MINDSPEED TECHNOLOGIES, INC
Form 10-K
December 16, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 27, 2013

Commission file number: 001-31650

MINDSPEED TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**01-0616769**
(State of incorporation)	**(I.R.S. Employer Identification No.)**
4000 MacArthur Boulevard, East Tower	**92660-3095**

Newport Beach, California
(Address of principal executive offices) (Zip code)
Registrant s telephone number, including area code:

(949) 579-3000

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

(Title of Each Class)	**(Name of Each Exchange on Which Registered)**
Common Stock $0.01 par value per share (including associated Preferred Share Purchase Rights)	**The NASDAQ Stock Market LLC**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the registrant s voting and non-voting stock held by non-affiliates of the registrant as of the end of its most recently completed second fiscal quarter was approximately $135.6 million. Shares held by each officer and director and each person owning more than 10% of the outstanding voting and non-voting stock have been excluded from this calculation because such persons may be deemed to be affiliates of the registrant. This determination of potential affiliate status is not necessarily a conclusive determination for other purposes. Shares held include shares of which certain of such persons disclaim beneficial ownership.

The number of outstanding shares of the registrant s Common Stock as of November 22, 2013 was 43,610,708.

Documents Incorporated by Reference

Portions of the Registrant s Proxy Statement for the 2014 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A within 120 days after the end of the 2013 fiscal year, are incorporated by reference into Part III of this Form 10-K.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements relating to Mindspeed Technologies, Inc. (including certain projections and business trends) that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the safe harbor created by those sections. All statements included in this Annual Report on Form 10-K, other than those that are purely historical, are forward-looking statements. Words such as expect, believe, anticipate, could, target, project, intend, plan, seek, estimate, may, and variations of such words and similar expressions, also identify forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, without limitation, statements regarding:

our belief that the resolution of certain legal proceedings will not have a material adverse effect on our financial condition, results of operations or cash flows;

the ability of our relationships with leading network infrastructure original equipment manufacturers to facilitate early adoption of our products, enhance our ability to obtain design wins and encourage adoption of our technology in the industry;

the growth prospects for the high-performance analog, communications processors and wireless infrastructure markets, including increased demand for network capacity, the upgrade and expansion of existing networks and the build-out of networks in developing countries;

our belief that our diverse portfolio of semiconductor solutions has positioned us to capitalize on some of the most significant trends in telecommunications and enterprise capital equipment spending;

our plans to make substantial investments in research and development and participate in the formulation of industry standards;

our belief that we can maximize our return on our research and development spending by focusing our investment in what we believe are key growth markets;

the increasing trend toward industry consolidation and the effect it could have on our operating results;

the sufficiency of our existing sources of liquidity to fund our operations, research and development efforts, anticipated capital expenditures, working capital and other financing requirements, including interest payments on debt obligations, for at least the next 12 months;

our restructuring plans, including timing, expected workforce reductions, the expected cost savings under our restructuring plans and the uses of those savings, the timing and amount of payments, the impact on our business, the amounts of future charges to complete our restructuring

plans, including any future plans to reduce operating expenses and/or increase revenue;

our intention to continue to expand our international business activities, including expansion of design and operations centers abroad, and the challenges associated with such expansion;

our expectations regarding the cyclical nature of the semiconductor industry;

the impact of recent accounting pronouncements and the adoption of new accounting standards; and

our plans to periodically enter into strategic arrangements to leverage our portfolio by licensing or selling our intellectual property.

Our expectations, beliefs, anticipations, objectives, intentions, plans and strategies regarding the future are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results, and actual events that occur, to differ materially from results contemplated by the forward-looking statement. These risks and uncertainties include, but are not limited to:

the failure to complete the tender offer or merger with MACOM and/or the divestiture of our wireless infrastructure business;

litigation initiated in connection with the tender offer and merger with MACOM;

restrictions on our business activities while the merger agreement is in effect;

interests of our executive officers and directors in the tender offer and the merger may be different from, or in addition to, those of our stockholders generally;

cash requirements and terms and availability of financing;

the adverse effect our debt obligations may have on our financial condition;

worldwide political and economic uncertainties and specific conditions in the markets we address;

fluctuations in our operating results and future operating losses;

successful and timely development in new markets and introduction of competitive new products;

our ability to attract and retain qualified personnel;

significant fluctuations in the price of our common stock;

loss of or diminished demand from one or more key customers or distributors;

constraints in the supply of wafers and other product components from our third-party manufacturers;

pricing pressures and other competitive factors;

doing business internationally and our ability to successfully and cost effectively establish and manage operations in foreign jurisdictions;

maintaining compliance with applicable governmental regulations;

the expense of and our ability to defend our intellectual property against infringement claims by others;

lengthy sales cycles;

order and shipment uncertainty;

our ability to obtain design wins and develop revenue from them;

product defects and bugs;

business acquisitions and investments;

substantial sales of the shares of our common stock issuable upon conversion of our convertible senior notes or shares issued in connection with the picoChip acquisition; and

our ability to utilize our net operating loss carryforwards and certain other tax attributes.

The forward-looking statements in this report are subject to additional risks and uncertainties, including those set forth in Item 1A Risk Factors and those detailed from time to time in our other filings with the Securities and Exchange Commission. These forward-looking statements are made only as of the date hereof and, except as required by law, we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Mindspeed®, Mindspeed Technologies®, Comcerto® and Transcede® are registered trademarks or trademarks of Mindspeed Technologies, Inc. Other brands, names and trademarks contained in this report are the property of their respective owners.

PART I

Item 1. ***Business***

Mindspeed Technologies, Inc. designs, develops and sells semiconductor solutions for communications applications in wireline and wireless network infrastructure equipment, which includes broadband access networks (fixed and mobile), enterprise and metropolitan and wide area networks (WAN) (fixed and mobile). In previous fiscal years, we had organized our solutions for these interrelated and rapidly converging networks into three product lines: communications convergence processing, high-performance analog and WAN communications. As previously reported, communications convergence processing included small cell wireless equipment. Beginning in fiscal 2013, to better align with our investment focus and provide greater transparency into the execution of our businesses, we started reporting small cell wireless infrastructure revenues as a standalone category. We also combined the communications convergence processing, excluding small cell wireless infrastructure revenues, and WAN businesses into communications processors. High-performance analog remained unchanged. Therefore, our three product lines are high-performance analog, wireless infrastructure and communications processors. Our high-performance analog products include high-density crosspoint switches, optical drivers, equalization and signal-conditioning solutions that solve difficult switching, timing and synchronization challenges in next-generation optical networking, enterprise storage and broadcast video transmission applications. Our wireless infrastructure products include ultra-low-power, multi-core digital signal processor (DSP) system-on-chip (SoC) products for the mobile (3G/4G) carrier infrastructure, including residential and enterprise platforms. Our communications processors products include ultra-low-power, multi-core DSP SoC products for the fixed and mobile carrier infrastructure platforms and WAN communication products that help optimize today s circuit-switched networks that furnish much of the Internet s underlying long-distance infrastructure.

Our products are sold to original equipment manufacturers (OEMs) for use in a variety of network infrastructure equipment, including:

High-Performance Analog next-generation fiber access network equipment (including passive optical networking, or PON, systems); switching and signal conditioning products supporting fiber-to-the-premise, optical transport networks (OTN), storage and server systems and broadcast video, inclusive of routers and other systems that are driving the migration to 3G high-definition (HD) transmission.

Wireless Infrastructure 3G/4G long-term evolution (LTE) wireless small cell base stations in the carrier infrastructure, including residential and enterprise;

Communications Processors triple-play access gateways for Voice-over-Internet Protocol (VoIP) and data processing platforms; broadband customer premises equipment (CPE) gateways and other equipment that carriers use to deliver voice, data and video services to residential subscribers; Internet Protocol (IP) private branch exchange (PBX) equipment and security appliances used in the enterprise and circuit-switched networking equipment that implements asynchronous transfer mode (ATM) and T1/E1 and T3/E3 communications protocols; and

Our customers include Alcatel-Lucent SA, Cisco Systems, Inc., Huawei Technologies Co. Ltd., LM Ericsson Telephone Company, Mitsubishi Electric Corporation, Nokia Siemens Networks and Zhongxing Telecom Equipment Corp., among others.

We believe the breadth of our product portfolio, combined with more than three decades of experience in semiconductor hardware, software and communications systems engineering, provides us with a competitive advantage. We have proven expertise in signal, packet and transmission processing technologies, which are critical core competencies for successfully defining, designing and implementing advanced semiconductor products for next-generation network infrastructure equipment. We have cultivated and continue to initiate and foster close relationships with leading network infrastructure OEMs to understand emerging markets, technologies and standards. We focus our research and development efforts on applications in the segments of the telecommunications network which we believe offer the most attractive growth prospects. Our business is fabless, which means we outsource all of our manufacturing needs, and we do not own or operate any semiconductor

manufacturing facilities. We believe being fabless allows us to minimize operating infrastructure and capital expenditures, maintain operational flexibility and focus our resources on the design, development and marketing of our products.

Mindspeed was originally incorporated in Delaware in 2001 as a wholly owned subsidiary of Conexant Systems, Inc. On June 27, 2003, Conexant completed the distribution to Conexant stockholders of all outstanding shares of common stock of Mindspeed. Prior to the distribution, Conexant transferred to us the assets and liabilities of its Mindspeed business, including the stock of certain subsidiaries, and certain other assets and liabilities, which were allocated to us under the distribution agreement entered into between us and Conexant. Also, prior to the distribution, Conexant contributed cash to our company in an amount such that at the time of the distribution our cash balance was $100.0 million. We issued to Conexant a warrant to purchase approximately 6.3 million shares of our common stock at a price of $16.25 per share, as adjusted, which expired unexercised on June 27, 2013. Following the distribution, we began operations as an independent, publicly held company. Our common stock trades on the Nasdaq Global Market under the ticker symbol MSPD.

On February 6, 2012, we completed the acquisition of picoChip, Inc. and its wholly owned subsidiaries (picoChip). picoChip is a supplier of integrated SoC solutions for small cell base stations. The acquisition expanded our small cell base station product portfolio, which addresses the next generation mobile broadband communications infrastructure.

On November 5, 2013, we entered into an agreement and plan of merger with M/A-COM Technology Solutions Holdings, Inc., or MACOM, and Micro Merger Sub, Inc., a wholly owned subsidiary of MACOM, or Acquisition Sub. Under and subject to the terms of the merger agreement, Acquisition Sub has commenced a cash tender offer to acquire all of our shares of common stock for a purchase price of $5.05 per share, net to the holder thereof in cash without interest. If the tender offer is completed, we expect that Acquisition Sub will be merged with and into us, and we will become a wholly owned subsidiary of MACOM. We are also in discussions with a third party concerning a potential divestiture of our wireless infrastructure business unit. We cannot provide any assurances that we will reach an agreement with the third party relating to a divestiture. For further information about risks relating to the tender offer and the potential divestiture of our wireless business, please review the information under Item 1A Risk Factors of this Form 10-K.

We operate a single business segment which designs, develops and sells semiconductor solutions for communications applications in wireline and wireless network infrastructure equipment, which includes broadband access networks (fixed and mobile), enterprise and metropolitan and wide area networks (fixed and mobile). The financial information for this segment is reported in Item 8 Financial Statements and Supplementary Data of this Form 10-K.

Industry Overview

Communications semiconductor products are a critical part of network infrastructure equipment. Network infrastructure OEMs require advanced communications semiconductor products such as low-power, multi-core DSP SoC solutions, as well as switching and signal timing and conditioning solutions that are highly optimized for the equipment employed by their customers. We seek to provide semiconductor products that enable network infrastructure OEMs to meet the needs of their service provider and enterprise customers in terms of system performance, functionality and time-to-market.

Addressed Markets

Our semiconductor products are primarily focused on network infrastructure equipment applications in three areas of the broadly defined communications network: broadband access service areas, including wireless and wireline infrastructure networks, enterprise networks, and metropolitan and wide area networks. The type and complexity of network infrastructure equipment used in these network areas continues to expand, driven by the need for the

processing, transmission and switching of digital voice, data and video traffic over multiple communication media, at numerous transmission data rates and employing different protocols.

Broadband Access service areas of the telecommunications network refer to the last mile of a telecommunications or cable service provider s physical network (including copper, fiber optic or wireless transmission), including network infrastructure equipment that connects end-users (typically located at a business or residence) with metropolitan and wide area networks. For this portion of the network, infrastructure equipment requires semiconductors that enable reliable, high-speed connectivity capable of aggregating or disaggregating and transporting multiple forms of voice, data and video traffic. In addition, communications semiconductors must accommodate multiple transmission standards and communications protocols to provide a bridge between dissimilar access networks; for example, connecting wireless base station equipment to a wireline network, and enabling the computationally complex processing that is required in order for carriers to meet cellular data service demands with limited available spectrum. Typical network infrastructure equipment found at the edge of the broadband access service area that use our products include optical node units, optical line terminals, remote access concentrators, digital subscriber line (DSL) access multiplexers, broadband customer premises equipment gateways, mixed-media gateways, wireless base stations, digital loop carrier equipment and media converters.

Included in the *Broadband Access* service area are the sales of our wireless SoCs to OEMs that manufacture small cells. Small cells have been developed for the 3G/HSPA and 4G/LTE networks to increase wireless voice and data coverage as demands on the networks rapidly increase. Carriers across the globe, including AT&T, Verizon, Sprint, Telefonica, China Mobile, Korea Telecom and SK Telecom, have announced plans to roll out 4G/LTE and small cell networks, highlighting the potential demand for our products.

Enterprise networks include equipment that enables voice and data communications and access to outside networks, and is deployed primarily in the offices of commercial enterprises, including specialized commercial segments, such as broadcast video production, which have demanding network requirements. An enterprise network may be comprised of many local area networks, as well as client workstations, centralized database management systems, storage area networks (SANs) and other components. In enterprise networks, communications semiconductors facilitate the processing and transmission of voice, data and video traffic in converged IP networks that are replacing the traditional separate telephone, data and video conferencing networks. Typical network infrastructure equipment found in enterprise networks that use our products include voice and media gateways, IP PBXs, SAN routers, director-class switches and emerging enterprise-class wireless base station systems for enhanced mobile enterprise service delivery. In addition, a major trend in the broadcast video segment of the enterprise networking market is the switch from analog to digital television transmission and the conversion from standard-definition television services to high-definition television (HDTV) services featuring more detailed images and digital surround sound. We offer a family of broadcast-video products optimized for high-speed HDTV routing and production switcher applications.

Metropolitan and Wide Area Networks refer to the portion of a service provider s physical network that enables high-speed communications within a city or a larger regional area, including inexpensive mobile backhaul services for wireless communications carriers. In addition, this portion of the network provides the communications link between broadband access service areas and the fiber optic-based, wide area network. For metro equipment applications, our communications semiconductors provide transmission and processing capabilities, as well as information segmentation and classification, and routing and switching functionality, to support high-speed traffic from multiple sources employing different transmission standards and communications protocols. These functions require signal conversion, signal processing and packet processing expertise to support the design and development of highly integrated mixed-signal devices combining analog and digital functions with communications protocols and application software. Typical network infrastructure equipment found in metro service areas that use our products includes add-drop multiplexers, switches, high-speed routers, digital cross-connect systems, optical edge devices and multiservice provisioning platforms. The market for metropolitan and wide area networks has declined over the past two years and it may continue this trajectory.

The telecommunications network, including the Internet, has evolved into a complex, hybrid series of converging digital and optical networks that connect individuals and businesses globally. These new higher-bandwidth,

data-centric networks integrate voice, data and video traffic, operate over both wired and wireless media, link existing voice and data networks and cross traditional enterprise, broadband access, metro and long haul service area boundaries. Network infrastructure OEMs are designing faster, more intelligent and more complex equipment to satisfy the needs of service providers as they continue to expand their network coverage and service offerings while upgrading and connecting or integrating existing networks of disparate types. In this demanding environment, we believe network infrastructure OEMs select as their strategic partners communications semiconductor suppliers who can deliver advanced products that provide increased functionality, lower total system cost and support for a variety of communications media, operating speeds and protocols.

The Mindspeed Approach

We believe the breadth of our product portfolio, combined with our expertise in low-power semiconductor hardware and software and communications systems engineering, provide us with a competitive advantage in designing and selling our products to leading network infrastructure OEMs.

We have proven expertise in signal, packet and transmission processing technologies. Signal processing involves both signal conversion and digital signal processing techniques that convert and compress voice, data and video between analog and digital representations. Packet processing involves bundling or segmenting information traffic using standard protocols such as IP or ATM and enables sharing of transmission bandwidth across a given communication medium. Transmission processing involves the transport and receipt of voice, data and video traffic across copper wire and optical fiber communications media.

These core technology competencies are critical for developing semiconductor networking solutions that enable the processing, transmission and switching of high-speed voice, data and video traffic, employing multiple communications protocols, across disparate communications networks. Our core technology competencies are the foundation for developing our:

- low-power semiconductor device architectures, including mixed-signal devices and application-specific multi-core SoC solutions that combine core central processing units, digital signal processors and programmable hardware-accelerated protocol engines plus analog signal processing capabilities;

- highly optimized signal processing algorithms and communications protocols, which we implement in semiconductor devices, including wireless echo-cancellation, wideband voice and advanced video technologies;

- critical software drivers and application software to perform signal, packet and transmission processing tasks, plus programming tools, which customers can use to add their own proprietary value to designs based on our SoCs;

- integration, transmission and receiving of multi-gigabit serial data streams over optical and copper media to solve difficult system challenges in synchronous optical network (SONET), OTN, dense wavelength division multiplexing (DWDM) telecommunications equipment, broadcast video systems, and enterprise storage, networking and computing applications; and

- traditional transmission components for the public switched telephone network (PSTN).

Increasing Demand for Communications Semiconductors

We believe the market for network infrastructure equipment in general, and for communications semiconductors in particular, offers attractive long-term growth prospects for several reasons:

We anticipate that demand for network capacity will continue to increase, driven by:

- wireless user growth;
- Internet user growth;
- higher network utilization rates as carriers seek to maximize the return on the capital and operational investments in their network infrastructure; and
- growing consumer and business demand for VoIP and other bandwidth-intensive services and applications, such as wireless data transfer and video/multimedia content delivery.

We believe that incumbent telecommunications carriers, integrated communication service providers and cable multiple service operators worldwide will continue to upgrade and expand legacy portions of their networks to accommodate new service offerings and to reduce operating costs. This upgrade and expansion cycle, along with the development of new, next-generation networks, requires the development of a variety of new equipment created from advanced semiconductor solutions. Further, we believe such carriers will expand their wireless networks with the implementation of 4G/LTE technologies to enhance the user experience and handle the increased loads on the networks.

In certain countries, we expect that service providers will continue the build-out of telecommunication networks, including the rollout of 4G/LTE networks, many of which were previously government owned and are now often taking the lead on new technology deployment, ahead of more established regions in terms of creating high-growth market opportunities for the latest advances.

We also believe that many technologies developed to solve high-speed optical networking challenges also apply to challenges in other portions of the network infrastructure. For instance, high-speed backplanes for DWDM equipment have sophisticated timing and signal-conditioning requirements that are similar to those required in enterprise storage and broadcast video transmission applications. In both cases, advanced silicon is a critical enabler for system designs.

Moreover, we expect that network infrastructure OEMs will outsource more of their semiconductor component requirements to semiconductor suppliers, allowing the OEMs to reduce their operating cost structure by shifting their focus and investment from internal application specific integrated circuit semiconductor design and development to more strategic systems development.

Strategy

Our objective is to grow our business profitably and to become the leading supplier of semiconductor networking solutions to leading global network infrastructure OEMs in key wireline and wireless access market segments, including carrier and enterprise solutions. To achieve this objective, we are pursuing the following strategies:

Focus on Increasing Share in Growth Applications

We have established strong market positions for our products in the enterprise and broadband access (fixed and mobile) service areas of the telecommunications network. We believe the markets for semiconductor products that address these applications will grow at faster rates than the markets for network infrastructure equipment, in general. This key attribute is expected to make enterprise and broadband access attractive markets for the foreseeable future. We believe that our three core technology competencies, coupled with focused investments in product development, will position us to increase our share in those target areas.

Expand Strategic Relationships with Industry-Leading Global Network Infrastructure OEMs and Maximize Design Win Share

We identify and selectively establish strategic relationships with market leaders in the network infrastructure equipment industry to develop next-generation products and, in some cases, customized solutions for their specific needs. We have an extensive history of working closely with our customers research and development groups and marketing teams to understand emerging markets, technologies and standards, and we invest our product development resources in those areas. We believe our close relationships with leading network infrastructure OEMs facilitate early adoption of our semiconductor products during development of their system-level products, enhance our ability to obtain design wins from those customers and encourage adoption of our technology throughout the industry.

In North America, we have cultivated close relationships with leading network infrastructure OEMs. We have established close relationships with market leaders such as Cisco Systems Inc. in North America, Huawei Technologies Co., Ltd., and Zhongxing Telecom Equipment Corp. in the Asia-Pacific region and Alcatel-Lucent, Nokia Siemens Networks and LM Ericsson Telephone Company in Europe.

Capitalize on the Breadth of Our Product and Intellectual Property Portfolio

We build on the breadth of our product portfolio of physical-layer devices, together with our signal and packet processing devices and communications software expertise, to increase our share of the silicon content in our customers products. We offer a range of complementary products that are optimized to work with each other and provide our customers with complete information receipt, processing and transmission functions. These complementary products allow infrastructure OEMs to source components that provide proven interoperability from a single semiconductor supplier, rather than requiring OEMs to combine and coordinate individual components from multiple vendors.

In addition, we offer highly integrated products, such as our family of Comcerto packet processors that provide our customers with a complete hardware and software solution in a single device. These integrated products perform functions typically requiring multiple discrete components and software, and combine the programmability of alternative general-purpose DSP solutions with the superior performance and power efficiency of a multi-processor solution with selected application-specific fixed-function acceleration. Our multi-core SoC expertise is also becoming increasingly important as network infrastructure equipment requires more and more computational complexity to solve difficult multi-layered signal processing challenges. To enable the integration of more and more processing cores into SoC devices, we have developed proprietary intellectual property for managing large arrays of DSPs, including task-scheduling technology that has been field-proven and steadily enhanced through several generations of triple-play edge gateways used for complex packet-processing applications.

We believe that this strategy of offering both complementary and integrated products increases product performance, speeds time-to-market and lowers the total system cost for our customers. The breadth of our product portfolio also provides a competitive advantage for serving network convergence applications such as multiprotocol wireless-to-wireline connectivity. These applications generally require a combination of processing, transmission or switching functionality to move high-speed voice and data traffic using multiple communications protocols across disparate communications networks.

Through our efforts in building a large product portfolio, we have developed and we maintain a broad intellectual property portfolio consisting of sophisticated algorithms and other specialized technology, such as the advanced echo-cancellation techniques that have been used in voice ports of carrier telecommunications equipment that our products have enabled. We periodically enter into strategic arrangements to leverage our portfolio by licensing or selling our intellectual property.

Additionally, we have aligned with key strategic partners to collaborate on advanced multi-core SoC architectures that we believe are critical for next-generation, ultra-low-power communications processing solutions. For instance, our work with ARM Holdings plc has resulted in 12 generations of power-efficiency advances, initially for carrier-class convergence processors and more recently for triple-play home-gateway platforms, as well as for our Transcede products for wireless applications. Power efficiency is becoming increasingly important as our customers adopt a variety of energy-efficiency initiatives, including the European Union energy-consumption guidelines for broadband equipment.

Provide Outstanding Technical Support and Customer Service

We provide broad-based technical and product design support to our customers through three dedicated teams: field application engineers, product application engineers and technical marketing personnel. We believe that comprehensive service and support are critical to shortening our customers design cycles and maintaining a long-term competitive position within the network infrastructure equipment market. Outstanding customer service and support are important competitive factors for semiconductor component suppliers like us seeking to be the preferred suppliers to leading network infrastructure OEMs.

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Products

We provide network infrastructure OEMs with a broad portfolio of advanced semiconductor networking solutions. Our products can be classified into three focused product families: high-performance analog products, communications processors products and wireless infrastructure products. These three product families are found in a variety of wireless and wireline networking equipment designed to process, transmit and switch voice, data and video traffic between, and within, the different segments of the communications network.

High-Performance Analog Products

Our high-performance analog integrated circuit solutions enable the transport, signal conditioning and switching of high-speed data in telecom and enterprise networks, including fiber-to-the-premise, optical transport networks, storage area networks, local and metro area networks and broadcast video.

Our transport portfolio includes physical layer devices for fiber optics and coaxial connectivity, including laser drivers, limiting amplifiers, transimpedance amplifiers, cable drivers, cable equalizers and cable reclockers. Our signal conditioning products include clock and data recovery circuits, equalizers and serializers/deserializers. Our switching portfolio is comprised of a wide range of non-blocking crosspoint switches with matrix sizes up to 288 x 288.

Our leading-edge analog and mixed signal portfolio enables customers to deliver high-performance systems by:

- enabling longer reach data transmission over fiber or coaxial cables;
- conditioning the signal to remove unwanted noise;
- combining lower speed signals from multiple parallel paths into higher speed serial paths, and vice-versa, for bandwidth economy;
- amplifying and equalizing weaker signals as they pass through a particular system s equipment, media or network; and
- allowing low-latency switching of high-speed data for:
  - rerouting of data to new destination points in the network;
  - network redundancy; and
  - simplifying printed circuit board design.

Communications Processors Products

Our communications processors products include the Comcerto family of products, as well as the WAN communications products. Comcerto provides a complete SoC solution for carrier-class video and Voice-over-Packet (VoP) applications.

Our Comcerto family of packet processors includes a full range of software-compatible solutions that enable OEMs to provide scalable systems with customized features for carrier, enterprise and customer premise applications. These products serve as bridges for transporting video, voice, fax and modem transmissions between circuit-switched and packet-based fixed and mobile networks, and across network boundaries. Our DSP device architecture combines the performance of a digital-signal processor core with the flexibility of a microcontroller core to support our extensive suite of voice compression techniques, echo cancellers and communications protocols. These products process and translate voice and data and perform various management and reporting functions. They compress the signals to minimize bandwidth consumption and modify or add communications protocols to accommodate transport of the signals across a variety of different networks. Supported services include video and VoIP, Voice-over-ATM (VoATM) and Voice-over-DSL services, as well as wireline-to-wireless connectivity.

The high-density members of this family, the Comcerto 5000, 900, 700 and 600 series processors and related software, provide a complete SoC solution for carrier-class video and VoP applications. All are targeted for use in media gateways designed to bridge wireless, wireline and enterprise networks.

The Comcerto 100 series broadband services processor is designed to support secure triple-play (voice, video and data) networks for residential and small office/home office markets. The Comcerto 100 series processor integrates high-performance security processing, packet processing and quality of service (QoS) capabilities for next-generation broadband customer premises equipment enabling service providers to deliver sophisticated multi-media content to their subscribers.

The Comcerto 300, 500 and 800 series solutions are designed for access and enterprise voice and data processing applications. The Comcerto 300 series is targeted at VoIP integration in lower density access platforms, such as multi-dwelling units (MDUs), digital subscriber line access multiplexer (DSLAM) equipment and multi-service access nodes (MSANs), and are widely deployed in passive optical network/fiber-to-the-building (PON/FTTB) applications. The Comcerto 500 series is a silicon PBX-on-a-chip which supports all required voice processing functionality for up to 128 channels, including encryption. The Comcerto 800 series enables a new class of office-in-a-box systems by combining a high-quality VoP subsystem with a high-performance routing and virtual private network (VPN) engine. The Comcerto 800 series integrates voice processing, packet processing and encryption functionality into a single device for the rapidly growing market for VoP enterprise networks. This product is targeted for use in enterprise voice gateways, PBXs and integrated access devices.

The Comcerto 1000 series of low-power embedded packet processers address a wide variety of applications ranging from high-end VoIP enabled home gateways and small-to-midsized business high performance security appliances to Ethernet powered 802.11n enterprise access points. The Comcerto 1000 series of processors delivers scalability, high-performance packet handling capabilities, increased VPN and secure sockets layer (SSL) throughput and industry leading QoS hardware features.

The Comcerto 2000 series builds on the Comcerto 1000 series by increasing performance and adding programmable packet processing engines. This significantly increases the market opportunity, as we can address switching, routing, security, multi-service gateways, enterprise class wireless access points and controllers, network attached storage and VoIP applications for residential, enterprise and networking equipment for small and medium businesses.

Our WAN communications products include transmission solutions and high-performance ATM/multi-protocol label switching (MPLS) network processors that facilitate the aggregation, processing and transport of voice and data traffic over copper wire or fiber optic cable to access metropolitan and long-haul networks.

Our high-performance ATM/MPLS network processors, and T1/E1, T3/E3 and SONET carrier devices are designed for use in a variety of equipment, including digital loop carriers, DSL access multiplexers, add-drop multiplexers, switches, high-speed routers, digital cross-connect systems, optical edge devices, multiservice provisioning platforms, voice gateways, wireless backhaul and wireless base station controllers.

Wireless Infrastructure Products

Our Transcede family of 3G/4G base station baseband processors extends our proven multi-core processing expertise into the mobile infrastructure.

In February 2012, we completed our acquisition of picoChip, which expanded our presence in 3G and enabled us to introduce our dual-mode SoCs to meet the demands of networks that require both 3G and 4G capabilities in a single chip.

Our Transcede family extends our multi-core processor to deliver highly integrated baseband solutions for 3G and dual-mode base stations. Transcede is designed to meet the huge increase in base station diversity and

computational complexity caused by the mobile Internet s migration from a voice- to data-centric mobile network. Transcede is designed to enable the development of a wide range of equipment, from residential small cells to picocells and enterprise femtocells serving a relatively small number of subscribers to microcells and macrocells serving hundreds or thousands of subscribers. Demand for this diverse set of platforms is being driven by the need for carriers to offload mobile data traffic and bridge today s 3G coverage and performance gaps, while paving the way for next-generation 4G and long-term evolution (LTE) networks.

The Transcede family ranges from cost-effective devices for mass-market residential small cells, through products for the enterprise and to high-performance metrocells and microcells. We have solutions for 3G (both high-speed packet access (HSPA) and time-division synchronous code division multiple access (TD-SCDMA)), for LTE (both time-division duplexing (TDD) and frequency-division duplexing (FDD) and dual-mode, which incorporates both 3G and 4G functionality into a single solution.

The Transcede family includes the T4000, whose processor cores run at 600 MHz, with less than 12 watt power consumption, and the T4020, which features 750 MHz processor cores and typical power consumption less than 15 watts. These devices enable 64-user picocell on a chip, delivering three sectors of LTE processing in a single device, while still providing substantial processing headroom so manufacturers can deploy their own value-added features as part of an overall Transcede-based solution. The Transcede family also includes the Transcede 3000, which is designed for small-cell 3G and 4G base stations supporting up to 32 users. The Transcede processors combine Layer 1 (L1) physical layer (PHY) and Layer 2 (L2) media access control (MAC) functionality on the same device to improve performance and reduce development time and costs.

In fiscal 2012, we introduced the Transcede T2200 and T3300 next-generation SoCs. These are dual-mode solutions with both HSPA and LTE in one device. Our lead customers are currently sampling these new devices. The T2200 is suitable for home and small business applications and the T3300 is suitable for larger enterprises. We also produce the T2100 and T3100 variants for LTE-only single mode.

The picoChip product line is shipping in volume to operators around the world. The products include PC302 for residential, PC323 for enterprise and PC333 for metrocells. The next generation devices (PC3008, PC3024 and PC3032) are being sampled by our customers.

Customers

We market and sell our semiconductor networking solutions directly to leading network infrastructure OEMs. We also sell our products indirectly through electronic component distributors and third-party electronic manufacturing service providers, which manufacture products incorporating our semiconductor networking solutions for OEMs. Sales to distributors accounted for approximately 67% of our revenue for fiscal 2013. For fiscal 2013, distributor Alltek Technology Corporation accounted for 28% of our net revenue and distributor Avnet, Inc. accounted for 19% of our net revenue.

Our top direct OEM customer for fiscal 2013 was Huawei Technologies Co. Ltd., who accounted for 6% of our net revenue. We believe that our significant indirect network infrastructure OEM customers for fiscal 2013 also included Mitsubishi Electric Corporation, Oki Electric Industry Co., Ltd and Alcatel-Lucent.

Our customer base is dispersed geographically. Revenue derived from customers located in the Americas region was 22%, in the Europe region was 8% and in the Asia-Pacific region was 70% of our total net revenue for fiscal 2013. We believe a portion of the products we sell to OEMs and third-party manufacturing service providers in the Asia-Pacific region is ultimately shipped to end-markets in the Americas and Europe. See Item 8 Financial Statements and Supplementary Data, including Note 3 and Note 17 of Notes to Consolidated Financial Statements for additional information on customers and geographic areas.

Sales, Marketing and Technical Support

We have a worldwide sales, marketing and technical support organization that is currently comprised of 65 employees located in three domestic and eight international sales locations. Our marketing, sales and field

applications engineering teams, augmented by 14 electronic component distributors and one sales representative organization, focus on marketing and selling semiconductor networking solutions to worldwide network infrastructure OEMs.

We maintain close working relationships with our customers throughout their lengthy product development cycle. Our customers may need six months or longer to test and evaluate our products and an additional six months or longer to begin volume production of network infrastructure equipment that incorporates our products. During this process, we provide broad-based technical and product design support to our customers through our field application engineers, product application engineers and technical marketing personnel. We believe that providing comprehensive product service and support is critical to shortening our customers design cycles and maintaining a competitive position in the network infrastructure equipment market.

Operations and Manufacturing

We are a fabless company, which means we do not own or operate foundries for wafer fabrication or facilities for device assembly and final test of our products. Instead, we outsource wafer fabrication, assembly and testing of our semiconductor products to independent, third-party contractors. We use mainstream digital complementary metal-oxide semiconductor (CMOS) process technology for the majority of our products; we rely on specialty processes for the remainder of our products. Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) is our principal foundry supplier of CMOS wafers and die and produces some of our specialty process products. We use several other suppliers for wafers used in older products. We believe that the raw materials, parts and supplies required by our foundry suppliers are generally available at present and will remain available in the foreseeable future.

Semiconductor wafers are usually shipped to third-party contractors for device assembly and packaging where the wafers are cut into individual die, packaged and tested before final shipment to customers. We use Amkor Technology, Inc., Advanced Semiconductor Engineering, Inc. (ASE) and other third-party contractors, located in the Asia-Pacific region, Europe and California, to satisfy a variety of assembly and packaging technology and product testing requirements associated with the back-end portion of the manufacturing process.

We qualify each of our foundry and back-end process providers. This qualification process consists of a detailed technical review of process performance, design rules, process models, tools and support, as well as analysis of the subcontractor s quality system and manufacturing capability. We also participate in quality and reliability monitoring through each stage of the production cycle by reviewing electrical and parametric data from our wafer foundry and back-end providers. We closely monitor wafer foundry production for overall quality, reliability and yield levels.

Competition

The communications semiconductor industry in general, and the markets in which we compete in particular, are intensely competitive. We compete worldwide with a number of United States (U.S.) and international suppliers that are both larger and smaller than us in terms of resources and market share. We expect intense competition to continue.

Our principal competitors are Cavium Networks Inc., Freescale Semiconductor, Inc., Semtech Corporation (based on the acquisition of Gennum Corporation), Maxim Integrated Products, Inc., PMC-Sierra, Inc., Texas Instruments Inc. and Vitesse Semiconductor Corporation. With the introduction of our wireless SoCs, we now also compete with Broadcom Corporation and Qualcomm Incorporated.

We believe that the principal competitive factors for semiconductor suppliers in each of our served markets are:

time-to-market;

product quality, reliability and performance;

comprehensive product service and customer support;

price and total system cost;

new product innovation;

compliance with industry standards;

design wins;

market acceptance of our, or our competitors products;

production efficiencies; and

general economic conditions.

While we believe that we compete favorably with respect to each of these factors, many of our current and potential competitors have certain advantages over us, including:

stronger financial position and liquidity;

longer, or stronger, presence in key markets;

greater name recognition;

more secure supply chain;

lower cost alternatives to our products;

access to larger customer bases; and

significantly greater sales and marketing, manufacturing, distribution, technical and other resources.

As a result, these competitors may be able to devote greater resources to the development, promotion and sale of their products than we can. Our competitors may also be able to adapt more quickly to new or emerging technologies and changes in customer requirements or may be more able to respond to the cyclical fluctuations or downturns that affect the semiconductor industry from time to time. If we are not successful in assuring our customers of our financial stability, our OEM customers may choose semiconductor suppliers whom they believe have a stronger financial position or liquidity, which may materially adversely affect our business.

Backlog

Our sales are made primarily pursuant to standard purchase orders for delivery of products. Because industry practice allows customers to cancel orders with limited advance notice to us prior to shipment, we believe that backlog as of any particular date is not a reliable indicator of our future revenue levels.

Research and Development

We have significant research, development, engineering and product design capabilities. We currently have 326 employees engaged in research and development activities. On research and development activities, we spent approximately $61.9 million in fiscal 2013, $67.9 million in fiscal 2012 and $59.2 million in fiscal 2011. We perform research and product development activities at our headquarters in Newport Beach, California and at 11 design centers. In order to enhance the cost-effectiveness of our operations, we have increasingly sought to shift portions of our research and development operations to regions with lower cost structures than that available in the United States. Our design centers are strategically located to take advantage of key technical and engineering talent. Our success depends to a substantial degree upon our ability to timely develop and introduce new products and enhancements to our existing products that meet changing customer requirements and emerging industry standards. We have made and plan to make substantial investments in research and development and to participate in the formulation of industry standards. In addition, we actively collaborate with technology leaders to define and develop next-generation technologies.

Intellectual Property

Our success and future revenue growth depend, in part, on the intellectual property that we own and develop, including patents, licenses, trade secrets, know-how, trademarks and copyrights, and on our ability to protect our intellectual property. We continuously review our patent portfolio to maximize its value to us and abandon or sell inapplicable or less useful patents. Our patent portfolio may be used to avoid, defend or settle any potential litigation with respect to various technologies contained in our products. The portfolio may also provide negotiating leverage in attempts to cross-license patents or technologies with third parties. We may also seek to leverage our patent portfolio by licensing or selling our patents or other intellectual property. We rely primarily on patent, copyright, trademark and trade secret laws, as well as employee and third-party nondisclosure and confidentiality agreements and other methods to protect our proprietary technologies and processes. In connection with our participation in the development of various industry standards, we may be required to reasonably license certain of our patents to other parties, including competitors that develop products based upon the adopted industry standards. We have also entered into agreements with certain of our customers and granted these customers the right to use our proprietary technology in the event that we file for bankruptcy protection or take other equivalent actions. While in the aggregate our intellectual property is important to our operations, we do not believe that any single patent, license, trade secret, know-how, trademark or copyright is considered of such importance that its loss or termination would materially affect our business or financial condition.

Employees

We currently have 478 full-time employees, approximately 320 of whom are engineers. Our employees are not covered by any collective bargaining agreements and we have not experienced a work stoppage in the past nine years since our inception. We believe our future success will depend in large part on our ability to continue to attract, motivate, develop and retain highly skilled and dedicated technical, marketing and management personnel.

Cyclicality

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving technical standards, short product life cycles and wide fluctuations in product supply and demand. From time to time, these and other factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry, and in our business in particular.

In addition, our operating results are subject to substantial quarterly and annual fluctuations due to a number of factors, such as demand for network infrastructure equipment, the timing of receipt, reduction or cancellation of significant orders, fluctuations in the levels of component inventories held by our customers, the gain or loss of significant customers, market acceptance of our products and our customers products, our ability to timely develop, introduce and market new products and technologies, the availability and cost of products from our suppliers, new product and technology introductions by competitors, intellectual property disputes and the timing and extent of product development costs.

Available Information

We maintain a website at www.mindspeed.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, and other information related to our company, are available free of charge on this site as soon as reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission (SEC). Our Code of Business Conduct and Ethics, Guidelines on Corporate Governance and Board Committee Charters are also available on our website. We will provide reasonable quantities of paper copies of filings free of charge upon request. In addition, we will provide a copy of the Board Committee Charters to stockholders

upon request. No portion of our website or the information contained in or connected to the website is incorporated into this Annual Report on Form 10-K.

Item 1A. ***Risk Factors***

Our business, financial condition and operating results can be affected by a number of factors, including those listed below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. Any of these risks could also materially and adversely affect our business, financial condition or the price of our common stock or other securities. With the exception of the risks relating to the tender offer, merger and potential divestiture of our wireless infrastructure business unit, the risks described below relate to our continued operation as a stand-alone entity.

We have entered into an agreement with MACOM with respect to an acquisition of Mindspeed and we are in continuing discussions with a third party relating to a divestiture of our wireless infrastructure business unit. If one or both of these transactions were not to be completed for any reason, it would have a material adverse effect on our business, operating results and financial condition.

On November 5, 2013, we entered into the merger agreement with MACOM and Acquisition Sub. Pursuant to the merger agreement, and upon the terms and subject to the conditions thereof, Acquisition Sub commenced a cash tender offer to acquire all of the shares of our common stock for a purchase price of $5.05 per share, net to the holder thereof in cash without interest. Following the consummation of the tender offer, subject to customary conditions and pursuant to Section 251(h) of the Delaware General Corporation Law, Acquisition Sub will be merged with and into us without any further stockholder approval, and we will become a wholly owned subsidiary of MACOM. In addition, we continue to be involved in discussions with a third party regarding the potential divestiture of our wireless infrastructure business unit. We cannot provide any assurances that we will be able to reach an agreement with this potential acquiror. If the tender offer and associated merger are not completed for any reason, including as a result of a failure of the required minimum number of shares to be tendered, our stock price would be expected to decline and our business and financial condition could be materially and adversely affected. If we terminate the merger agreement under certain circumstances, we must pay MACOM, concurrently with such termination, a termination fee of $9.5 million. In addition, this termination fee is payable to MACOM under other specified circumstances. We announced the agreement with MACOM following a six month strategic review process and can provide no assurances that we would be able to find an alternative acquirer of Mindspeed or, if we found such an acquirer, that we would be able to maintain the current offer price. In addition, while completion of the wireless divestiture is not a condition to completion of the tender offer, if we were unable to complete the wireless divestiture following any inability to complete the tender offer and the associated merger, our operating results and financial condition would be materially harmed. In particular, we will need to implement a business restructuring, which would use available cash resources and materially and adversely affect our operating results. We may also need to raise additional capital by refinancing our existing indebtedness or pursuing an equity financing. There can be no assurances that either new debt or equity financing would be available when or as needed or that, if available, that the financing terms would be favorable to us and our stockholders. An equity financing transaction would result in additional dilution to our stockholders and such dilution could be material.

We continue to be subject to outstanding stockholder litigation, including litigation relating to our proposed merger with MACOM, which could, if not resolved in our favor, have an adverse impact on the merger and tender offer, our business and operating results, and our financial condition.

Between November 7 and November 20, 2013, eleven purported class action lawsuits were filed on behalf of our stockholders against various defendants including Mind speed, its directors, MACOM, Acquisition Sub, and unnamed John Doe defendants in connection with the proposed merger. Those cases are captioned *Marchese v. Mind speed Technologies, Inc., et al.*, Case No. 30-2013-00686181-CU-BT-CXC (Cal. Super. Ct., Orange City., Nov. 7, 2013) (*Marches Action*); *Iacobellis v. Decker, et al.*, Case No. 30-2013-00686796-CU-SL-CXC (Cal. Super. Ct., Orange Cnty., Nov. 7, 2013); *Pogal v. Mindspeed Technologies, Inc., et al.*, Case No. 9076-VCN (Del. Ch. Ct. Nov. 12, 2013); *Hoffman v. Mindspeed Technologies, Inc., et al.*, Case No. 30-2013-00687029-CU-SL-CXC (Cal. Super. Ct., Orange Cnty., Nov. 12, 2013); *Swain v. Mindspeed Technologies, Inc., et al.*, Case

No. 30-2013-00687498-CU-SL-CXC (Cal. Super. Ct., Orange Cnty., Nov. 12, 2013); *Miller v. Mindspeed Technologies, Inc., et al.*, Case No. 30-2013-00687951-CU-BT-CXC (Cal. Super. Ct., Orange Cnty., Nov. 13, 2013); *Durand v. Decker, et. al.*, Case No. 9080 (Del. Ch. Ct. Nov. 14, 2013); *Tassa v. Mindspeed Technologies, Inc., et al.*, Case No. 9096 (Del. Ch. Ct. Nov. 15, 2013); *Feuerstein v. Mindspeed Technologies, Inc., et al.*, Case No. 9101 (Del. Ch. Ct. Nov. 18, 2013); *Hoffman v. Mindspeed Technologies, Inc., et al.*, Case No. 9105 (Del. Ch. Ct. Nov. 19, 2013) (*Hoffman* Action); and *Vinciguerra v. Mindspeed Technologies, Inc., et al.*, Case No. 9107 (Del. Ch. Ct. Nov. 20, 2013). The complaints allege, generally, that our directors breached their fiduciary duties to our stockholders, and that the other defendants aided and abetted such breaches, by seeking to sell Mindspeed through an allegedly defective process, for an unfair price, and on unfair terms. The lawsuits seek, among other things, equitable relief that would enjoin the consummation of the proposed merger, rescission of the proposed merger (to the extent the proposed merger has already been consummated), damages, and attorneys fees and costs. We intend to vigorously defend against these claims. The outcome of this litigation cannot be predicted at this time, and any outcome in favor of the plaintiffs could have a significant adverse effect on the tender offer and merger, our financial condition and our results of operations.

On November 22, 2013, an amended complaint was filed in the Hoffman Action in the Delaware Court of Chancery. The amended complaint includes similar allegations to the original complaint, along with claims that Mindspeed s Solicitation/Recommendation Statement, or recommendation statement, included misstatements or omissions of material facts. On November 25, 2013, a motion for preliminary injunction was filed in the Delaware Court of Chancery for the Hoffman Action. On December 3, 2013, all of the complaints filed in the Delaware Court of Chancery were consolidated and are referred to as the Delaware actions. On December 4, 2013, the Delaware Court of Chancery set a schedule for the briefing of the preliminary injunction motion in the Delaware actions, and a hearing was scheduled for December 11, 2013.

On December 6, 2013, plaintiffs in the Delaware actions filed their brief in support of a motion to enjoin the proposed merger. While Mindspeed and the other defendants believe that all of the lawsuits are without merit, and we and our directors specifically deny the allegations made in the lawsuits and maintain that we have committed no wrongdoing whatsoever, to permit the timely consummation of the merger, and without admitting the validity of any allegations made in the lawsuits, we and our board of directors have concluded that it is desirable that the Delaware actions be resolved. On December 9, 2013, the parties in the Delaware actions entered into a memorandum of understanding to settle the Delaware actions and to resolve all allegations which were brought or could have been brought by the purported class of Mindspeed stockholder plaintiffs. The proposed settlement, which is subject to confirmatory discovery and court approval, provides for the release of all claims against us and our directors relating to the proposed Merger. There can be no assurance that the settlement will be finalized or that the Delaware Court of Chancery will approve the settlement. In exchange for the releases, Mindspeed agreed to provide additional supplemental disclosures in the recommendation statement. The motion for a preliminary injunction was then withdrawn and the hearing vacated in the Delaware actions.

On November 27, 2013, Mindspeed and its board directors and the plaintiffs in each of five actions filed in the California Superior Court for Orange County signed a stipulation to consolidate the actions into the Marchese Action. On December 5, 2013, an amended complaint was filed in the Marchese Action. The amended complaint includes similar allegations to the original complaint along with claims that the recommendation statement included misstatements or omissions of material facts. On December 5, 2013, plaintiffs filed an *ex parte* application for an order shortening time in which to bring a motion for expedited discovery, which was denied on December 6, 2013.

On January 2, 2013, Clark Leips, a purported Mindspeed stockholder, filed a lawsuit against Mindspeed and our board in the United States District Court for the District of Delaware alleging, among other things, that the compensation and management development committee of our board breached its fiduciary duties in each of calendar years 2009, 2010, 2011 and 2012 by approving equity incentive grants for our chief executive officer that exceeded the respective sub-limitations under Section 5 of our 2003 Long-Term Incentives Plan for grants to a single participant in any calendar year. That case is captioned *Leips v. Halim, et al.*, Case No. 1:13-cv-00015-SLR. In an amended complaint

filed January 9, 2013, the plaintiff also alleged that the disclosures in the proxy statement for our 2013 annual meeting of stockholders were inadequate. The plaintiff seeks, among other things, damages, rescission of the excess grants, disgorgement and attorney s fees. The plaintiff filed a motion to enjoin our 2013 annual meeting of stockholders until we issued additional disclosures to supplement the proxy statement. On January 22, 2013, we filed a supplement to the proxy statement. The motion for an injunction was then taken off calendar. Mindspeed has moved to dismiss the complaint. Pursuant to Delaware law, if the merger is closed, plaintiff s standing to bring this derivative lawsuit, if he had standing in the first instance, which is contested, would be extinguished.

While the merger agreement is in effect, we are subject to restrictions on our business activities.

While the merger agreement is in effect, we are subject to restrictions on our business activities and must generally operate our business in the ordinary course consistent with past practice (subject to certain exceptions). These restrictions could prevent us from pursuing attractive business opportunities that arise prior to the completion of the merger and are generally outside the ordinary course of business and otherwise may have a material adverse effect on our future results of operations or financial condition.

Our executive officers and directors may have interests that are different from, or in addition to, those of our stockholders generally.

Our executive officers and directors may have interests in the tender offer and the merger that are different from, or are in addition to, those of our stockholders generally. These interests include direct or indirect ownership of our common stock, stock options and other equity interests and the potential receipt of change in control payments by certain executive officers in connection with the proposed tender offer and merger.

We have substantial cash requirements to fund our operations, research and development efforts and capital expenditures. In the event that we do not complete the merger and the divestiture of our wireless infrastructure business unit, we expect to continue to spend substantial amounts to fund our operations. Our capital resources are limited and capital needed for our business may not be available when we need it.

We have used significant cash to fund our operating activities. Our principal sources of liquidity are our existing cash balances, cash generated from operations and our revolving credit facility with Silicon Valley Bank (SVB). In the event that we do not complete the merger and the divestiture of our wireless infrastructure business unit, we believe that our existing cash balances, cash expected to be generated from operations and amounts available under our revolving credit facility will be sufficient to fund our operations, anticipated capital expenditures and other financing requirements, including principal and interest payments on debt obligations, for at least the next 12 months. We may need additional capital in the future and may not have access to additional sources of capital on favorable terms or at all. If we raise additional funds through the issuance of equity, equity-based or debt securities, such securities may have rights, preferences or privileges senior to those of our common stock and our stockholders may experience dilution of their ownership interests. In addition, there can be no assurance that we will continue to generate cash from operations, benefit from the sale or licensing of intellectual property as we have in previous periods, or be eligible to make additional withdrawals from our revolving credit facility.

Our debt obligations could adversely affect our financial condition.

As of September 27, 2013, we had $32.0 million in aggregate principal amount of convertible senior notes outstanding. In addition, our loan and security agreement with SVB that was entered into in connection with the picoChip acquisition includes: (i) a term loan facility of $15.0 million; and (ii) a revolving credit facility of up to $20.0 million. As of September 27, 2013, the outstanding balance on the term loan was $14.2 million and the outstanding balance on the revolving credit facility was $12.5 million. Our debt obligations may adversely impact our financial condition. For example, our debt obligations may:

require us to use a large portion of our cash flow to repay our indebtedness thereunder if we fail to comply with the restrictive financial and operating covenants in the loan and security agreement or

if other events of default occur, which may have a material adverse effect on our liquidity and will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions or strategic business opportunities, research and development expenditures and other general business activities;

limit our future ability to raise funds for working capital, capital expenditures, acquisitions or strategic business opportunities, research and development expenditures and other general business activities; and

contribute to a future downgrade of our credit rating, which could increase future borrowing costs.

Our ability to meet our payment obligations under our debt obligations depends on our ability to generate significant cash flow in the future. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in an amount sufficient to enable us to meet our payment obligations under our debt obligations and to fund our other liquidity needs. If we are unable to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, commit to a restructuring plan, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we were unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations.

Our operating results may be adversely impacted by worldwide political and economic uncertainties and specific conditions in the markets we address, including the cyclical nature of and volatility in the semiconductor industry.

We operate in the semiconductor industry, which is cyclical and subject to rapid change and evolving industry standards. From time to time, the semiconductor industry has experienced significant downturns characterized by decreases in product demand, excess customer inventories and accelerated erosion of prices. The semiconductor industry also periodically experiences increased demand and production capacity constraints, which may affect our ability to ship products. Furthermore, during challenging economic times, our customers and vendors may face issues gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. As a result, we may experience growth patterns that are different than the end demand for products, particularly during periods of high volatility. Accordingly, our operating results may vary significantly as a result of the general conditions in the semiconductor industry, which could cause large fluctuations in our stock price.

We cannot predict the timing, strength or duration of any economic slowdown or the impact it will have on our customers, our vendors or us. The combination of our lengthy sales cycle coupled with challenging macroeconomic conditions could have a compound impact on our business. The impact of market volatility is not limited to revenue, but may also affect our product gross margins and other financial metrics. Any downturns in the semiconductor industry could be severe and prolonged, and any failure of the industry or wired and wireless communications markets to fully recover from downturns could seriously impact our revenue and harm our business, financial condition and results of operations.

Our operating results are subject to substantial quarterly and annual fluctuations.

We have incurred significant losses in prior periods, including fiscal 2013. Our net revenue and operating results have fluctuated in the past and may fluctuate in the future and we may incur losses and negative cash flows in future periods. These fluctuations are due to a number of factors, many of which are beyond our control. These factors include, among others:

changes in end-user demand for the products manufactured and sold by our customers;

customers could accelerate their demand to earn financial incentives;

the effects of competitive pricing pressures, including decreases in average selling prices of our products;

the gain or loss of significant customers;

market acceptance of our products and our customers products;

our ability to timely develop, introduce, market and support new products and technologies;

availability and cost of products from our suppliers;

intellectual property disputes;

the timing of receipt, reduction or cancellation of significant orders by customers;

fluctuations in the levels of component inventories held by our customers and changes in our customers inventory management practices;

shifts in our product mix and the effect of maturing products;

the timing and extent of product development costs;

new product and technology introductions by us or our competitors;

fluctuations in manufacturing yields; and

significant warranty claims, including those not covered by our suppliers.

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially and adversely affect our quarterly or annual operating results.

Our success depends on our ability to timely develop competitive new products in new markets and keep abreast of the rapid technological changes in our market.

Our operating results will depend largely on our ability to continue to timely introduce new and enhanced semiconductor products in new markets, as well as our ability to keep abreast of rapid technological changes in our markets. Our products could become obsolete sooner than we expect because of faster than anticipated, or unanticipated, changes in one or more of the technologies related to our products. The introduction of new technology representing a substantial advance over current technology could adversely affect demand for our existing products. Currently accepted industry standards are also subject to change, which may also contribute to the obsolescence of our products. If we are unable to develop and introduce new or enhanced products in a timely manner, our business may be adversely affected.

Successful product development and introduction depends on numerous factors, including, among others:

our ability to anticipate customer and market requirements and changes in technology and industry standards;

our ability to accurately define new products;

our ability to complete development of new products, and bring our products to market, on a timely basis;

our ability to differentiate our products from offerings of our competitors; and

overall market acceptance of our products.

We may not have sufficient resources to make the substantial investment in research and development in order to develop and bring to market new and enhanced products, particularly if we are required to take further cost reduction actions. Furthermore, we are required to continually evaluate expenditures for planned product development and to choose among alternative technologies based on our expectations of future market growth. We may be unable to timely develop and introduce new or enhanced products, our products may not satisfy customer requirements or achieve market acceptance, or we may be unable to anticipate new industry standards and technological changes. We also may not be able to respond successfully to new product announcements and introductions by competitors.

Research and development projects may experience unanticipated delays related to our internal design efforts. New product development also requires the production of photomask sets and the production and testing of sample devices. In the event we experience delays in obtaining these services from the wafer fabrication and assembly and test vendors on whom we rely, our product introductions may be delayed and our revenue and results of operations may be adversely affected.

We may not be able to attract and retain qualified personnel necessary for the design, development, sale and support of our products. Our success could be negatively affected if key personnel leave.

Our future success depends on our ability to attract, retain and motivate qualified personnel, including executive officers and other key management, technical and support personnel. Despite our efforts to retain valuable employees, members of our management and key technical personnel may terminate their employment with us on short notice given the announcement of the merger. As the source of our technological and product innovations, our key technical personnel represent a significant asset. The competition for such personnel can be intense in the semiconductor industry. We may not be able to attract and retain qualified management and other personnel necessary for the design, development, sale and support of our products.

In periods of poor operating performance, we have experienced, and may experience in the future, particular difficulty attracting and retaining key personnel. If we are not successful in assuring our employees of our financial stability and our prospects for success, our employees may seek other employment, which may materially and adversely affect our business. We intend to continue to expand our international business activities including expansion of design and operations centers abroad and may have difficulty attracting and maintaining international employees. The loss of the services of one or more of our key employees, including Raouf Y. Halim, our chief executive officer, or certain key design and technical personnel, or our inability to attract, retain and motivate qualified personnel could have a material adverse effect on our ability to operate our business.

Some of our engineers are foreign nationals working in the U.S. under work visas. The visas permit qualified foreign nationals working in specialty occupations, such as certain categories of engineers, to reside in the U.S. during their employment. The number of new visas approved each year may be limited and may restrict our ability to hire additional qualified technical employees. In addition, immigration policies are subject to change, and these policies have generally become more stringent since the events of September 11, 2001. Any additional significant changes in immigration laws, rules or regulations may further restrict our ability to retain or hire technical personnel.

The price of our common stock may fluctuate significantly.

The price of our common stock is volatile and may fluctuate significantly. There can be no assurance as to the prices at which our common stock will trade or that an active trading market in our common stock will be sustained in the future. The market price at which our common stock trades may be influenced by many factors, including:

- risks related to the tender offer and merger;
- our operating and financial performance and prospects, including our ability to achieve sustained profitability;
- our limited capital resources and availability of capital needed for our business;

the depth and liquidity of the market for our common stock which can impact, among other things, the volatility of our stock price and the availability of market participants to borrow shares;

investor perception of us and the industry in which we operate;

the recently completed acquisition of picoChip may not be accretive and may cause dilution to our earnings per share;

the level of research coverage of our common stock;

changes in earnings estimates or buy/sell recommendations by analysts;

the issuance and sale of additional shares of common stock;

the recently completed sale and issuance of convertible senior notes;

limitations placed on our investors by our stockholders rights agreement, which is designed to protect our net operating loss carryforwards;

general financial and other market conditions; and

domestic and international economic conditions.

In addition, public stock markets have experienced, and may in the future experience, extreme price and trading volume volatility, particularly in the technology sectors of the market. This volatility has significantly affected the market prices of securities of many technology companies for reasons frequently unrelated to or disproportionately impacted by the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our common stock. If we do not meet the requirements for continued quotation on the Nasdaq Global Select Market (NASDAQ), our common stock could be delisted which would adversely affect the ability of investors to sell shares of our common stock and could otherwise adversely affect our business.

The loss of one or more key customers or distributors, or the diminished demand for our products from a key customer could significantly reduce our net revenue, gross margin and results of operations.

A relatively small number of end customers and distributors have accounted for a significant portion of our net revenue in any particular period. There has been an increasing trend toward industry consolidation in our markets in recent years, particularly among major network equipment and telecommunications companies. Industry consolidation could decrease the number of significant customers for our products thereby increasing our reliance on key customers. In addition, industry consolidation has generally led, and may continue to lead, to pricing pressures and loss of market share. We have no long-term volume purchase commitments from our key customers. One or more of our key customers or distributors may discontinue operations as a result of consolidation, financial instability, liquidation or otherwise. Reductions, delays and cancellation of orders from our key customers or the loss of one or more key customers could significantly reduce our net revenue and results of operations. We cannot assure you that our current customers will continue to place orders with us, that orders by existing customers will continue at current or historical levels or that we will be able to obtain orders from new customers.

We are entirely dependent upon third parties for the manufacture of our products and are vulnerable to their capacity constraints during times of increasing demand for semiconductor products.

We are entirely dependent upon outside wafer fabrication facilities, known as foundries, for wafer fabrication services. Our principal suppliers of wafer fabrication services are TSMC, Samsung Electronics Co., Ltd. and Jazz Semiconductor, Inc. We are also dependent upon third parties, including Amkor and ASE, for the assembly and testing of all of our products. Under our fabless business model, our long-term revenue growth is dependent on our

ability to obtain sufficient external manufacturing capacity, including wafer production capacity. Periods of upturns in the semiconductor industry may be characterized by rapid increases in demand and a shortage of capacity for wafer fabrication and assembly and test services.

The risks associated with our reliance on third parties for manufacturing services include:

- the lack of assured supply, potential shortages and higher prices;
- the effects of disputes or litigation involving our third-party foundries;
- increased lead times;

limited control over delivery schedules, manufacturing yields, production costs and product quality; and

the unavailability of, or delays in obtaining, products or access to key process technologies.

Our standard lead time, or the time required to manufacture our products (including wafer fabrication, assembly and testing), is typically 12 to 16 weeks. During periods of manufacturing capacity shortages, the foundries and other suppliers on whom we rely may devote their limited capacity to fulfill the production requirements of other customers that are larger or better financed than we are, or who have superior contractual rights to enforce the manufacture of their products, including to the exclusion of producing our products.

Additionally, if we are required to seek alternative foundries or assembly and test service providers, we would be subject to longer lead times, indeterminate delivery schedules and increased manufacturing costs, including costs to find and qualify acceptable suppliers. For example, if we choose to use a new foundry, the qualification process may take as long as six months over the standard lead time before we can begin shipping products from the new foundry. Such delays could negatively affect our relationships with our customers.

Wafer fabrication processes are subject to obsolescence, and foundries may discontinue a wafer fabrication process used for certain of our products. In such event, we generally offer our customers a last-time buy program to satisfy their anticipated requirements for our products. Any unanticipated discontinuation of a wafer fabrication process on which we rely may adversely affect our revenue and our customer relationships.

The foundries and other suppliers on whom we rely may experience financial difficulties or suffer disruptions in their operations due to causes beyond our control, including deteriorations in general economic conditions, labor strikes, work stoppages, electrical power outages, fire, earthquake, flooding or other natural disasters. Certain of our suppliers manufacturing facilities are located near major earthquake fault lines in the Asia-Pacific region and in California. Due to cross dependencies, supply chain disruptions could negatively impact demand of our products, including, for example, if our customers are unable to obtain sufficient supply of other components required for their end product. In the event of a disruption of the operations of one or more of our suppliers, we may not have an alternate source immediately available. Such an event could cause significant delays in shipments until we are able to shift the products from an affected facility or supplier to another facility or supplier. The manufacturing processes we rely on are specialized and are available from a limited number of suppliers. Alternate sources of manufacturing capacity, particularly wafer production capacity, may not be available to us on a timely basis. Even if alternate manufacturing capacity is available, we may not be able to obtain it on favorable terms, or at all. Difficulties or delays in securing an adequate supply of our products on favorable terms, or at all, could impair our ability to meet our customers requirements and have a material adverse effect on our operating results.

In addition, the highly complex and technologically demanding nature of semiconductor manufacturing has caused foundries to experience, from time to time, lower than anticipated manufacturing yields, particularly in connection with the introduction of new products and the installation and start-up of new process technologies. Lower than anticipated manufacturing yields may affect our ability to fulfill our customers demands for our products on a timely basis. Moreover, lower than anticipated manufacturing yields may adversely affect our gross margin and our results of operations.

We are subject to intense competition.

The communications semiconductor industry in general, and the markets in which we compete in particular, are intensely competitive. We compete worldwide with a number of U.S. and international semiconductor manufacturers that are both larger and smaller than we are in terms of resources and market share. We currently face significant competition in our markets and expect that intense price and product competition will continue. This competition has

resulted, and is expected to continue to result, in declining average selling prices for our products.

Many of our current and potential competitors have certain advantages over us, including:

- stronger financial position and liquidity;
- longer, or stronger, presence in key markets;

greater name recognition;

more secure supply chain;

lower cost alternatives to our products;

access to larger customer bases; and

significantly greater sales and marketing, manufacturing, distribution, technical and other resources.

As a result, these competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or may be able to devote greater resources to the development, promotion and sale of their products than we can. Moreover, we have incurred substantial operating losses and we may in the future incur losses in future periods. We believe that financial stability of suppliers is an important consideration in our customers purchasing decisions. If our OEM customers perceive that we lack adequate financial stability, they may choose semiconductor suppliers that they believe have a stronger financial position or liquidity.

Current and potential competitors also have established or may establish financial or strategic relationships among themselves or with our existing or potential customers, resellers or other third parties. These relationships may affect customers purchasing decisions. Accordingly, it is possible that new competitors or alliances among competitors could emerge and rapidly acquire significant market share. We may not be able to compete successfully against current and potential competitors.

We are subject to the risks of doing business internationally.

A significant part of our strategy involves our continued pursuit of growth opportunities in a number of international markets. We market, sell, design and service our products internationally. Products shipped to international destinations, primarily in the Asia-Pacific region and Europe, were approximately 81% of our net revenue for fiscal 2013. China is a particularly important international market for us, as approximately 34% of our net revenue for fiscal 2013 came from customers in China. In addition, we have design centers, customer support centers and rely on suppliers, located outside the U.S., including foundries and assembly and test service providers located in the Asia-Pacific region. We intend to continue to expand our international business activities and may open other design centers and customer support centers abroad. Our international sales and operations are subject to a number of risks inherent in selling and operating abroad which could adversely impact our international sales and could make our international operations more expensive. These include, but are not limited to, risks regarding:

currency exchange rate fluctuations;

local economic and political conditions;

difficulties in staffing and managing foreign operations;

potential hostilities and changes in diplomatic and trade relationships;

tax laws;

natural disasters, including earthquakes or flooding;

restrictive governmental actions (such as restrictions on the transfer or repatriation of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);

changes in legal or regulatory requirements;

difficulty in obtaining distribution and support;

disruptions of capital and trading markets;

acts of terrorism;

wage inflation;

greater difficulty in accounts receivable collection and longer payment cycles;

the laws and policies of the U.S. and other countries affecting trade, foreign investment and loans and import or export requirements, including the Foreign Corrupt Practices Act and similar rules and regulations;

government export regulations as they apply to the encryption or other features contained in some of our products, which could limit our ability to manufacture the affected products at foreign foundries or ship these products to certain customers;

tariffs, duties and other import or export restrictions imposed by foreign governments on components that we obtain from non-domestic supplier;

existing or future environmental laws and regulations governing, among other things, air emissions, wastewater discharges, the contents of our products, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety;

limitations on our ability under local laws to protect our intellectual property; and

cultural differences in the conduct of business.

Because most of our international sales are currently denominated in U.S. dollars, our products could become less competitive in international markets if the value of the U.S. dollar increases relative to foreign currencies. As we continue to shift a portion of our operations offshore, more of our expenses are incurred in currencies other than those in which we bill for the related services. An increase in the value of certain currencies, such as the Euro, Japanese yen, Ukrainian hryvnia and Indian rupee, against the U.S. dollar could increase costs of our offshore operations by increasing labor and other costs that are denominated in local currencies.

We may in the future enter into foreign currency forward exchange contracts to mitigate the risk of loss from currency exchange rate fluctuations for foreign currency commitments entered into in the ordinary course of business. We do not enter into foreign currency forward exchange contracts for other purposes. Our financial condition and results of operations could be adversely affected by currency fluctuations.

Our business is subject to various governmental regulations, and compliance with these regulations may cause us to incur significant expenses. If we fail to maintain compliance with applicable regulations, we may be forced to recall products and cease their manufacture and distribution, and we could be subject to civil or criminal penalties.

Our business is subject to various international and U.S. laws and other legal requirements, including packaging, product content, labor and import/export regulations. These regulations are complex, change frequently and have generally become more stringent over time. We may be required to incur significant costs to comply with these regulations or to remedy violations. Any failure by us to comply with applicable government regulations could result in cessation of our operations or portions of our operations, product recalls or impositions of fines and restrictions on our ability to conduct our operations. In addition, because many of our products are regulated or sold into regulated industries, we must comply with additional regulations in marketing our products.

Our products and operations are also subject to the rules of industrial standards bodies, like the International Standards Organization, as well as regulation by other agencies, such as the U.S. Federal Communications Commission. If we fail to adequately address any of these rules or regulations, our business could be harmed.

For example, the SEC recently adopted a final rule to implement Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires new disclosures and reporting in 2014 concerning the use of conflict minerals, generally tantalum, tin, gold, or tungsten, that originated in the Democratic Republic of the Congo or an adjoining country. These disclosures are required whether or not these products containing conflict minerals are manufactured by us or third parties. Verifying the source of any conflict minerals in our products will create additional costs in order to comply with the new disclosure requirements and we may not be able to certify that the metals in our products are conflict free, which may create issues with our customers. In addition, the new rule may affect the pricing, sourcing and availability of minerals used in the manufacture of our products.

We must conform the manufacture and distribution of our products to comply with various laws and adapt to regulatory requirements in all countries when requirements change. If we fail to comply with these requirements in the manufacture or distribution of our products, we could be required to pay civil penalties, face criminal prosecution and, in some cases, be prohibited from distributing our products in commerce until the products or component substances are brought into compliance.

We may be subject to claims, or we may be required to defend and indemnify customers against claims, of infringement of third-party intellectual property rights or demands that we, or our customers, license third-party technology, which could result in significant expense.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted and may in the future assert patent, copyright, trademark and other intellectual property rights against technologies that are important to our business. The resolution or compromise of any litigation or other legal process to enforce such alleged third party rights, including claims arising through our contractual indemnification of our customers, or claims challenging the validity of our patents, regardless of its merit or resolution, could be costly and divert the efforts and attention of our management and technical personnel.

We may not prevail in any such litigation or other legal process or we may compromise or settle such claims because of the complex technical issues and inherent uncertainties in intellectual property disputes and the significant expense in defending such claims. If litigation or other legal process results in adverse rulings, we may be required to:

pay substantial damages for past, present and future use of the infringing technology;

cease the manufacture, use or sale of infringing products;

discontinue the use of infringing technology;

expend significant resources to develop non-infringing technology;

pay substantial damages to our customers or end users to discontinue use or replace infringing technology with non-infringing technology;

license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms, or at all; or

relinquish intellectual property rights associated with one or more of our patent claims, if such claims are held invalid or otherwise unenforceable.

If we are not successful in protecting our intellectual property rights, it may harm our ability to compete.

We rely primarily on patent, copyright, trademark and trade secret laws, as well as employee and third-party nondisclosure and confidentiality agreements and other methods, to protect our proprietary technologies and processes. We may be required to engage in litigation to enforce or protect our intellectual property rights, which may require us to expend significant resources and to divert the efforts and attention of our management from our business operations; in particular:

the steps we take to prevent misappropriation or infringement of our intellectual property may not be successful;

any existing or future patents may be challenged, invalidated or circumvented; or

the measures described above may not provide meaningful protection.

Despite the preventive measures and precautions that we take, a third party could copy or otherwise obtain and use our technology without authorization, develop similar technology independently or design around our patents. We generally enter into confidentiality agreements with our employees, consultants and strategic partners. We also try to control access to and distribution of our technologies, documentation and other proprietary information. Despite these efforts, internal or external parties may attempt to copy, disclose, obtain or use our products, services or technology without our authorization. Also, former employees may seek employment with our business partners, customers or competitors, and the confidential nature of our proprietary information may not be maintained in the course of such future employment. Further, in some countries outside the U.S., patent protection is not available or not reliably enforced. Some countries that do allow registration of patents do not provide meaningful redress for patent violations. As a result, protecting intellectual property in those countries is difficult and competitors may sell products in those countries that have functions and features that infringe on our intellectual property.

Because of the lengthy sales cycles of many of our products, we may incur significant expenses before we generate any revenue related to those products.

Our customers generally need six months or longer to test and evaluate our products and an additional nine months or more to begin volume production of equipment that incorporates our products. These lengthy periods also increase the possibility that a customer may decide to cancel or change product plans, which could reduce or eliminate sales to that customer. As a result of this lengthy sales cycle, we may incur significant research and development and selling, general and administrative expenses before we generate any revenue from new products. We may never generate the anticipated revenue if our customers cancel or change their product plans as customers may increasingly do if economic conditions continue to deteriorate.

Uncertainties involving the ordering and shipment of our products could adversely affect our business.

Our sales are typically made pursuant to individual purchase orders and we generally do not have long-term supply arrangements with our customers. Generally, our customers may cancel orders until 30 days prior to shipment. In addition, we sell a substantial portion of our products through distributors, some of whom have a right to return unsold products to us. Sales to distributors accounted for approximately 67% of our revenue for the fiscal year ended September 27, 2013.

Because of the significant lead times for wafer fabrication and assembly and test services, we routinely purchase inventory based on estimates of end-market demand for our customers products. End-market demand may be subject to dramatic changes and is difficult to predict. End-market demand is highly influenced by the timing and extent of carrier capital expenditures, which may decrease due to general economic conditions, and uncertainty, over which we have no control. The difficulty in predicting demand may be compounded when we sell to OEMs indirectly through distributors or contract manufacturers, or both, as our forecasts of demand are then based on estimates provided by multiple parties. In addition, our customers may change their inventory practices on short notice for any reason. The cancellation or deferral of product orders, the return of previously sold products or overproduction due to the failure of anticipated orders to materialize could result in our holding excess or obsolete inventory, which could result in write-downs of inventory. Conversely, if we fail to anticipate inventory needs we may be unable to fulfill demand for our products, resulting in a loss of potential revenue.

If network infrastructure OEMs do not design our products into their equipment, we will be unable to sell those products. Moreover, a design win from a customer does not guarantee future sales to that customer.

Our products are not sold directly to the end-user but are components of other products. As a result, we rely on network infrastructure OEMs to select our products from among alternative offerings to be designed into their equipment. We may be unable to achieve these design wins. Without design wins from OEMs, we would be unable to sell our products. Once an OEM designs another supplier s semiconductors into one of its product platforms, it is more difficult for us to achieve future design wins with that OEM s product platform because changing suppliers involves significant cost, time, effort and risk for the OEM. Achieving a design win with a

customer does not ensure that we will receive significant revenue from that customer, and we may be unable to convert design wins into actual sales. Even after a design win, the customer is not obligated to purchase our products and can choose at any time to stop using our products if, for example, its own products are not commercially successful.

The complexity of our products may lead to errors, defects and/or bugs, any of which could subject us to significant costs or damages and adversely affect market acceptance of our products.

Although we, our customers and our suppliers rigorously test our products, our products are complex and may contain errors, defects or bugs when first introduced or as new versions are released. We have in the past experienced, and may in the future experience, errors, defects and bugs. If any of our products contain production defects or reliability, safety, quality or compatibility problems that are significant to our customers, our reputation may be damaged and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers. In addition, these defects or bugs could interrupt or delay sales of affected products to our customers, which could adversely affect our results of operations.

If defects or bugs are discovered after commencement of commercial production of a new product, we may be required to make significant expenditures of capital and other resources to resolve the problems. This could result in significant additional development costs and the diversion of technical and other resources from our other development efforts. We could also incur significant costs to repair or replace defective products, and we could be subject to claims for damages by our customers or others against us. We could also be exposed to product liability claims or indemnification claims by our customers. These costs or damages could have a material adverse effect on our financial condition and results of operations.

We may make business acquisitions or investments, which involve significant risk.

In addition to the acquisition of picoChip, we may, from time to time, make acquisitions, enter into alliances or make investments in other businesses to complement our existing product offerings, augment our market coverage or enhance our technological capabilities. However, any such transactions could result in:

- issuances of equity securities dilutive to our existing stockholders;
- substantial cash payments;
- the incurrence of substantial debt and assumption of unknown liabilities;
- large one-time write-offs;
- amortization expenses related to intangible assets;
- a limitation on our ability to use our net operating loss carryforwards;

the diversion of management s time and attention from operating our business to acquisition integration challenges;

adverse tax consequences; and

the potential loss of key employees, customers and suppliers of the acquired business.

Additionally, in periods subsequent to an acquisition, we must evaluate goodwill and acquisition-related intangible assets for impairment. If such assets are found to be impaired, they will be written down to estimated fair value, with a charge against earnings. As discussed above, goodwill and asset impairment charges were recorded during the second and fourth quarters of fiscal 2013 related to our wireless infrastructure reporting unit.

Integrating acquired organizations and their products and services may be expensive, time-consuming and a strain on our resources and our relationships with employees, customers and suppliers, and ultimately may not be successful. The benefits or synergies we may expect from the acquisition of complementary or supplementary businesses may not be realized to the extent or in the time frame we initially anticipate. Some of the risks that may affect our ability to successfully integrate acquired companies include those associated with:

failure to successfully further develop the acquired products or technology;

conforming the acquired company s standards, policies, processes, procedures and controls with our operations;

coordinating new product and process development, especially with respect to highly complex technologies;

loss of key employees or customers of the acquired company;

hiring additional management and other critical personnel;

in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;

increasing the scope, geographic diversity and complexity of our operations;

consolidation of facilities, integration of the acquired company s accounting, human resource and other administrative functions and coordination of product, engineering and sales and marketing functions;

the geographic distance between the companies;

liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and

litigation or other claims in connection with the acquired company, including claims for terminated employees, customers, former stockholders or other third parties.

Substantial sales of the shares of our common stock issuable upon conversion of our convertible senior notes could adversely affect our stock price or our ability to raise additional financing in the public capital markets.

We have $32.0 million aggregate principal amount of convertible senior notes outstanding. These notes are convertible at any time, at the option of the holder, into a total of approximately 8.2 million shares of our common stock. The conversion of the notes and subsequent sale of a substantial number of shares of our common stock related to the notes could also adversely affect demand for, and the market price of, our common stock and our ability to raise additional financing by issuing equity or equity-based securities in the public capital markets.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

As of September 27, 2013, we had net operating loss carryforwards of approximately $662.8 million for federal income tax purposes. Under Section 382 of the Internal Revenue Code, if a corporation undergoes an ownership change, the corporation s ability to use its pre-change net operating loss carryforwards and other pre-change tax

attributes to offset its post-change income may be significantly limited. An ownership change is generally defined as a greater than 50% change in equity ownership by value over a three-year period. In August 2009, our board of directors adopted a stockholders rights agreement that is designed to help preserve our ability to utilize fully certain tax assets primarily associated with net operating loss carryforwards under Section 382 of the Internal Revenue Code. Even with this rights agreement in place, we may experience an ownership change in the future as a result of shifts in our stock ownership, including upon the issuance of our common stock, the exercise of stock options or warrants or as a result of any conversion of our convertible notes into shares of our common stock, among other things. If we were to trigger an ownership change in the future, our ability to use any net operating loss carryforwards existing at that time could be significantly limited.

Our results of operations could vary as a result of the methods, estimates and judgments we use in applying our accounting policies.

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our results of operations (see Critical Accounting Policies and Estimates in Part I, Item 7 of this Annual Report on Form 10-K). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and changes in rule making by various regulatory bodies. Factors may arise over time that lead us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations.

Provisions in our organizational documents and stockholders rights agreements and Delaware law will make it more difficult for someone to acquire control of us.

Our restated certificate of incorporation, our amended and restated bylaws, our stockholders rights agreements and the Delaware General Corporation Law contain several provisions that would make more difficult an acquisition of control of us in a transaction not approved by our board of directors. Our restated certificate of incorporation and amended and restated bylaws include provisions such as:

- the division of our board of directors into three classes to be elected on a staggered basis, one class each year;
- the exclusive responsibility of the board of directors to fill vacancies on the board of directors;
- the ability of our board of directors to issue shares of our preferred stock in one or more series without further authorization of our stockholders;
- a prohibition on stockholder action by written consent;
- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders;
- a requirement that a supermajority vote be obtained to remove a director for cause or to amend or repeal certain provisions of our restated certificate of incorporation or amended and restated bylaws;
- elimination of the right of stockholders to call a special meeting of stockholders; and
- a fair price provision.

Our stockholders rights agreements give our stockholders certain rights that would substantially increase the cost of acquiring us in a transaction not approved by our board of directors.

In addition to the stockholders rights agreements and the provisions in our restated certificate of incorporation and amended and restated bylaws, Section 203 of the Delaware General Corporation Law generally provides that a corporation shall not engage in any business combination with any interested stockholder during the three-year period following the time that such stockholder becomes an interested stockholder, unless a majority of the directors then in office approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder or specified stockholder approval requirements are met.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Currently, we occupy our headquarters located in Newport Beach, California (which includes design and sales offices), 11 design centers and 11 sales locations. These facilities had an aggregate floor space of approximately 182,000 square feet, all of which is leased, consisting of approximately 88,000 square feet at our headquarters, 71,000 square feet at our design centers and 23,000 square feet at our sales locations. The lease on our headquarters extends through December 2019. We may, at our option, extend the lease for an additional four years at fair market rent. We believe our properties are well maintained, are in sound operating condition and contain all the equipment and facilities to operate at present levels.

Through our design centers, we provide design engineering and product application support and after-sales service to our OEM customers. The design centers are strategically located to take advantage of key technical and engineering talent worldwide.

Item 3. ***Legal Proceedings***

Between November 7 and November 20, 2013, eleven purported class action lawsuits were filed on behalf of our shareholders against various defendants including us, our directors, MACOM, Acquisition Sub, and unnamed John Doe defendants in connection with the proposed merger. Those cases are captioned *Marchese v. Mindspeed Technologies, Inc., et al.*, Case No. 30-2013-00686181-CU-BT-CXC (Cal. Super. Ct., Orange Cnty., Nov. 7, 2013) (*Marchese* Action); *Iacobellis v. Decker, et al.*, Case No. 30-2013-00686796-CU-SL-CXC (Cal. Super. Ct., Orange Cnty., Nov. 7, 2013); *Pogal v. Mindspeed Technologies, Inc., et al.*, Case No. 9076-VCN (Del. Ch. Ct. Nov. 12, 2013); *Hoffman v. Mindspeed Technologies, Inc., et al.*, Case No. 30-2013-00687029-CU-SL-CXC (Cal. Super. Ct., Orange Cnty., Nov. 12, 2013); *Swain v. Mindspeed Technologies, Inc., et al.*, Case No. 30-2013-00687498-CU-SL-CXC (Cal. Super. Ct., Orange Cnty., Nov. 12, 2013); *Miller v. Mindspeed Technologies, Inc., et al.*, Case No. 30-2013-00687951-CU-BT-CXC (Cal. Super. Ct., Orange Cnty., Nov. 13, 2013); *Durand v. Decker, et. al.*, Case No. 9080 (Del. Ch. Ct. Nov. 14, 2013); *Tassa v. Mindspeed Technologies, Inc., et al.*, Case No. 9096 (Del. Ch. Ct. Nov. 15, 2013); *Feuerstein v. Mindspeed Technologies, Inc., et al.*, Case No. 9101 (Del. Ch. Ct. Nov. 18, 2013); *Hoffman v. Mindspeed Technologies, Inc., et al.*, Case No. 9105 (Del. Ch. Ct. Nov. 19, 2013) (*Hoffman* Action); and *Vinciguerra v. Mindspeed Technologies, Inc., et al.*, Case No. 9107 (Del. Ch. Ct. Nov. 20, 2013). The complaints allege, generally, that our director defendants breached their fiduciary duties to our shareholders, and that the other defendants aided and abetted such breaches, by seeking to sell us through an allegedly defective process, for an unfair price, and on unfair terms. The lawsuits seek, among other things, equitable relief that would enjoin the consummation of the proposed merger, rescission of the proposed merger (to the extent the proposed merger has already been consummated), damages, and attorneys fees and costs.

On November 22, 2013, an amended complaint was filed in the Hoffman Action in the Delaware Court of Chancery. The amended complaint includes similar allegations to the original complaint, along with claims that our solicitation/recommendation statement included misstatements or omissions of material facts. On November 25, 2013, a motion for preliminary injunction was filed in the Delaware Court of Chancery for the Hoffman Action. On December 3, 2013, all of the complaints filed in the Delaware Court of Chancery were consolidated (Delaware Actions). On December 4, 2013, the Delaware Court of Chancery set a schedule for the briefing of the preliminary injunction motion in the Delaware Actions and a hearing was scheduled for December 11, 2013.

On December 6, 2013, plaintiffs in the Delaware Actions filed their brief in support of a motion to enjoin the proposed merger. The defendants, including us, believe that all of the lawsuits are without merit and specifically deny the allegations made in the lawsuits and maintain that they have committed no wrongdoing whatsoever, to permit the timely consummation of the merger. Without admitting the validity of any allegations made in the lawsuits, the defendants have concluded that it is desirable that the Delaware Actions be resolved. On December 9, 2013, the parties in the Delaware Actions entered into a memorandum of understanding to settle the Delaware Actions and to

resolve all allegations which were brought or could have been brought by the purported class of our shareholder plaintiffs. The proposed settlement, which is subject to confirmatory discovery and court approval, provides for the release of all claims against the defendants relating to the proposed merger. There can be no assurance that the settlement will be finalized or that the Delaware Court of Chancery will approve the settlement. In exchange for the releases, we agreed to provide additional supplemental disclosures to the solicitation/recommendation statement. The motion for a preliminary injunction was withdrawn and the hearing vacated in the Delaware Actions.

On November 27, 2013, the defendants and the plaintiffs in each of five actions filed in the California Superior Court for Orange County signed a stipulation to consolidate the actions into the Marchese Action. On December 5, 2013, an amended complaint was filed in the Marchese Action. The amended complaint includes similar allegations to the original complaint along with claims that the statement included misstatements or omissions of material facts. On December 5, 2013, plaintiffs filed an ex parte application for an order shortening time in which to bring a motion for expedited discovery, which was denied on December 6, 2013. We intend to vigorously defend against these claims. The outcome of this litigation cannot be predicted at this time and any outcome in favor of the plaintiffs could have a significant adverse effect on the tender offer and merger, our financial condition and our results of operations.

In January 2013, Clark Leips, a purported shareholder of ours, filed a lawsuit against us and our board of directors in the United States District Court for the District of Delaware alleging, among other things, that the compensation and management development committee of the board of directors breached its fiduciary duties in each of calendar years 2009, 2010, 2011 and 2012 by approving equity incentive grants for our chief executive officer that exceeded the respective sub-limitations under Section 5 of our 2003 long-term incentives plan for grants to a single participant in any calendar year. Plaintiff also alleged that the disclosures in the proxy statement for our 2013 annual meeting of stockholders were inadequate. The plaintiff seeks, among other things, damages, rescission of the excess grants, disgorgement and attorney s fees. Plaintiff filed a motion to enjoin our 2013 annual meeting of stockholders until we issued additional disclosures to supplement the proxy statement. On January 22, 2013, we filed a supplement to the proxy statement. The motion for an injunction was then withdrawn by the plaintiff. We and our board of directors have moved to dismiss the complaint. Pursuant to Delaware law, upon the closing of the merger, plaintiff s standing to bring this derivative lawsuit, if the plaintiff had standing in the first instance, which is contested, will be extinguished. We do not believe the resolution of this matter will result in a material adverse impact on our financial position, results of operations or cash flows.

In addition, we are, from time to time, subject to legal proceedings and claims that arise in the normal course of our business. We do not believe that the ultimate outcome of any such currently pending matters, if any, arising in the normal course of business will have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

Our common stock is traded on the Nasdaq Global Market under the symbol MSPD. The following table lists the high and low closing sales price of our common stock as reported by the Nasdaq Global Market for the periods indicated.

	High	Low
Fiscal 2013		
Quarter ended December 28, 2012	$ 4.51	$ 3.08
Quarter ended March 29, 2013	5.23	3.32
Quarter ended June 28, 2013	3.39	2.29
Quarter ended September 27, 2013	3.47	2.81
Fiscal 2012		
Quarter ended December 30, 2011	$ 6.09	$ 4.23
Quarter ended March 30, 2012	7.19	4.67
Quarter ended June 29, 2012	6.37	2.42
Quarter ended September 28, 2012	3.46	2.36

Recent Share Prices and Holders

The last reported sale price of our common stock on December 6, 2013 was $5.03 and there were approximately 22,410 holders of record of our common stock. However, many holders shares are listed under their brokerage firms names.

Dividend Policy

We have never paid cash dividends on our capital stock. We currently intend to retain any earnings for use in our business and do not anticipate paying cash dividends in the foreseeable future. In addition, our loan and security agreement with Silicon Valley Bank contains covenants that limit the payment of cash dividends over the term of the agreement.

Stock Performance Graph

The following graph shows a five-year comparison of the cumulative total stockholder return on our common stock against the cumulative return of the Nasdaq U.S. Index and the Nasdaq Electronic Components Index. The graph assumes that $100 was invested on October 3, 2008, in each of our common stock, the Nasdaq U.S. Index and the Nasdaq Electronic Components Index and that all dividends were reinvested. No cash dividends have been paid or declared on our common stock. We maintain a fifty-two/fifty-three week fiscal year ending on the Friday closest to September 30.

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	Cumulative Total Return					
	October 3, 2008	October 2, 2009	October 1, 2010	September 30, 2011	September 28, 2012	September 27, 2013
Mindspeed Technologies, Inc.	$ 100.00	$ 146.63	$ 371.63	$ 250.00	$ 166.35	$ 150.48
Nasdaq U.S. Index	100.00	105.52	123.31	128.71	118.88	146.57
Nasdaq Electronic Components Index	100.00	111.64	119.19	106.55	169.53	207.75

Issuer Purchases of Equity Securities

	Total Number of Shares (or Units) Purchased (a)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May yet be Purchased Under the Plans or Programs
June 29, 2013 to July 26, 2013	4,070	$ 3.24		
July 27, 2013 to August 23, 2013	97,887	3.04		
August 24, 2013 to September 27, 2013	6,616	3.05		
	108,573	$ 3.05		

(a) Represents shares of our common stock withheld from, or delivered by, employees in order to satisfy applicable tax withholding obligations in connection with the vesting of restricted stock. These repurchases were not made pursuant to any publicly announced plan or program.

Item 6. ***Selected Financial Data***

The selected consolidated financial data presented below should be read in conjunction with Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto appearing elsewhere in this report. Our consolidated selected financial data have been derived from our audited consolidated financial statements.

	September 27, 2013	September 28, 2012	September 30, 2011	October 1, 2010	October 2, 2009
	(in thousands, except per share amounts)				
Statement of Operations Data					
Net revenue:					
Products	$ 145,401	$ 140,415	$ 159,589	$ 165,379	$ 121,552
Intellectual property	6,000	591	2,500	12,800	5,000
Total net revenue	151,401	141,006	162,089	178,179	126,552
Cost of goods sold:					
Products	56,859	59,112	60,292	59,840	46,314
Asset impairments and other charges (1)	23,571	3,385			3,667
Total cost of goods sold	80,430	62,497	60,292	59,840	49,981
Gross margin	70,971	78,509	101,797	118,339	76,571
Operating expenses:					
Research and development	61,883	67,946	59,174	51,367	50,650
Selling, general and administrative	38,886	43,317	42,118	41,419	41,582
Acquisition-related costs	216	3,777			
Goodwill impairment	57,062				
Asset impairments	1,646			828	2,865
Restructuring charges	2,462	2,054	1,032	1,856	4,031
Total operating expenses	162,155	117,094	102,324	95,470	99,128
Operating (loss)/income	(91,184)	(38,585)	(527)	22,869	(22,557)
Interest expense	(5,134)	(3,148)	(1,595)	(1,817)	(3,127)
Other income, net (2)	7,557	9,341	1,608	424	1,052
(Loss)/income before income taxes	(88,761)	(32,392)	(514)	21,476	(24,632)
Provision for income taxes	387	359	241	406	482
Net (loss)/income	$ (89,148)	$ (32,751)	$ (755)	$ 21,070	$ (25,114)
Net (loss)/income per share:					
Basic	$ (2.21)	$ (0.89)	$ (0.02)	$ 0.70	$ (1.04)
Diluted	$ (2.21)	$ (0.89)	$ (0.02)	$ 0.65	$ (1.04)
Shares used in computation of net (loss)/income per share:					
Basic	40,285	36,787	32,279	30,260	24,156
Diluted	40,285	36,787	32,279	34,579	24,156

	September 27, 2013	September 28, 2012	September 30, 2011	October 1, 2010	October 2, 2009
	(in thousands)				
Balance Sheet Data					
Cash and cash equivalents	$ 25,974	$ 49,098	$ 45,227	$ 43,685	$ 20,891
Working capital	30,727	28,775	50,346	53,762	14,223
Total assets	91,324	197,096	110,611	108,684	62,463

Long-term debt	50,832	52,765	14,216	13,810	13,415
Long-term capital leases	8	68	111	574	269
Stockholders equity	3,758	81,735	69,412	61,636	18,890

(1) Other charges consists of a $2.4 million write-down in fiscal 2009 of the carrying value of developed technology related to the Company s acquisition of certain assets of Ample in the fourth quarter of fiscal 2007.

(2) Other income, net, consists of other income of $6.4 million from the picoChip settlement agreement in fiscal 2013, an $8.2 million gain from the revaluation of contingent consideration in fiscal 2012 and a $1.1 million gain on debt extinguishment in fiscal 2009.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Overview

Mindspeed Technologies, Inc. designs, develops and sells semiconductor solutions for communications applications in wireline and wireless network infrastructure equipment, which includes broadband access networks (fixed and mobile), enterprise and metropolitan and wide area networks (WAN) (fixed and mobile). In previous fiscal years, we had organized our solutions for these interrelated and rapidly converging networks into three product lines: communications convergence processing, high-performance analog and WAN communications. As previously reported, communications convergence processing included small cell wireless equipment. Beginning in fiscal 2013, to better align with our investment focus and provide greater transparency into the execution of our growth business, we started reporting small cell wireless infrastructure revenues as a standalone category. We also combined the communications convergence processing, excluding small cell wireless infrastructure revenues, and WAN businesses into communications processors. High-performance analog remained unchanged. Therefore, our three product lines are wireless infrastructure, communications processors and high-performance analog. Our wireless infrastructure products include ultra-low-power, multi-core digital signal processor (DSP) system-on-chip (SoC) products for the mobile (3G/4G) carrier infrastructure, including residential and enterprise platforms. Our communications processors products include ultra-low-power, multi-core DSP SoC products for the fixed and mobile carrier infrastructure platforms and WAN communication products that help optimize today s circuit-switched networks that furnish much of the Internet s underlying long-distance infrastructure. Our high-performance analog products include high-density crosspoint switches, optical drivers, equalization and signal-conditioning solutions that solve difficult switching, timing and synchronization challenges in next-generation optical networking, enterprise storage and broadcast video transmission applications.

Our products are sold to original equipment manufacturers (OEMs) for use in a variety of network infrastructure equipment, including:

Wireless Infrastructure 3G/4G long-term evolution (LTE) wireless small cell base stations in the carrier infrastructure, including residential and enterprise;

Communications Processors triple-play access gateways for Voice-over-Internet Protocol (VoIP) and data processing platforms; broadband customer premises equipment (CPE) gateways and other equipment that carriers use to deliver voice, data and video services to residential subscribers; Internet Protocol (IP) private branch exchange (PBX) equipment and security appliances used in the enterprise and circuit-switched networking equipment that implements asynchronous transfer mode (ATM) and T1/E1 and T3/E3 communications protocols; and

High-Performance Analog next-generation fiber access network equipment (including passive optical networking, or PON, systems); switching and signal conditioning products supporting fiber-to-the-premise, optical transport networks (OTN), storage and server systems and broadcast video, inclusive of routers and other systems that are driving the migration to 3G high-definition (HD) transmission.

Our customers include Alcatel-Lucent SA, Cisco Systems, Inc., Huawei Technologies Co. Ltd., Ericsson Telephone Company, Mitsubishi Electric Corporation, Nokia Siemens Networks and Zhongxing Telecom Equipment Corp., among others.

We report on a fifty-two/fifty-three week fiscal year ending on the Friday closest to September 30. Fiscal year 2013 comprised 52 weeks and ended on September 27, 2013. Fiscal year 2012 comprised 52 weeks and ended on

September 28, 2012. Fiscal year 2011 comprised 52 weeks and ended on September 30, 2011.

Trends and Factors Affecting Our Business

Our products are components of network infrastructure equipment. As a result, we rely on network infrastructure OEMs to select our products from among alternative offerings to be designed into their equipment. These design wins are an integral part of the long sales cycle for our products. Our customers may need six months or longer to test and evaluate our products and an additional six months or more to begin volume production

of equipment that incorporates our products. We believe our close relationships with leading network infrastructure OEMs facilitate early adoption of our products during development of their products, enhance our ability to obtain design wins and encourage adoption of our technology by the industry. We believe our diverse portfolio of semiconductor solutions has us well positioned to capitalize on some of the most significant trends in telecommunications and enterprise capital equipment spending, including: next generation network convergence; VoIP/fiber access deployment in developing and developed markets; 3G/4G wireless infrastructure build-out; the adoption of higher speed interconnectivity solutions; and the migration of broadcast video to HD. Based on a recent review of target markets addressed by our wireless infrastructure reporting unit, we believe that the pace and timing of deployments within that market will be pushed out beyond our previously forecasted plans. As a result of these changes in our assessment of the reporting unit s near-term prospects, we recognized related goodwill and asset impairment charges totaling $33.4 million in the second quarter of fiscal 2013. As of September 27, 2013, we had a draft term sheet with a third party to sell certain assets of our wireless infrastructure reporting unit. Based on this draft term sheet, we recorded goodwill and asset impairment charges of $48.4 million during the fourth quarter of fiscal 2013. See Note 4 to our consolidated financial statements for further discussion on our goodwill and asset impairment charges.

We market and sell our semiconductor products directly to network infrastructure OEMs. We also sell our products indirectly through electronic component distributors and third-party electronic manufacturing service providers, who manufacture products incorporating our semiconductor networking solutions for OEMs. Sales to distributors accounted for approximately 67% of our net revenue for fiscal 2013. We generated approximately 78% of our net revenue for fiscal 2013 from outside of the Americas. We believe a portion of the products we sell to OEMs and third-party manufacturing service providers in the Asia-Pacific region is ultimately shipped to end markets in the Americas and Europe. We generated approximately 34% of our net revenue for fiscal 2013 from customers in China.

We have significant research, development, engineering and product design capabilities. Our success depends to a substantial degree upon our ability to develop and introduce in a timely fashion new products and enhancements to our existing products that meet changing customer requirements and emerging industry standards. We have made, and plan to make, substantial investments in research and development and to participate in the formulation of industry standards. We spent approximately $61.9 million in fiscal 2013 on research and development. We seek to maximize our return on our research and development spending by focusing our research and development investment in what we believe are key markets, including wireless infrastructure solutions for small cell base station processing, communications processors for high-bandwidth multiservice access applications and high-performance analog applications such as optical networking and broadcast-video transmission. We have completed a series of cost reduction actions, which have improved our operating cost structure, and we will continue to perform additional actions, when necessary.

We are dependent upon third parties for the development, manufacturing, assembly and testing of our products. Our ability to bring new products to market, to fulfill orders and to achieve long-term revenue growth is dependent upon our ability to obtain sufficient external manufacturing capacity, including wafer fabrication capacity. Periods of upturn in the semiconductor industry may be characterized by rapid increases in demand and a shortage of capacity for wafer fabrication and assembly and test services. In such periods, we may experience longer lead times or indeterminate delivery schedules, which may adversely affect our ability to fulfill orders for our products. During periods of capacity shortages for manufacturing, assembly and testing services, our primary foundries and other suppliers may devote their limited capacity to fulfill the requirements of their other customers that are larger than we are, or who have superior contractual rights to enforce manufacture of their products, including to the exclusion of producing our products. The foundries and other suppliers on whom we rely may experience financial difficulties or suffer disruptions in their operations due to causes beyond our control, including deteriorations in general economic conditions, labor strikes, work stoppages, electrical power outages, fire, earthquake, flooding or other natural disasters. We may also incur increased manufacturing costs, including costs of finding acceptable alternative foundries or assembly and test service providers. In order to achieve sustained profitability and positive cash flows

from operations, we may need to further reduce operating expenses and/or increase our revenue.

Our ability to achieve revenue growth will depend on increased demand for network infrastructure equipment and enterprise equipment that incorporate our products, which in turn depends primarily on the level of capital spending by communications service providers, the level of which may decrease due to general economic conditions and uncertainty, over which we have no control. We believe the market for network infrastructure equipment and

enterprise equipment in general, and for communications semiconductors in particular, offers attractive long-term growth prospects due to increasing demand for network capacity, the continued upgrading and expansion of existing networks and the build-out of telecommunication networks in developing countries. However, the semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving technical standards, short product life cycles and wide fluctuations in product supply and demand. In addition, there has been an increasing trend toward industry consolidation, particularly among major network equipment and telecommunications companies. Consolidation in the industry has generally led to pricing pressure and loss of market share. These factors have caused substantial fluctuations in our revenue and our results of operations in the past, and we may experience cyclical fluctuations in our business in the future.

Agreement and Plan of Merger

On November 5, 2013, we entered into the merger agreement MACOM and Acquisition Sub. Pursuant to the merger agreement, and upon the terms and subject to the conditions thereof, Acquisition Sub commenced a cash tender offer to acquire all of the shares of our common stock for a purchase price of $5.05 per Share, net to the holder thereof in cash, without interest.

The consummation of the tender offer will be conditioned on: (i) at least a majority of all outstanding shares of our common stock (assuming conversion or exercise of all derivative securities convertible or exercisable immediately prior to the expiration date of the tender offer, including all convertible senior notes and all vested stock options, regardless of the conversion or exercise price) having been validly tendered into (and not withdrawn from) the tender offer prior to the expiration date of the tender offer and (ii) other customary conditions. The tender offer is not subject to a financing condition.

Following the consummation of the tender offer, subject to customary conditions, Acquisition Sub will be merged with and into us and we will become a wholly owned subsidiary of MACOM, pursuant to the procedure provided for under Section 251(h) of the Delaware General Corporation Law without any additional stockholder approvals. In the merger, each outstanding share of our common stock (other than shares of our common stock owned by MACOM, Acquisition Sub or us, or any of their respective wholly owned subsidiaries, or shares of our common stock with respect to which appraisal rights are properly exercised under Delaware law) will be converted into the right to receive an amount in cash equal to the offer price, without interest.

At the effective time of the merger agreement, each option to purchase shares of our common stock that is outstanding immediately prior to the effective time of the merger (whether vested or unvested), will be assumed by MACOM. Each option so assumed will continue to have the same terms and conditions under which it was granted, except that each such assumed option will be exercisable for an adjusted number of shares of MACOM s common stock at an adjusted exercise price. Additionally, at the effective time of the merger, each stock-based award that is outstanding immediately prior to the effective time of the merger will be assumed by MACOM. Each stock-based award so assumed will continue to have the same terms and conditions under which it was granted, except that each such assumed award will be converted into the right to acquire or receive an adjusted number of shares of MACOM s common stock. Finally, at the effective time of the merger, our equity plans other than our employee stock purchase plan will be assumed by MACOM, with the result that all of our obligations under such equity plans, including with respect to awards outstanding at the effective time of the merger thereunder, will be obligations of MACOM following the effective time of the merger.

The merger agreement contains customary representations, warranties and covenants of the parties. In addition, under the terms of the merger agreement, we have agreed not to solicit or otherwise facilitate any alternative acquisition proposals, subject to customary exceptions that permit us to respond to any unsolicited acquisition proposal, provided that our board of directors has determined in good faith that the failure to do so would reasonably be expected to result in a breach of its fiduciary duties, and we have complied with certain notice requirements. We are also permitted to

change our recommendation in favor of the tender offer or to terminate the merger agreement in order to accept an unsolicited Superior Offer (subject to giving MACOM four business days notice of its intention to do so and, among other things, making available our representatives to discuss and negotiate with MACOM in good faith any amendments MACOM desires to make to its proposal), provided that our board of directors has determined in good faith that the failure to do so would reasonably be expected to result in a breach of

its fiduciary duties. If we terminate the merger agreement under such circumstances, we must pay MACOM, concurrently with such termination, a termination fee of $9.5 million. In addition, this termination fee is payable to MACOM under other specified circumstances.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Among the significant estimates affecting our consolidated financial statements are those relating to inventories, stock-based compensation, revenue recognition, income taxes, business combinations, goodwill and other long-lived assets and impairment of goodwill and other long-lived assets. We regularly evaluate our estimates and assumptions based upon historical experience and various other factors 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. To the extent actual results differ from those estimates, our future results of operations may be affected.

Inventories We assess the recoverability of our inventories at least quarterly through a review of inventory levels in relation to foreseeable demand (generally over 12 months). Foreseeable demand is based upon all available information, including sales backlog and forecasts, product marketing plans and product life cycles. When the inventory on hand exceeds the foreseeable demand, we write down the value of those inventories which, at the time of our review, we expect to be unable to sell. The amount of the inventory write-down is the excess of historical cost over estimated realizable value. Once established, these write-downs are considered permanent adjustments to the cost basis of the excess inventory.

Our products are used by OEMs that have designed our products into network infrastructure equipment. For many of our products, we gain these design wins through a lengthy sales cycle, which often includes providing technical support to the OEM customer. In the event of the loss of business from existing OEM customers, we may be unable to secure new customers for our existing products without first achieving new design wins. In the event that quantities of inventory on hand exceed foreseeable demand from existing OEM customers into whose products our products have been designed, we generally are unable to sell our excess inventories to others, and the estimated realizable value of such inventories to us is generally zero.

We base our assessment of the recoverability of our inventories, and the amounts of any write-downs, on currently available information and assumptions about future demand and market conditions. Demand for our products may fluctuate significantly over time, and actual demand and market conditions may be more or less favorable than those projected by management. In the event that actual demand is lower than originally projected, additional inventory write-downs may be required.

Stock-Based Compensation We account for stock-based compensation transactions using a fair-value method and recognize the fair value of each award as an expense over the service period. The fair value of restricted stock awards is based upon the market price of our common stock at the grant date. For the majority of our awards, we

estimate the fair value of stock option awards, as of the grant date, using the Black-Scholes option-pricing model. The use of the Black-Scholes model requires that we make a number of estimates, including the expected option term, the expected volatility in the price of our common stock, the risk-free rate of interest and the dividend yield on our common stock. If our expected option term and stock-price volatility assumptions were different, the resulting determination of the fair value of stock option awards could be materially different. In addition, judgment is also required in estimating the number of share-based awards that we expect will ultimately vest upon the fulfillment of service conditions (such as time-based vesting) or the achievement of specific performance conditions. If the actual number of awards that ultimately vest differs significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted. We classify compensation expense related to these awards in our consolidated statement of operations based on the department to which the recipient reports.

Revenue Recognition We generate revenue from direct product sales, sales to distributors, maintenance contracts and the sale and license of intellectual property. We recognize revenue when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred; (iii) our price to the customer is fixed or determinable; and (iv) collection of the sales price is reasonably assured. In instances where final acceptance of the product, system, or solution is specified by the customer, revenue is deferred until all acceptance criteria have been met.

We recognize revenue on products shipped directly to customers at the time the products are shipped and title and risk of loss transfer to the customer, in accordance with the terms specified in the arrangement, and the four above mentioned revenue recognition criteria are met.

We recognize revenue on sales to distributors based on the rights granted to these distributors in our distribution agreements. We have certain distributors who have been granted return rights and receive credits for changes in selling prices to end customers, the magnitude of which is not known at the time products are shipped to the distributor. The return rights granted to these distributors consist of limited stock rotation rights, which allow them to rotate up to 10% of the products in their inventory twice a year, as well as certain product return rights if the applicable distribution agreement is terminated. These distributors also receive price concessions because they resell our products to end customers at various negotiated price points which vary by end customer, product, quantity, geography and competitive pricing environments. When a distributor s resale is priced at a discount from the distributor s invoice price, we credit back to the distributor a portion of the distributor s original purchase price after the resale transaction is complete. Thus, a portion of the Deferred income on sales to distributors balance will be credited back to the distributor in the future. Under these agreements, we defer recognition of revenue until the products are resold by the distributor, at which time our final net sales price is fixed and the distributor s right to return the products expires. At the time of shipment to these distributors: (i) we record a trade receivable at the invoiced selling price because there is a legally enforceable obligation from the distributor to pay us currently for product delivered; (ii) we relieve inventory for the carrying value of products shipped because legal title has passed to the distributor; and (iii) we record deferred revenue and deferred cost of inventory under the Deferred income on sales to distributors caption in the liability section of our consolidated balance sheets. We evaluate the deferred cost of inventory component of this account for possible impairment by considering potential obsolescence of products that might be returned to us and by considering the potential of resale prices of these products being below our cost. By reviewing deferred inventory costs in the manner discussed above, we ensure that any portion of deferred inventory costs that are not recoverable from future contractual revenue are charged to cost of sales as an expense. Deferred income on sales to distributors effectively represents the gross margin on sales to distributors; however, the amount of gross margin we recognize in future periods is typically less than the originally recorded deferred income as a result of negotiated price concessions. In recent years, such concessions have exceeded 30% of list price on average. For detail of this account balance, see Note 3 to our consolidated financial statements.

We recognize revenue from other distributors at the time of shipment and when title and risk of loss transfer to the distributor, in accordance with the terms specified in the arrangement, and when the four above mentioned revenue

recognition criteria are met. These distributors may also be given business terms to return a portion of inventory, however they do not receive credits for changes in selling prices to end customers. At the time of shipment, product prices are fixed or determinable and the amount of future returns can be reasonably estimated and accrued.

Our products are often integrated with software that is essential to the functionality of the equipment. Additionally, we provide unspecified software upgrades and enhancements through our maintenance contracts for many of our products. Accordingly, we account for revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 985-605, Software Revenue Recognition, and all related interpretations. For sales of products where software is not included or is incidental to the equipment, we apply the provisions of ASC 605, Revenue Recognition, and all related interpretations.

Revenue from the sale and license of intellectual property is recognized when the above-mentioned four revenue recognition criteria are met.

Deferred Income Taxes and Uncertain Tax Positions We have provided a full valuation allowance against our U.S federal and state deferred tax assets. If sufficient positive evidence of our ability to generate future U.S federal and/or state taxable income becomes apparent, we may be required to reduce our valuation allowance, resulting in income tax benefits in our statement of operations. We evaluate the realizability of our deferred tax assets and assess the need for a valuation allowance quarterly. We follow ASC 740, Income Taxes, for the accounting for uncertainty in income taxes recognized in an entity s financial statements. ASC 740 prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the new interpretations provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

Business Combinations - The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill. We determine the estimated fair values after review and consideration of relevant information, including discounted cash flows, quoted market prices and estimates made by management. We adjust the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as we obtain more information as to facts and circumstances existing at the acquisition date impacting asset valuations and liabilities assumed. Goodwill acquired in business combinations is assigned to the reporting unit expected to benefit from the combination as of the acquisition date. Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

Goodwill and Other Long-Lived Assets - Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the acquired net tangible and intangible assets. Other long-lived assets include the acquired intangible assets of developed technology, trademarks and trade names, customer relationships and in-process research and development, or IPR&D. We currently amortize our acquired intangible assets with definite lives over periods ranging from one to twelve years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used or, if that pattern cannot be reliably determined, using a straight-line amortization method. We capitalize IPR&D projects acquired as part of a business combination. On completion of each project, IPR&D assets will be reclassified to developed technology and amortized over their estimated useful lives.

Impairment of Goodwill and Other Long-Lived Assets - We evaluate goodwill for impairment on an annual basis as of the end of the tenth month of each fiscal year or more frequently if we believe indicators of impairment exist.

We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we conduct a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair value of the reporting unit with its carrying value. We have four reporting units: wireless infrastructure, VoIP, high-performance analog (HPA) and WAN. We determine the fair

value of our wireless infrastructure reporting unit using generally accepted valuation methodologies that include, as appropriate, the income approach and market approach (draft term sheet and guideline company method, as discussed further in Note 4 to our consolidated financial statements) to valuation. If the carrying amount of a reporting unit exceeds the reporting unit s fair value, we perform the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the reporting unit s goodwill with the carrying value of that goodwill. The amount by which the carrying value of the goodwill exceeds its implied fair value, if any, will be recognized as an impairment loss. See Note 4 to our consolidated financial statements for a discussion of our goodwill impairment losses.

During development, IPR&D is not subject to amortization and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. We first assess qualitative factors to determine whether it is more likely than not that the fair value of IPR&D is less than its carrying amount, and if so, we conduct a quantitative impairment test. The impairment test consists of a comparison of the fair value to its carrying amount. We determine the fair value using the income approach (Level 2 and Level 3 inputs). If the carrying value exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Once an IPR&D project is complete, it becomes a definite long-lived intangible asset and is evaluated for impairment in accordance with our policy for the impairment of other long-lived assets.

We continually monitor events or changes in circumstances that could indicate that the carrying amount of long-lived assets to be held and used, including intangible assets, may not be recoverable. An indication of impairment exists when the asset carrying value exceeds the undiscounted future cash flows resulting from the use of the asset and its eventual disposition. When indicators of impairment exist for a long-lived asset, the amount of impairment loss is the excess of net book value over fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. See Note 4 to our consolidated financial statements for a discussion of the impairment of certain long-lived assets.

Recent Accounting Pronouncements

In July 2013, the FASB issued accounting guidance, which requires an entity to present an unrecognized tax benefit, or a portion thereof, as a reduction to a deferred tax asset for a net operating loss (NOL) carryforward or a similar tax loss or tax credit carryforward, unless the uncertain tax position is not available to reduce, or would not be used to reduce, the NOL or carryforward under the tax law in the same jurisdiction; otherwise, the unrecognized tax benefit should be presented as a gross liability and should not be net against a deferred tax asset. The provisions of this guidance is effective for annual periods beginning after December 15, 2013 and should be applied to all unrecognized tax benefits that exist as of the effective date. Companies may choose to apply this guidance retrospectively to each prior reporting period presented. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In February 2013, the FASB issued accounting guidance, which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component and to present significant amounts reclassified out of accumulated other comprehensive income by respective line items of net income if the amount reclassified is required to be reclassified to net income in its entirety. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The provisions of this guidance will be effective for us in our first quarter of fiscal 2014 and should be applied prospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

Results of Operations

Net Revenue

The following table summarizes net revenue by product line for fiscal 2013 compared to fiscal 2012:

	Year Ended					
	September 27, 2013	% of Net Revenue	September 28, 2012	% of Net Revenue	Change $	Change %
	(in thousands, except percentages)					
High-performance analog	$ 66,081	44%	$ 64,667	46%	$ 1,414	2.2%
Communications processors	65,579	43%	64,834	46%	745	1.1%
Wireless infrastructure	13,741	9%	10,914	8%	2,827	25.9%
Total net product revenue	145,401	96%	140,415	100%	4,986	3.6%
Intellectual property	6,000	4%	591	0%	5,409	915.2%
Net revenue	$ 151,401	100%	$ 141,006	100%	$ 10,395	7.4%

Net revenue from high-performance analog products increased in fiscal 2013 when compared to fiscal 2012 due to increased demand for crosspoint switches and SDI chipsets. Net revenue from our communications processors products also increased in fiscal 2013 when compared to fiscal 2012 due to an increased demand for Ethernet products for wide area networks. Net revenue from wireless infrastructure products increased in fiscal 2013 when compared to fiscal 2012 due to increased shipments of our SoC products for small cell base stations, as well as increased sales of 3G/HSPA products driven by the acquisition of picoChip in February of 2012. Net revenue from intellectual property sales increased in fiscal 2013 when compared to fiscal 2012 due to the magnitude and timing of intellectual property sales. We have developed and maintain a broad intellectual property portfolio, and we periodically enter into strategic arrangements to leverage our portfolio by licensing or selling our patents.

The demand environment in the markets in which we participate is dynamic and certain customers increase or accelerate product orders to earn financial incentives near quarter end, while other customers request product shipments in the quarter that exceed our available supply. The impact of increased or accelerated product orders to net revenue was $3.8 million for fiscal 2013 and $931,000 for fiscal 2012. The impact of increased or accelerated product orders to net revenue was partially offset by the impact of customer requests exceeding our available supply by $1.9 million as of September 27, 2013 and $2.1 million as of September 28, 2012.

The following table summarizes net revenue by product line for fiscal 2012 compared to fiscal 2011:

	Year Ended					
	September 28, 2012	% of Net Revenue	September 30, 2011	% of Net Revenue	Change $	Change %
	(in thousands, except percentages)					
High-performance analog	$ 64,667	46%	$ 59,240	37%	$ 5,427	9.2%
Communications processors	64,834	46%	100,158	61%	(35,324)	-35.3%
Wireless infrastructure	10,914	8%	191	0%	10,723	5614.1%

Total net product revenue	140,415	100%