Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report for a discussion of certain factors that may affect our future performance.

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ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

We did not make any sales of unregistered securities during the first quarter of fiscal year 2011.

Issuer Purchase of Equity Securities

This table provides information with respect to purchases by us of shares of our common stock during the first quarter of fiscal year 2011.

Fiscal Month/Year	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Program (1)
February 2010 (02/01/10 - 02/28/10)		$		$ 15.0 million
March 2010 (03/01/10 - 03/28/10)		$		$ 15.0 million
April 2010 (03/29/10 - 05/2/10)		$		$ 15.0 million
Total first quarter				

(1) On March 4, 2008, we announced that our Board of Directors authorized the repurchase of up to $50 million of our common stock from time to time through negotiated or open market transactions. This stock repurchase program does not have an expiration date.

(2) The table does not include shares surrendered to us in connection with the cashless exercise of stock options by employees and directors or shares surrendered to us to cover tax liabilities upon vesting of restricted stock.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. (Removed and Reserved)

ITEM 5. Other Information

None.

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ITEM 6. Exhibits

Documents that are not physically filed with this report are incorporated herein by reference to the location indicated.

Exhibit No.	Description	Location
2.1	Agreement and Plan of Merger, dated November 18, 2009, by and among Semtech Corporation, Sierra Monolithics, Inc., SMI Merger Corp. and Shareholder Representative Services	Exhibit 2.1 to our Current Report on Form 8-K filed December 15, 2009
2.2	First Amendment to Agreement and Plan of Merger, dated December 9, 2009, by and among Semtech Corporation, Sierra Monolithics, Inc., SMI Merger Corp. and Shareholder Representative Services	Exhibit 10.1 to our Current Report on Form 8-K filed December 15, 2009
3.1	Restated Certificate of Incorporation of Semtech Corporation	Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarterly period ended October 26, 2003
3.2	Bylaws of Semtech Corporation	Exhibit 3.2 to our Annual Report on Form 10-K for the year ended January 27, 2008
10.1	Restricted Stock Award Agreement dated March 29, 2010 with respect to time-based restricted stock award to Mohan Maheswaran pursuant to the Semtech Corporation 2008 Long-Term Equity Incentive Plan (such plan was filed as Exhibit 10.40 to the Company s Annual Report on Form 10-K for the fiscal year ended January 27, 2008)	Exhibit 10.1 to our Current Report on Form 8-K filed April 1, 2010
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended	
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended	
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Exhibit 32.1 is being furnished and shall not be deemed filed)	
32.2	Certification of the Chief Financial Officer Pursuant 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Exhibit 32.2 is being furnished and shall not be deemed filed)	

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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.

	SEMTECH CORPORATION Registrant
Date: June 11, 2010	/s/ Mohan R. Maheswaran Mohan R. Maheswaran Chief Executive Officer
Date: June 11, 2010	/s/ Emeka N. Chukwu Emeka N. Chukwu Vice President Finance, Chief Financial Officer

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