

# 2015 Proxy Statement & Annual Report







October 2, 2015

Dear Maxim Integrated Stockholders:

We are pleased to provide you with the enclosed Proxy Statement for our 2015 Annual Meeting and Annual Report on Form 10-K for our fiscal year ended June 27, 2015.

In fiscal year 2015, we achieved strong growth in our Automotive business and diversified our customer base. Our employees continued to develop innovative, differentiated technology, and this is providing a high return on our R&D investment. We reorganized our Company to enable our business units and sales teams to be more flexible and more responsive to customers, while also lowering our costs. We also announced plans to transform our manufacturing structure, which will improve gross margins with lower variability, enable us to be more responsive to changes in customer demand, and reduce our capital spending. Finally, we returned approximately 79% of free cash flow to stockholders in the form of dividends and share repurchases during fiscal year 2015. We recently increased the quarterly dividend by 7%, reflecting our confidence in our business model and ability to maintain high profitability throughout economic cycles.

In this Proxy Statement, we are asking for your support for various proposals, including modest share increases in our equity compensation plans and an amendment to our restated certificate of incorporation to eliminate the ability of stockholders to cumulate their votes in the election of directors. Our proposal to eliminate cumulative voting would enable equal representation for each share of Company stock, bringing us in line with other publicly traded companies.

Thank you for your continuing support, and we look forward to seeing you at the 2015 Annual Meeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tunc Doluca', written over a horizontal line.

Tunç Doluca  
President and Chief Executive Officer  
Maxim Integrated



**MAXIM INTEGRATED**  
**160 Rio Robles**  
**San Jose, CA 95134**  
**(408) 601-1000**



October 2, 2015

Dear Maxim Integrated Stockholders:

We are pleased to invite you to attend Maxim Integrated Products, Inc.'s ("Maxim Integrated," the "Company," "we" or "our") 2015 annual meeting of stockholders to be held on Thursday, November 12, 2015 at 10:00 a.m. Pacific Time, at our Event Center at 160 Rio Robles, San Jose, California 95134.

Details regarding admission to the meeting and the business to be conducted are described in this proxy statement, as well as in the Notice of Internet Availability of Proxy Materials (the "Notice") to be mailed to you on or about October 2, 2015. We have also made available a copy of our 2015 Annual Report on Form 10-K with this proxy statement. We encourage you to read our 2015 Annual Report as it includes our audited financial statements and provides information about our business and products.

We have elected to provide access to our proxy materials for the 2015 annual meeting over the Internet under the "notice and access" rules of the U.S. Securities and Exchange Commission ("SEC"). We believe that this process expedites stockholders' receipt of proxy materials, lowers the costs of our annual meeting, and helps to conserve natural resources. The Notice you will receive in the mail contains instructions on how to access this proxy statement and 2015 Annual Report and vote online. The Notice also includes instructions on how to request a paper copy of the annual meeting materials, should you wish to do so.

Of particular importance is our proposal to eliminate the ability of stockholders to cumulate their votes in the election of directors. We believe that each stockholder's voting rights should align with their economic interest and thus each share should have one vote with respect to all matters, including the election of directors.

We are seeking your support of the addition of four million (4,000,000) shares to the 1996 Equity Plan, which represents approximately 1.4% of the total number of shares currently outstanding, in order to help us continue to attract, motivate, and retain employees needed to achieve our strategic plan of top-line growth.

We are also seeking an advisory vote on the Company's compensation programs for the Executive Officers named in the proxy statement. We welcome your views on these compensation programs.

Your vote is important. Please review the instructions on each of your voting options described in this proxy statement as well as in the Notice. Also, please let us know if you plan to attend our annual meeting when you vote by telephone or over the Internet by indicating your plans when prompted or, if you requested to receive printed proxy materials, by marking the appropriate box on the enclosed proxy card.

Thank you for your ongoing support of Maxim Integrated. We look forward to seeing you at our 2015 annual meeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tunc Doluca', written over a horizontal line.

Tunç Doluca  
President and Chief Executive Officer



# Notice of Annual Meeting of Stockholders

<b>MAXIM INTEGRATED</b>	<b>Time and Date</b>	<b>Place</b>	<b>Record Date</b>
160 Rio Robles San Jose, CA 95134 (408) 601-1000	<b>on Thursday, November 12, 2015</b> (the “meeting date”), 10:00 a.m., Pacific Time.	<b>Event Center</b> 160 Rio Robles San Jose, California 95134.	You are entitled to vote only if you were a Maxim Integrated stockholder as of the close of business on September 18, 2015 (the “record date”).

## Items of Business

- (1) To elect seven members of the board of directors to hold office until the next annual meeting of stockholders or until their respective successors have been elected and qualified.
- (2) To ratify the appointment of Deloitte & Touche LLP as Maxim Integrated’s independent registered public accounting firm for the fiscal year ending June 25, 2016.
- (3) To ratify and approve an amendment to Maxim Integrated’s 2008 Employee Stock Purchase Plan (the “2008 ESP Plan”) to increase the number of shares available for issuance thereunder by 2,000,000 shares.
- (4) To ratify and approve an amendment to Maxim Integrated’s 1996 Stock Incentive Plan (the “1996 Equity Plan”) to increase the number of shares available for issuance thereunder by 4,000,000 shares.
- (5) To ratify and approve an amendment to Maxim Integrated’s restated certificate of incorporation to eliminate the ability of stockholders to cumulate their votes in the election of directors.
- (6) To hold an advisory vote to approve the compensation of our Named Executive Officers.
- (7) To consider such other business as may properly come before the meeting.

## Adjournments and Postponements

Any action on the items of business described above may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly reconvened after being adjourned or postponed.

## Meeting Admission

You are entitled to attend the annual meeting only if you were a Maxim Integrated stockholder as of the close of business on the record date or hold a valid proxy to vote at the annual meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. You should be prepared to present photo identification for admittance. If you are not a stockholder of record but hold shares through a brokerage firm, bank, broker-dealer, trustee or nominee (i.e., in street name), you should provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to the record date, a copy of the voting instruction card provided by your brokerage firm, bank, broker-dealer, trustee or nominee, or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above, you will not be admitted to the annual meeting. Cameras and other video or audio recording devices will not be permitted at the meeting.

Please let us know if you plan to attend the meeting by marking the appropriate box on the enclosed proxy card. If you requested to receive printed proxy materials or if you vote by telephone or over the Internet, please indicate your plans when prompted.

The annual meeting will begin promptly on the meeting date at 10:00 a.m., Pacific Time. Check-in will begin at 9:30 a.m., Pacific Time, and you should allow ample time for the check-in procedures.

**Your vote is very important. Whether or not you plan to attend the annual meeting, we encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions on the Notice of Internet Availability of Proxy Materials you will receive in the mail, the Questions and Answers section in this proxy statement or, if you requested to receive printed proxy materials, your enclosed proxy card.**

By order of the board of directors,



Tunç Doluca  
President and Chief Executive Officer

*This proxy statement and form of proxy will be filed with the SEC on or about October 1, 2015. The Notice containing instructions on how to access this proxy statement online or receive a paper or email copy will be mailed to the stockholders on or about October 2, 2015.*



# Questions and Answers About the Proxy Materials and the Annual Meeting

**MAXIM INTEGRATED**  
160 Rio Robles  
San Jose, California 95134

**Proxy Statement for Annual Meeting of Stockholders**  
**NOVEMBER 12, 2015**

**Q: Why am I receiving these materials?**

**A:** Our board of directors is making these materials available to you on the Internet, or, upon your request, by delivering printed proxy materials to you, in connection with the solicitation of proxies for use at Maxim Integrated's 2015 annual meeting of stockholders, which will take place on November 12, 2015 at 10 a.m. Pacific Time, at our Event Center located at 160 Rio Robles, San Jose, California 95134. As a stockholder holding shares of our common stock on September 18, 2015 (the "record date"), you are invited to attend the annual meeting and requested to vote on the proposals described in this proxy statement.

As of the record date, 284,532,695 shares of Maxim Integrated's common stock were issued and outstanding.

**Q: What information is contained in this proxy statement?**

**A:** The information in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, the compensation of our directors and most highly paid executive officers, and certain other information required to be provided by the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC").

**Q: Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of printed proxy materials?**

**A:** Under the applicable rules of the SEC, we may furnish proxy materials, including this proxy statement and our 2015 Annual Report, to our stockholders by providing access to such documents on the Internet instead of mailing printed copies. Providing access to proxy materials over the Internet helps us lower the cost of holding our annual meeting and saves natural resources. On or about October 2, 2015, we are mailing the notice of the Internet Availability of Proxy Materials (the "Notice") to our stockholders (except those stockholders who previously requested electronic or paper delivery of proxy materials), which includes instructions as to how stockholders may access and review all of the proxy materials on the Internet. The Notice also instructs you as to how you may submit your proxy on the Internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials provided in the Notice.

**Q: How do I get electronic access to the proxy materials?**

**A:** The Notice will provide you with instructions regarding how to:

- View our proxy materials for the annual meeting on the Internet and vote online; and
- If desired, instruct us to send our future proxy materials to you electronically by email or by mail.

**Q: I share an address with another stockholder and we only received one copy of the Notice and/or other proxy materials. How may I obtain a separate copy?**

**A:** Under the procedure approved by the SEC called "householding," if you have the same address and last name as another stockholder and do not participate in electronic delivery of proxy materials, you may receive only one copy of the Notice, or, if applicable, one copy of any other proxy materials, unless you instruct us otherwise. Please note that you will still be able to access the proxy materials on the Internet and vote your shares separately. If you received a single copy of the Notice or other proxy materials as a result of householding and you would like to have separate copies of such materials mailed to you, please submit your request either by calling the number provided below or mailing a written request to the address provided below:

Corporate Secretary  
Maxim Integrated  
160 Rio Robles  
San Jose, CA 95134  
(408) 601-1000

We will promptly mail a separate copy of this proxy statement upon our receipt of such request. Please note that if you want to receive a paper copy of this proxy statement or other proxy materials, you should follow the instructions included in the Notice.

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**Questions and Answers About the Proxy Materials and the Annual Meeting** (continued)

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**Q: What items of business will be voted on at the annual meeting?**

**A:** The items of business scheduled to be voted on at the annual meeting are the following:

- the election of seven (7) directors;
- the ratification of the appointment of Deloitte & Touche LLP as Maxim Integrated's independent registered public accounting firm for the fiscal year ending June 25, 2016;
- the ratification and approval of an amendment to Maxim Integrated's 2008 ESP Plan to increase the number of shares available for issuance thereunder by 2,000,000 shares;
- the ratification and approval of an amendment to Maxim Integrated's 1996 Equity Plan to increase the number of shares available for issuance thereunder by 4,000,000 shares;
- the ratification and approval of an amendment to Maxim Integrated's restated certificate of incorporation to eliminate the ability of stockholders to cumulate their votes in the election of directors; and
- an advisory vote to approve the compensation of our Named Executive Officers.

In addition, we will consider any other items of business that properly come before the annual meeting.

**Q: What are the requirements for admission to the meeting?**

**A:** Only stockholders holding shares of Maxim Integrated's common stock as of the record date or their proxy holders and Maxim Integrated's guests may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration and seating will begin at 9:30 a.m. (Pacific Time). Cameras and other video or audio recording devices will not be permitted at the meeting.

If you attend, please note that you may be asked to present valid picture identification, such as a driver's license or passport. If you hold your shares as a beneficial owner through a brokerage firm, bank, broker-dealer, trustee or nominee, you will need to ask your brokerage firm, bank, broker-dealer, trustee or nominee for an admission card in the form of a legal proxy. You will need to bring the legal proxy with you to the meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement (reflecting your share ownership as of September 18, 2015, the record date) with you to the meeting. We can use that to verify your ownership of shares of our common stock and admit you to the meeting. However, as discussed more fully under the heading "What is the difference between holding shares as a stockholder of record and as a beneficial owner?", beneficial owners will not be able to vote their shares at the annual meeting without a legal proxy.

**Q: How does the board of directors recommend that I vote?**

**A:** Our board of directors recommends that you vote your shares (1) "FOR" the election of each of the nominees to the board of directors (Item 1), (2) "FOR" the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending June 25, 2016 (Item 2), (3) "FOR" the ratification and approval of an amendment to Maxim Integrated's 2008 ESP Plan to increase the number of shares available for issuance thereunder by 2,000,000 shares (Item 3), (4) "FOR" the ratification and approval of an amendment to Maxim Integrated's 1996 Equity Plan to increase the number of shares available for issuance thereunder by 4,000,000 shares (Item 4), (5) "FOR" the adoption and approval of an amendment to Maxim Integrated's restated certificate of incorporation to eliminate the ability of stockholders to cumulate their votes in the election of directors (Item 5), and (6) "FOR" the approval of the compensation of our Named Executive Officers pursuant to the advisory vote thereon (Item 6).

**Q: How many votes do I have?**

**A:** For each proposal to be voted on, you have one vote for each share of Maxim Integrated's common stock you own as of the record date.

**Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

**A:** Many Maxim Integrated stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

**Stockholder of Record:** If your shares are registered directly in your name with our transfer agent, Computershare, as of the record date, you are considered, with respect to those shares, the stockholder of record, and the Notice was sent directly to you by Maxim Integrated. As the stockholder of record, you have the right to grant your voting proxy directly to Maxim Integrated or to vote in person at the annual meeting. If you requested to receive printed proxy materials, Maxim Integrated has enclosed or sent a proxy card for you to use. You may also vote on the Internet or by telephone, as described in the Notice and below under the heading "How can I vote my shares without attending the annual meeting?", or by completing and mailing the proxy card if you requested a printed copy of the proxy materials.

**Beneficial Owner:** If your shares are held in an account at a brokerage firm, bank, broker-dealer, trust or other similar organization, like the vast majority of our stockholders, you are considered the beneficial owner of shares held in street name, and the Notice was forwarded to you by that organization. As the

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**Questions and Answers About the Proxy Materials and the Annual Meeting** (continued)

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beneficial owner, you have the right to direct your brokerage firm, bank, broker-dealer or trustee how to vote your shares, and you are also invited to attend the annual meeting. Since a beneficial owner is not the stockholder of record, you may not vote your shares in person at the annual meeting unless you obtain a legal proxy from the brokerage firm, bank, broker-dealer, trust or other similar organization that holds your shares giving you the right to vote the shares at the meeting. If you do not wish to vote in person or you will not be attending the annual meeting, you may vote by proxy. You may vote by proxy over the Internet, by telephone or by mail, as described in the Notice and below under the heading “How can I vote my shares without attending the annual meeting?”

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**Q: How can I vote my shares in person at the annual meeting?**

**A:** Shares held in your name as the stockholder of record may be voted by you in person at the annual meeting. Shares owned beneficially and held in street name may be voted by you in person at the annual meeting only if you obtain a legal proxy from the brokerage firm, bank, broker-dealer, trustee or nominee that holds your shares giving you the right to vote the shares.

Even if you plan to attend the annual meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.

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**Q: How can I vote my shares without attending the annual meeting?**

**A:** Whether you own shares directly as the stockholder of record or own shares beneficially which are held in street name, you may direct how your shares are voted without attending the annual meeting. If you are a stockholder of record, you may vote by proxy. You may vote by proxy over the Internet or by telephone by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you may also vote by mail pursuant to instructions provided on the proxy card. If you own shares beneficially which are held in street name, you may also vote by proxy over the Internet or by telephone by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you may also vote by mail by following the voting instruction card provided to you by your brokerage firm, bank, broker-dealer, trustee or nominee.

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**Q: Can I change my vote?**

**A:** You may change your vote at any time prior to the taking of the vote at the annual meeting. If you are a stockholder of record, you may change your vote by (1) delivering to Maxim Integrated’s Corporate Secretary at 160 Rio Robles, San Jose, California 95134 a written notice of revocation or a duly exe-

cuted proxy bearing a date subsequent to your original proxy prior to the date of the annual meeting, or (2) attending the annual meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you own beneficially which are held in street name, you may change your vote by submitting new voting instructions to your brokerage firm, bank, broker-dealer, trustee or nominee following the instructions they provided, or, if you have obtained a legal proxy from your brokerage firm, bank, broker-dealer, trustee or nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

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**Q: What happens if I deliver a signed proxy without specifying how my shares should be voted?**

**A:** If you sign and deliver your proxy without instructions and do not later revoke the proxy, the proxy will be voted “FOR” the slate of nominees to the board of directors (the “Board”) described in this proxy statement, and “FOR” Proposals No. 2, No. 3, No. 4, No. 5, and No. 6. As to any other matter that may properly come before the annual meeting, the proxy will be voted according to the judgment of the proxy holders.

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**Q: How many shares must be present or represented to conduct business at the annual meeting?**

**A:** The quorum requirement for holding the annual meeting and transacting business is that holders of a majority of the voting power of the issued and outstanding common stock of Maxim Integrated as of the record date must be present in person or represented by proxy. Both abstentions and broker non-votes (described below) are counted for the purpose of determining the presence of a quorum.

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**Q: What is the voting requirement to approve each of the proposals?**

**A:** In the election of directors, the seven nominees receiving the highest number of affirmative “FOR” votes at the annual meeting will be elected (Item 1).

The affirmative “FOR” vote of a majority of the votes cast on the proposal is required to approve (1) the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending June 25, 2016 (Item 2), (2) the ratification and approval of an amendment to Maxim Integrated’s 2008 ESP Plan to increase the number of shares available for issuance thereunder by 2,000,000 shares (Item 3), (3) the ratification and approval of an amendment to Maxim Integrated’s 1996 Equity Plan to increase the number of shares available for issuance thereunder by 4,000,000 shares (Item 4), and (4) the advisory vote to approve

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**Questions and Answers About the Proxy Materials and the Annual Meeting** (continued)

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the compensation of our Named Executive Officers (Item 6). The adoption and approval of an amendment to Maxim Integrated's restated certificate of incorporation to eliminate the ability of stockholders to cumulate their votes in the election of directors requires the affirmative vote of a majority of the outstanding common stock (Item 5). The vote of stockholders on Item 6 is advisory only and not binding on Maxim Integrated or the board of directors. However, the board of directors and the Compensation Committee will take the voting results into consideration when making future decisions regarding executive compensation.

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**Q: What are my voting choices?**

**A:** In the election of directors, you may vote "FOR" or "WITHHOLD" with regard to all or some of the nominees. Votes "WITHHOLD" with respect to the election of directors will be counted for purposes of determining the presence or absence of a quorum at the annual meeting and will have the effect of a vote against the nominee. The Board recently adopted majority voting in uncontested director elections, and thus, if a particular nominee does not receive the affirmative vote of a majority of the votes cast, then the nominee must submit his or her resignation to the Board of Directors. For Proposals No. 2, No. 3, No. 4, No. 5, and No. 6, you may vote "FOR," "AGAINST" or "ABSTAIN." If you elect to "ABSTAIN," the abstention has the same effect as a vote "AGAINST."

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**Q: What is the effect of broker non-votes and abstentions?**

**A:** If you own shares beneficially which are held in street name and do not provide your broker with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered votes cast on that proposal. Therefore, broker non-votes will not affect the outcome of matters being voted on at the meeting, assuming that a quorum is obtained, except that broker non-votes will have the same effect as a vote against Item 5.

Abstentions are considered votes cast and thus have the same effect as votes against the matter.

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**Q: Is cumulative voting permitted for the election of directors?**

**A:** Yes. You may cumulate your votes for the election of directors in this election. You are entitled to as many votes as equals the number of directors to be elected multiplied by the number of shares held by you, and you may cast all such votes for a single director or distribute such votes among as many candidates who have been properly nominated as you see fit. Please note that the

proxy holders may exercise discretionary authority to cumulate votes and to allocate such votes among the seven (7) nominees recommended by the board of directors.

Pursuant to Proposal No. 5, the Company is seeking your approval to eliminate cumulative voting in future elections of directors.

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**Q: What happens if additional matters are presented at the annual meeting?**

**A:** Other than the six (6) specific items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxy holders, Mark Casper and Bruce E. Kiddoo, or either of them, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any reason any of the nominees described in this proxy statement are not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the board of directors.

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**Q: Who will serve as inspector of elections?**

**A:** The inspector of elections will be a representative from Broadridge Financial Solutions. Broadridge Financial Solutions will tabulate the votes in connection with the annual meeting.

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**Q: Who will bear the cost of soliciting votes for the annual meeting?**

**A:** Maxim Integrated will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of our common stock.

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**Q: Where can I find the voting results of the annual meeting?**

**A:** We intend to announce preliminary voting results at the annual meeting and publish final results in our current report on Form 8-K, filed with the SEC, within four (4) business days of the annual meeting date.

**Questions and Answers About the Proxy Materials and the Annual Meeting** (continued)

**Q: What is the deadline for submission of stockholder proposals for consideration at the fiscal year 2016 annual meeting?**

**A:** For proposals other than nomination of director candidates: Pursuant to SEC Rule 14a-8(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), a stockholder proposal will be considered for inclusion in our proxy materials for the 2016 annual meeting only if the Corporate Secretary of Maxim Integrated receives the proposal by no later than June 4, 2016.

Our bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement.

Our bylaws provide that the only business that may be conducted at an annual meeting is business that is (1) pursuant to Maxim Integrated’s proxy materials with respect to such meeting, (2) brought by, or at the direction of, our board of directors, or (3) brought by a stockholder of Maxim Integrated who is a stockholder of record entitled to vote at the annual meeting who has timely delivered written notice to our Corporate Secretary, which notice must contain the information specified in our bylaws. To be timely for our fiscal year 2016 annual meeting of stockholders, our Corporate Secretary must receive the written notice, prepared in accordance with our bylaws, at our principal executive offices:

- not later than the close of business on August 18, 2016; and
- not earlier than the close of business on July 19, 2016.

In the event that we hold our fiscal year 2016 annual meeting of stockholders more than thirty (30) days before or sixty (60) days after the one-year anniversary date of the fiscal year 2015 annual meeting, then notice of a stockholder proposal that is not intended to be included in our proxy statement must be received not later than the close of business on the earlier of the following two (2) dates:

- the ninetieth (90th) day prior to the fiscal year 2016 annual meeting; or
- the tenth (10th) day following the day on which public announcement of the meeting date is made (either in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by Maxim Integrated with the SEC).

If a stockholder who has notified us of his or her intention to present a proposal at an annual meeting takes any action contrary to the representations made in his or her notice to Maxim Integrated’s Corporate Secretary, or if such representations contain an untrue statement of a material fact or omit a material fact, we are not required to present the proposal for a vote at such meeting.

For nomination of director candidates: Stockholders may propose nominees to be eligible for election as directors at the 2016 annual meeting in accordance with the provisions of our bylaws. To properly nominate such a candidate, a stockholder must deliver written notice, prepared in accordance with our bylaws, to Maxim Integrated’s Corporate Secretary prior to the deadlines set forth above for stockholder proposals. Prior to submitting a nomination, stockholders should take care to note all deadlines under the SEC Rules and Maxim Integrated bylaws described above.

Nominations should be addressed to:

Corporate Secretary  
Maxim Integrated  
160 Rio Robles  
San Jose, CA 95134  
(408) 601-1000

If a stockholder who has notified us of his or her intention to nominate a director candidate at an annual meeting takes any action contrary to the representations made in his or her notice to Maxim Integrated’s Corporate Secretary, or if such representations contain an untrue statement of a material fact or omit a material fact, we are not required to present the nomination at such meeting. For further information on requirements for director nominations by stockholders, please see our bylaws and Corporate Governance Guidelines as well as the section entitled “Nominations of Director Candidates by Stockholders” in this proxy statement.

Copy of Bylaw and Corporate Governance Guideline Provisions: A copy of our bylaws and Corporate Governance Guidelines can be found in the Corporate Governance section of Maxim Integrated’s corporate website at <http://www.maximintegrated.com/company/investor/leadership/governance>. You may also contact our Corporate Secretary at the address given above for a copy of the relevant bylaw and Corporate Governance Guideline provisions regarding the requirements for making stockholder proposals and nominating director candidates.

# Corporate Governance and Board of Directors Matters

## Board of Directors

The names, ages and qualifications of each of our directors as of October 3, 2015 are as set forth in Proposal No. 1 in this proxy statement. Except as described therein, each of the nominees has been engaged in his principal occupation during the past five (5) years. There are no family relationships among any of our directors or executive officers.

## Board of Directors Leadership Structure and Committee Composition

Currently, there are seven (7) members of the board of directors, consisting of B. Kipling Hagopian, Tunç Doluca, James R. Bergman, Joseph R. Bronson, Robert E. Grady, William D. Watkins, and A. R. Frank Wazzan. Mr. Hagopian, an independent director, is the Chairman of the board of directors. The Company has no fixed policy on whether the roles of Chairman and Chief Executive Officer should be separate or combined. This decision is based on the best interests of the Company and its stockholders under the circumstances existing at the time. The board currently believes that it is most appropriate to separate the roles of Chairman and Chief Executive Officer in recognition of the qualitative differences between the two roles as set forth below. The chief executive officer is primarily responsible for setting the strategic direction for the Company and the day to day leadership of the Company, while the Chairman presides over meetings of the full board and ensures that the board of directors' time and attention are focused on the matters most critical to the Company.

Our board of directors has the following three (3) standing committees: (1) an Audit Committee, (2) a Compensation Committee (including its sub-committee, the Equity Grant Sub-Committee), and (3) a Nominating and Governance Committee. Each of the committees operates under a written charter adopted by the board of directors. All of the committee charters are available in the Corporate Governance section of our website at <http://www.maximintegrated.com/company/investor/leadership/governance>. During fiscal year 2015, the board of directors held eleven (11) meetings and acted by written consent three (3) times. During fiscal year 2015, each director attended at least seventy-five percent (75%) of all meetings of the board of directors. While not mandatory, we strongly encourage our directors to attend our annual meeting of stockholders. All of our directors attended the 2014 annual meeting of stockholders.

## Independence of the Board of Directors

Our board of directors has determined that, with the exception of Mr. Doluca, Maxim Integrated's Chief Executive Officer, all of its members during fiscal year 2015 were, and currently are, "independent directors" as that term is defined in the Marketplace Rules of The NASDAQ Stock Market ("NASDAQ"), including for the purposes of the Audit Committee composition requirements. Such independence definition includes a series of objective tests, including that the director not be an employee of Maxim Integrated and not be engaged in certain types of business transactions or dealings with Maxim Integrated. In addition, as further required by the NASDAQ rules, the board of directors has made a subjective determination that no relationships exist between Maxim Integrated and each director which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out his responsibilities as a director. The independent directors meet regularly in executive session, without members of management present.

## The Board's Role in Risk Oversight

It is management's responsibility to identify, assess and manage the material risks that the Company faces, and the board oversees management in this effort. Specifically, the board's role in the Company's risk oversight process includes receiving periodic reports at regularly scheduled board meetings from members of senior management on areas of material risk to the Company as they arise, including financial, operational, legal, regulatory, strategic and reputational risks. The full board (or the appropriate Committee in the case of risks that are under the purview of a particular Committee) receives these reports from a member of senior management to enable it to understand our risk identification, risk management and risk mitigation strategies. Upon receiving such reports, the board provides such guidance as it deems necessary.

In general, the entire board has oversight responsibility for the Company's strategic risks, such as mergers and acquisitions and divestitures, as well as reputational risks. The Audit Committee has oversight responsibility for financial and related legal risks (such as accounting, asset management, tax strategy and internal controls). The board has delegated primary oversight responsibility with respect to operational risks, such as supply continuity, manufacturing and business continuity, to its Nominating and Governance Committee. Oversight for regulatory and compliance risks and cyber security are generally shared among board committees. For example, the Nominating and Governance Committee oversees compliance with the Company's corporate governance guidelines and governance related laws, the Audit Committee oversees compliance with the Company's Code of Business Conduct and Ethics and the Compensation Committee oversees compliance with the Company's compensation plans and related laws and policies. In addition, the chairs of the Audit Committee and Nominating and Governance Committee

**Corporate Governance and Board of Directors Matters** (continued)

oversee cyber security risks and the Company's initiatives for prevention. The Company's Internal Audit group performs a risk assessment as part of their annual audit process and their findings regarding this assessment are presented to the Audit Committee and the Nominating and Governance Committee.

**Risk Considerations in our Compensation Policies and Practices**

Company management reviewed our compensation policies and programs in effect during fiscal year 2015 for all employees, including officers, to determine if those policies and programs create or encourage unreasonable or inappropriate risk taking. As part of the risk assessment, management, including the Chief Executive Officer, Vice President of Human Resources and Vice President, Legal, discussed: (1) the key components and features of the Company's policies and programs, (2) a methodology to determine if those policies and programs created a material adverse risk to the Company and (3) their conclusions. Based on this assessment, management concluded that the Company's compensation policies and practices for its employees, including all officers, are not reasonably likely to have a material adverse effect on the Company for the following reasons:

- The Company structures its compensation program to consist of both fixed and variable components. The fixed portion (base salary) of the compensation program is designed to provide steady income regardless of the Company's stock price performance so that executives and employees of the Company will not focus exclusively on stock price performance to the detriment of other important business metrics. The variable (cash bonus and equity) components of compensation are designed to reward both short and long-term individual and company performance, which we believe discourages employees from taking actions that focus only on the short-term success of the Company. For short-term performance, annual cash performance bonuses are generally awarded (1) for employees other than those officers who are subject to the reporting requirements in Section 16(a) of the Exchange Act ("Executive Officers"), based on individual performance compared to quarterly goals and Company operating income (excluding the effect of special items), and (2) for Executive Officers, based on operating income (excluding the effect of special items), year-over-year relative stock price performance as compared to a group of key peer group members, product development effectiveness, and individual performance. For long-term performance, the Company grants various types of equity-based awards that are designed to promote the sustained success of the Company. The Company attempts to structure equity awards to ensure that employees have equity awards that adequately vest in future years. Restricted stock units generally vest in quarterly installments over a period of one (1) to four (4) years and provide some value irrespective of our stock price. Performance shares (referred to herein as "market share units" or "MSUs"), which the Company began granting to senior members of management in September 2014 on a broad-based basis, are scheduled to vest in one annual installment approximately four (4) years from grant date based upon the relative stock price performance of the Company's stock price as compared to the SPDR S&P Semiconductor Exchange Traded Fund. The Company believes that these variable elements of compensation are a sufficient percentage of overall compensation to motivate our employees and officers to achieve superior short-term and long-term corporate results, while the fixed element is also sufficiently high to discourage the taking of unnecessary or excessive risks in pursuing such results.
- Officers and non-officer employees are encouraged to focus on corporate profitability, which is the key driver to the size of the total bonus pool. If the Company's profit is lower, then payouts under the applicable bonus programs will be smaller.
- The Company has established substantially similar compensation programs, policies, and targets for Executive Officers as a group which are also more heavily weighted toward performance, as well as other employees as a group. The Company believes this encourages consistent behavior and focus across the Company.
- The Company has imposed both a floor and a cap on the amount of its annual cash performance bonus pool payable to Executive Officers at 0.63% and 1.17% of actual operating income (excluding the effect of special items), respectively, which the Company believes mitigates excessive risk taking. Even if the Company greatly exceeds its operating income growth targets and its stock price greatly outperforms, the annual cash bonus payable is limited by the pre-determined bonus pool percentage cap, and the floor ensures some level of bonuses if performance metrics are not achieved (provided operating income, excluding the effect of special items, is not less than fifty percent (50%) of target operating income for the fiscal year). In the event actual operating income is less than fifty percent (50%) of target operating income for the fiscal year, no annual cash bonus will be payable to Executive Officers.
- The Company has strict internal controls over the measurement and calculation of operating income (excluding the effect of special items) and relative stock price performance (year-over-year measured from April 1-June 30), designed to keep these items from being susceptible to manipulation by any employee, including our officers. As part of our internal controls, our finance department oversees and reviews the calculations used by management to determine the total size of the annual bonus pool payable to Executive Officers. In addition, all of our employees are required to be familiar with, and our executives are required to periodically certify that they have read and are bound by, our Code of Business Conduct and Ethics, which covers, among other items, accuracy and integrity of books and records.

**Corporate Governance and Board of Directors Matters** (continued)

- The Company prohibits all of its Executive Officers and members of the board of directors from engaging in hedging transactions involving the Company's securities to insulate themselves from the effects of poor stock price performance.
- The Company prohibits its Chief Executive Officer and members of the board of directors from pledging their Company securities as collateral for a loan or holding those securities in a margin account, except for twenty-five percent (25%) of the number of shares that is in excess of the minimum stock ownership guideline required for members of the board of directors and the Chief Executive Officer, respectively. In addition, the Company prohibits all other Executive Officers from pledging their Company securities as collateral for a loan or holding those securities in a margin account, except for fifty percent (50%) of the total number of shares of common stock owned by them.

**Audit Committee and Audit Committee Financial Expert**

The Audit Committee, which has been established in accordance with Section 3(a)(58)(A) of the Exchange Act, is currently comprised of Messrs. Bergman, Bronson and Watkins, each of whom is independent within the meaning of the NASDAQ director independence standards, as currently in effect. Since October 2008, Mr. Bronson has been the Chairman of the Audit Committee. The board of directors has determined that Mr. Bronson is an "audit committee financial expert" as defined under the rules of the SEC. The Audit Committee has a written charter that was amended and restated effective August 8, 2013. The Audit Committee held eight (8) meetings during fiscal year 2015 and did not act by written consent during fiscal year 2015. Each member of the Audit Committee attended at least seventy-five percent (75%) of the Audit Committee meetings held during fiscal year 2015.

The Audit Committee performs, among other tasks, the following primary functions:

- oversees the accounting, financial reporting, and audit processes of Maxim Integrated's financial statements,
- appoints Maxim Integrated's independent registered public accounting firm,
- is primarily responsible for approving the services performed by Maxim Integrated's independent auditors, and
- reviews and evaluates Maxim Integrated's accounting principles and its system of internal controls.

**Compensation Committee and Equity Grant Sub-Committee**

The Compensation Committee is currently comprised of Messrs. Bergman, Grady and Wazzan, each of whom is independent within the meaning of the NASDAQ director independence standards, as currently in effect. Since March 2007, Mr. Wazzan has been the Chairman of the Compensation Committee. The Compensation Committee has a written charter that was amended and restated effective May 9, 2013.

The Compensation Committee performs, among other tasks, the following primary functions:

- annually reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and annually reviews and evaluates Maxim Integrated's Chief Executive Officer against such approved goals and objectives,
- in consultation with the Chief Executive Officer, reviews and approves the compensation of our Executive Officers,
- administers the 1996 Equity Plan and 2008 ESP Plan,
- makes recommendations to the board of directors with respect to compensation of our directors and committee members,
- oversees the preparation of the Compensation Discussion and Analysis and issues the Compensation Committee Report in accordance with the regulations of the SEC to be included in Maxim Integrated's proxy statement or annual report on Form 10-K,
- annually conducts an independence assessment of all compensation consultants and other advisers to it, and
- performs such functions regarding compensation as the board of directors may delegate.

With respect to its review of the compensation of the Chief Executive Officer and of other Executive Officers, and to its oversight of the 1996 Equity Plan and 2008 ESP Plan, the Committee retains an independent consultant, Compensia, Inc. ("Compensia"), to review both the effectiveness of such programs in retaining employees and their comparability to plans offered by other companies in the semiconductor industry and the technology industry broadly.

Pursuant to its charter, on June 30, 2007, the Compensation Committee established a two-person sub-committee that is comprised of two (2) directors on the Compensation Committee, which sub-committee is referred to as the Equity Grant Sub-Committee. The Equity Grant Sub-Committee's purpose is to make equity awards under Maxim Integrated's Equity Award Grant Policy. The Equity Grant Sub-Committee meets the first Tuesday of each month to consider and approve equity awards to employees; while this sub-committee is comprised of two (2) rotating members, it is common for all three (3) members of the Compensation Committee to attend these meetings. The Compensation Committee, including the two-person Equity Grant Sub-Committee, held seventeen (17) meetings, and the Compensation Committee did not act by written consent during fiscal year 2015. Each member of the Compensation Committee (or sub-committee, as the case may be) attended all of these meetings.

## Nominating and Governance Committee

The Nominating and Governance Committee (the “Governance Committee”) is currently comprised of Messrs. Grady and Hagopian, each of whom is independent within the meaning of the NASDAQ director independence standards, as currently in effect. Since October 2008, Mr. Grady has been the Chairman of the Governance Committee.

The Governance Committee performs, among other tasks, the following primary functions:

- assists the board of directors by identifying and recommending prospective director candidates,
- develops and recommends to the board of directors the governance principles applicable to Maxim Integrated,
- oversees the evaluation of the board of directors and the board of directors’ evaluation of management,
- oversees the process by which the board of directors, together with management, engages and communicates with stockholders in regard to governance matters, and
- reviews the Company’s succession planning process.

The Governance Committee is responsible for regularly assessing the appropriate size of the board of directors and whether any vacancies on the board of directors are expected, due to retirement or otherwise. In the event of any anticipated vacancy, the Governance Committee has the policy of considering all bona fide candidates from all relevant sources, including the contacts of current directors, professional search firms, stockholders, and other persons. The Governance Committee held two (2) formal meetings during fiscal year 2015 and each member of the Governance Committee attended both of such meetings. The Governance Committee also held many “ad hoc” meetings throughout the year to discuss governance matters, and the Governance Committee Chair generally provides an update to the full board of directors on governance related matters during each regular board meeting.

## Criteria and Diversity

In evaluating potential candidates for the board of directors, the Governance Committee will apply the criteria set forth in the Company’s Corporate Governance Guidelines. These criteria include the candidate’s experience in the technology industry, the general business or other experience of the candidate, diversity of experience, the needs of Maxim Integrated for an additional or replacement director, the personality and character of the candidate, diversity, and the candidate’s interest in the business of Maxim Integrated, other commitments, as well as numerous other subjective criteria. The Governance Committee does not assign any particular weighting or priority to these factors. While the board has not established specific minimum qualifications for director candidates, the board of directors believes that such candidates must contribute to the goal of maintaining a board that is (1) independent, (2) of high integrity, (3) composed of directors with qualifications that increase the effectiveness of the board of directors and (4) compliant with the requirements of applicable rules of NASDAQ and the SEC. In addition, we do not have a formal written policy regarding the consideration of diversity in identifying candidates; however, as discussed above, diversity is one of the numerous criteria the Governance Committee reviews before recommending a candidate.

## Nominations of Director Candidates by Stockholders

Maxim Integrated stockholders may nominate a director candidate (1) at any annual meeting of stockholders in accordance with our bylaws, the procedure for which is more fully set forth in the Questions and Answers section of this proxy statement under the heading “What is the deadline for submission of stockholder proposals for consideration at the 2016 annual meeting?”, (2) at any special meeting of stockholders in accordance with our bylaws, and (3) by submitting their recommendations to the Governance Committee in accordance with our Corporate Governance Guidelines.

Maxim Integrated’s Corporate Governance Guidelines, together with Maxim Integrated’s restated certificate of incorporation and bylaws and charters of committees of the board of directors, form the framework for the corporate governance of Maxim Integrated. Maxim Integrated’s Corporate Governance Guidelines are available in the Corporate Governance section of Maxim Integrated’s website at <http://www.maximintegrated.com/company/investor/leadership/governance>. Pursuant to our Corporate Governance Guidelines, our board of directors will consider all bona fide director candidates nominated by stockholders of Maxim Integrated.

More specifically, the board of directors has established the following procedures by which stockholders may submit nominations of director candidates for consideration by the Governance Committee and the board of directors:

- To nominate a director candidate for consideration by the Governance Committee, a stockholder must have held at least 100,000 shares of Maxim Integrated stock for at least twelve (12) consecutive months leading up to the date of the recommendation and must notify the Governance Committee by writing to the General Counsel of Maxim Integrated.

**Corporate Governance and Board of Directors Matters** (continued)

- The nominating stockholder's notice shall set forth the following information:
  - (1) To the extent reasonably available, information relating to such director nominee as would be required to be disclosed in a proxy statement pursuant to Regulation 14A under the Exchange Act in which such individual is a candidate for election to the board of directors;
  - (2) The director nominee's written consent to (a) if selected by the Governance Committee as a director candidate, be named in Maxim Integrated's proxy statement and (b) if elected, serve on the board of directors; and
  - (3) Any other information that such stockholder believes is relevant in considering the director nominee. Stockholder recommendations to the Governance Committee or the board of directors should be sent to:

Corporate Secretary  
 General Counsel  
 Maxim Integrated  
 160 Rio Robles  
 San Jose, CA 95134  
 (408) 601-1000

For purposes of nominating a director candidate to be considered at an annual meeting, it is unnecessary to send recommendations to the board of directors or the Governance Committee. Instead, a stockholder wishing to nominate a director candidate at an annual meeting must follow the procedures set forth in our bylaws, including providing written notice prepared in accordance with our bylaws to Maxim Integrated's General Counsel and Corporate Secretary. For more detailed information on nomination requirements at an annual meeting, please see the Questions and Answers section of this proxy statement under the heading "What is the deadline for submission of stockholder proposals for consideration at the 2016 annual meeting?"

### Equity Grant Date Policy

The board of directors has adopted a specific procedure in the granting of equity awards to our officers, directors and employees, as set forth in the Company's Equity Award Grant Policy effective June 4, 2007 (the "Equity Policy"). The Equity Policy can be located on the Company's Website at <http://www.maximintegrated.com/company/investor/leadership/governance>. Under the Equity Policy, equity awards may only be granted by our board of directors or the Compensation Committee of the board of directors, as well as a two-person subcommittee of the Compensation Committee (the Equity Grant Sub-Committee), at a duly noticed meeting. Equity awards may not be granted by unanimous written consent in lieu of a meeting. In addition, the Company invites its Vice President of Human Resources, a senior member from the stock administration team, and the Company's independent registered public accounting firm (the "Auditors") to each meeting of the Compensation Committee (or Equity Grant Sub-Committee), at which equity awards are granted. In fiscal year 2015, our Corporate Secretary, our Vice President of Human Resources, a senior member from the stock administration team and the Auditors, in the capacity as independent observers, generally attended the meetings of the Compensation Committee (or Equity Grant Sub-Committee) at which equity awards were granted. The grant date for an equity award is the date on which any of the above-listed granting bodies meets and approves the equity award.

We follow the following specific procedures with respect to the grant of equity awards that are contained in the Equity Policy:

- **New Hire Grants; Special Recognition/Promotional Equity Grants:** Equity awards to newly hired non-officer employees or awards for special recognition to existing non-officer employees are made on the first Tuesday of the month (or the succeeding month) after the date on which the individual commences employment with us or following the special recognition event. Equity awards to newly hired officers or awards for special recognition to officers are made on the first Tuesday of the month (or a succeeding month) after the date on which the individual commences employment with us or following the special recognition event that is during an open trading window under our Insider Trading Policy.
- **Annual Equity Grants:** Annual equity grants to employees and officers are made during an open trading window under our Insider Trading Policy, which are typically granted in September of each year.
- **Equity Awards to Directors:** Equity awards are made to incumbent non-employee directors upon their re-election to the board of directors at the annual meeting of stockholders. Equity awards to newly appointed non-employee directors are made on the first Tuesday of the month (or a succeeding month) after the date on which the individual is appointed to the board of directors that is during an open trading window under our Insider Trading Policy.

### Compensation Committee Interlocks and Insider Participation

No member of Maxim Integrated's Compensation Committee is, or ever has been, an executive officer or employee of Maxim Integrated or any of its subsidiaries. No interlocking relationship exists, or during fiscal year 2015 existed, between Maxim Integrated's board of directors or Compensation Committee and the board of directors or compensation committee of any other company.

**Corporate Governance and Board of Directors Matters** (continued)**Outside Advisors**

Our board of directors and each of its committees may retain outside advisors and consultants of their choosing at Maxim Integrated's expense. Committees of the board of directors may retain outside advisors and consultants of their choosing without the consent of the board of directors.

**Board Effectiveness**

Our board of directors performs an annual self-assessment to evaluate its effectiveness in fulfilling its obligations. For fiscal year 2015, this assessment was held in August 2015.

**Communication between Stockholders and Directors**

Maxim Integrated's Corporate Governance Guidelines provide that any communication from a stockholder to the board of directors generally or to a particular director should be in writing and should be delivered to the Company's General Counsel at the principal executive offices of the Company. Each such communication should set forth (1) the name and address of such stockholder as they appear on the Company's books, and if the stock is held by a nominee, the name and address of the beneficial owner of the stock, and (2) the class and number of shares of the Company's stock that are owned of record by such record holder and beneficially by such beneficial owner, together with the length of time the shares have been so owned. The Company's General Counsel will, in consultation with appropriate directors as necessary, generally screen out communications from stockholders to identify communications that are solicitations for products and services, matters of a personal nature not relevant for stockholders or matters that are of a type that render them improper or irrelevant to the functioning of the board of directors or the Company. Steps are taken to ensure that the views of stockholders are heard by the board of directors or individual directors, as applicable, and that appropriate responses are provided to stockholders on a timely basis. Stockholders may send communications to: General Counsel, Maxim Integrated, 160 Rio Robles, San Jose, California 95134.

The Governance Committee, in accordance with its Charter, oversees the process by which the board of directors, together with management, engages and communicates with stockholders in regard to governance matters.

**Common Stock**

Maxim Integrated common stock is currently traded on the NASDAQ Global Select Market under the symbol "MXIM."

**Headquarters Information**

Our headquarters are located at 160 Rio Robles, San Jose, California 95134 and the telephone number at that location is (408) 601-1000.

**Code of Business Conduct and Ethics**

We have a Code of Business Conduct and Ethics (the "Code of Ethics"), which applies to all directors and employees, including but not limited to our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is designed to promote: (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest arising from personal and professional relationships, (2) full, fair, accurate, timely, and understandable disclosure in reports and documents that we are required to file with the SEC and in other public communications, (3) compliance with applicable governmental laws, rules and regulations, (4) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or entity, and (5) accountability for adherence to the Code of Ethics. A copy of the Code of Ethics is available on our website at <http://www.maximintegrated.com/company/investor/leadership/policy>. A hard copy of the Code of Ethics will be sent free of charge upon request. We intend to satisfy the disclosure requirement regarding any amendment to, or a waiver from, a provision of the Code of Business Conduct and Ethics by posting such information on our website.

**Hedging Prohibition and Restrictions on Pledging Company Securities**

The Company has a policy that prohibits all of its Executive Officers and members of the board of directors from engaging in hedging transactions involving the Company's securities. In addition, the Company has a policy that prohibits its Chief Executive Officer and members of the board of directors from pledging their Company securities as a collateral for a loan or holding those securities in a margin account, except for twenty-five percent (25%) of the number of shares that is in excess of the minimum stock ownership guideline required for the Chief Executive Officer and members of the board of directors, respectively. In addition, the Company prohibits all other Executive Officers from pledging their Company securities as collateral for a loan or holding those securities in a margin account, except for fifty percent (50%) of the total number of shares of common stock owned by them.

## Corporate Governance and Board of Directors Matters (continued)

**Executive Compensation Recoupment Policy**

The Company has a policy that provides that in the event of a material restatement of its financial results due to misconduct, the Compensation Committee shall review the facts and circumstances and take actions it considers appropriate with respect to the compensation of any executive officer whose fraud or willful misconduct contributed to the need for such restatement. Such actions may include, without limitation, seeking reimbursement of any bonus paid to such executive officer exceeding the amount that, in the judgment of the Compensation Committee, would have been paid had the financial results been properly reported.

**Majority Voting in Uncontested Director Elections**

The Company's Bylaws provide that in uncontested elections of directors, if a nominee does not receive the approval from at least a majority of the votes cast, then such nominee is required to submit his or her resignation to the Board of Directors.

**The Ability of Stockholders to Call a Special Meeting**

The Company's Bylaws provide that stockholders owning no less than thirty-five percent (35%) of the total number of common shares outstanding have the ability to call a special meeting of stockholders.

**Director Compensation**

The following table shows certain information regarding non-employee director compensation for the fiscal year ended June 27, 2015 (except as otherwise noted):

**Director Compensation for Fiscal Year 2015**

Name	Fees earned or paid in cash (\$)	Restricted Stock Unit Awards (\$) <sup>(1)</sup>	Total (\$)
James R. Bergman	74,800	184,001	258,801
Joseph R. Bronson	87,300	184,001	271,301
Robert E. Grady	74,800	184,001	258,801
B. Kipling Hagopian	112,300	184,001	296,301
William D. Watkins	67,300	184,001	251,301
A.R. Frank Wazzan	72,300	184,001	256,301

(1) Represents the aggregate grant date fair value of grants of restricted stock units made during fiscal year 2015, computed in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 718. Each of Messrs. Bergman, Bronson, Grady, Hagopian, Watkins, and Wazzan was awarded 6,400 restricted stock units on November 12, 2014 in connection with their service on the board of directors, and the aggregate grant date fair value of each of these awards was \$184,001. In each case, the aggregate grant date fair value disregards an estimate of forfeitures. The assumptions used in the valuation of these awards are set forth in Note 6, "Stock-Based Compensation" of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended June 27, 2015.

The type and aggregate number of outstanding equity awards held by each of the directors as of June 27, 2015 were as follows:

Name	Stock Options (#)	Unvested Restricted Stock Units (#)
Mr. Bergman	83,798	3,200
Mr. Bronson	30,900	3,200
Mr. Grady	117,298	3,200
Mr. Hagopian	104,548	3,200
Mr. Watkins	50,136	3,200
Mr. Wazzan	61,724	3,200

**Corporate Governance and Board of Directors Matters** (continued)*Cash Compensation*

The cash compensation structure for non-employee directors in 2015 was as follows:

Director	Retainer (\$)	Audit Committee Retainer (\$)	Compensation Committee Retainer (\$)	Nominating and Corporate Governance Committee Retainer (\$)	Total Retainer (\$) <sup>(3)</sup>
James R. Bergman	57,300	10,000	7,500		74,800
Joseph R. Bronson	57,300	30,000 <sup>(2)</sup>			87,300
Robert E. Grady	57,300		7,500	10,000 <sup>(2)</sup>	74,800
B. Kipling Hagopian	117,300 <sup>(1)</sup>			5,000	122,300
William D. Watkins	57,300	10,000			67,300
A.R. Frank Wazzan	57,300		15,000 <sup>(2)</sup>		72,300

(1) Receives a higher retainer as a result of serving as Chairman of the Board.

(2) Receives a higher retainer as a result of serving as Committee Chairman.

(3) All retainer fees are paid quarterly in arrears and Maxim Integrated reimburses each director for reasonable expenses incurred in attending meetings of the board of directors or its committees.

The compensation for services as directors is reviewed on an annual basis by the Compensation Committee and the Board of Directors.

*Equity Compensation*

Non-employee directors participate in the 1996 Equity Plan. Effective November 12, 2014, the board of directors, based upon the recommendation of the Compensation Committee, determined that each non-employee director should be awarded and vest in 6,400 restricted stock units per calendar year. Restricted stock units are awarded on an annual basis. Restricted stock units vest in quarterly installments over a one-year period. Equity awards to non-employee directors are generally made at the meeting of the board of directors immediately following their reelection to the board of directors.

\* \* \*

# Proposal No. 1

## Election of Directors

The Nominating and Governance Committee (the "Governance Committee") recommended, and the board of directors nominated, B. Kipling Hagopian, Tunç Doluca, James R. Bergman, Joseph R. Bronson, Robert E. Grady, William D. Watkins, and A. R. Frank Wazzan as nominees for election as members of our board of directors at the 2015 annual meeting. Except as set forth below, unless otherwise instructed, the persons appointed as proxy holders in the accompanying form of proxy will vote the proxies received by them for such nominees, all of whom are presently directors of Maxim Integrated. All of these nominees were elected directors by a vote of the stockholders at the last annual meeting of stockholders which was held on November 12, 2014.

In the event that any nominee becomes unavailable or unwilling to serve as a member of our board of directors, the proxy holders will vote in their discretion for a substitute nominee. The term of office of each person elected as a director will continue until the next annual meeting or until a successor has been elected and qualified, or until the director's earlier death, resignation, or removal.

In this election, each stockholder voting in person or by proxy in the election of directors is entitled to cumulate such stockholder's votes. Each stockholder who elects to cumulate votes shall be entitled to as many votes as equals the number of directors to be elected multiplied by the number of shares held by such stockholder, and the stockholder may cast all such votes for a single director or distribute such votes among as many candidates who have been properly placed in nomination as the stockholder may see fit. The proxy holders may exercise discretionary authority to cumulate votes and to allocate such votes among the seven (7) nominees recommended by the board of directors.

The following paragraphs provide information as of October 3, 2015 about each nominee. Such information includes the age, position, principal occupation, and business experience for at least the past five (5) years, and the names of other publicly held companies of which the nominee currently serves as a director or has served as a director during the past five (5) years. In addition, we are providing a description of each nominee's specific experience, qualifications, attributes, and skills that led the board to conclude that such nominee should serve as a director. There are no family relationships among any directors or Executive Officers of Maxim Integrated.

Name	Age	Director Since
B. Kipling Hagopian	73	1997
Tunç Doluca	57	2007
James R. Bergman	73	1988
Joseph R. Bronson	67	2007
Robert E. Grady	57	2008
William D. Watkins	62	2008
A. R. Frank Wazzan	79	1990

**Proposal No. 1** (continued)

Mr. Hagopian has served as a director of Maxim Integrated since 1997 and as the Chairman of the board of directors since January 2007. Mr. Hagopian is a founder of Brentwood Associates, a venture capital investment company, and was a General Partner of Brentwood until 1996. He has been a Special Limited Partner of each of the five (5) Brentwood venture funds established since 1989 and is a Special Advisory Partner to Redpoint Ventures I, which is a successor to Brentwood's information technology funds. Mr. Hagopian is currently a Managing Member of Apple Oaks Partners LLC, a family office private investment company. Mr. Hagopian serves as Chairman of Maxim Integrated's board of directors and as a member of Maxim's governance committee.

In nominating Mr. Hagopian to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Hagopian's extensive experience in the private equity industry, his leadership skills, his expertise with financial statements and disclosures, and his long-standing years of service on Maxim Integrated's board of directors, as well as being an early investor in Maxim Integrated.

***B. Kipling Hagopian*****Independent****Director Since: 1997****Age: 73**

Mr. Doluca has served as a director of Maxim Integrated, as well as the President and Chief Executive Officer, since January 2007. He joined Maxim Integrated in October 1984 and served as Vice President between 1994 and 2005. He was promoted to Senior Vice President in 2004 and Group President in May 2005. Prior to 1994, he served in a number of integrated circuit development positions.

In nominating Mr. Doluca to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Doluca's experience in the semiconductor industry and thirty (30) years of service at Maxim Integrated, including twenty (20) years as an officer of the Company, including his current position as the Chief Executive Officer, his technical expertise, and his executive leadership and management skills.

***Tunç Doluca*****Director Since: 2007****Age: 57**

**Proposal No. 1** (continued)**James R. Bergman****Independent****Director Since: 1988****Age: 73**

Mr. Bergman has served as a director of Maxim Integrated since 1988. Mr. Bergman was a founder and has been General Partner of DSV Associates since 1974 and a founder and General Partner of its successors, DSV Partners III and DSV Partners IV. These firms provide venture capital and management assistance to emerging companies, primarily in high technology. Since July 1997, he has also served as a Special Limited Partner of Cardinal Health Partners and Cardinal Partners II, which are private venture capital funds.

In nominating Mr. Bergman to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Bergman's experience as a venture capitalist in technology companies, his experience and familiarity with financial statements, and his deep and fundamental understanding of Maxim Integrated's culture, employees and products as a result of service on the board for over twenty-five (25) years.

**Joseph R. Bronson****Independent****Director Since: 2007****Age: 67**

Mr. Bronson has served as a director of Maxim Integrated since November 2007. Since June 2014, he has been Managing Director, Strategic Advisor for Cowen & Co., a New York City based investment banking. From May 2011 to March 2014 he served as an Advisory Director at GCA Sawian, LLC, a financial advisory services firm. Mr. Bronson is Principal of The Bronson Group, LLC, which provides financial and operational consulting services. Mr. Bronson served as the Chief Executive Officer of Silicon Valley Technology Corporation, a private company that provides technical services to the semiconductor and solar industries from 2009 to March 2010. Mr. Bronson served as President and Chief Operating Officer of Sanmina-SCI, a worldwide contract manufacturer, between August 2007 and October 2008, and he also served on Sanmina-SCI's board of directors between August 2007 and January 2009. Before joining Sanmina-SCI, Mr. Bronson served as President and Co-Chief Executive Officer of FormFactor, Inc., a manufacturer of advanced semiconductor wafer probe cards, between 2004 and 2007. Prior to 2004, Mr. Bronson spent twenty-one (21) years at Applied Materials in senior level operations management, concluding with the positions of Executive Vice President and Chief Financial Officer. In addition to Maxim Integrated, Mr. Bronson currently serves on the boards of directors of Jacobs Engineering Group Inc., SDC Materials, Ryan Herco Flow Solutions, and PDF Solutions, Inc.

In nominating Mr. Bronson to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Bronson's expertise and familiarity with financial statements, financial disclosures, auditing and internal controls, his senior management level experience at large publicly traded companies and understanding of board best practices.

**Proposal No. 1** (continued)

**Robert E. Grady**

**Independent**

**Director Since: 2008**

**Age: 57**

Mr. Grady has served as a director of Maxim Integrated since August 2008. Since March 2015, Mr. Grady has been a Partner at Gryphon Investors, a middle market-focused private equity investment firm. From 2010 to 2014, Mr. Grady was a Managing Director at Cheyenne Capital Fund, a private equity investment firm, and served as the volunteer Chairman of the New Jersey State Investment Council (which oversees the state's \$79 billion pension fund). From 2000 to 2009, Mr. Grady was a Managing Director at The Carlyle Group, a global private equity firm, where he served as a member of the firm's Management Committee as Chairman and Fund Head of Carlyle's U.S. venture and growth capital group, Carlyle Venture Partners (CVP); on the investment committees of CVP, Carlyle Asia Growth Partners, and Carlyle Europe Technology Partners; and as a director of multiple Carlyle portfolio companies. Between 1993 and 2000, he was a Partner and Member of the Management Committee at Robertson Stephens & Company, an emerging growth-focused investment banking firm. Previously, Mr. Grady served in the White House as Deputy Assistant to the President of the United States of America, as Executive Associate Director of the Office of Management and Budget ("OMB"), and as Associate Director of OMB for Natural Resources, Energy and Science. Mr. Grady is a former director of the National Venture Capital Association, and he served as Chairman of the National Venture Capital Association in 2006 and 2007. From 1993 to 2004, Mr. Grady served on the faculty of the Stanford Graduate School of Business as a Lecturer in Public Management. In addition to Maxim Integrated, Mr. Grady currently serves on the board of directors of Stifel Financial Corp., a financial services firm focused on investment banking and asset management, and of the Jackson Hole Mountain Resort. From July 2004 to June 2010, Mr. Grady also served on the board of directors of AuthenTec, Inc., a maker of fingerprint identification semiconductors, and from September 2009 to July 2010, Mr. Grady served on the board of directors of Thomas Weisel Partners Group, Inc., which was acquired by Stifel Financial Corp. Mr. Grady has also been a director of multiple privately held companies and non-profit organizations over the past 25 years. Currently, Mr. Grady is a Trustee of the St. John's Hospital Foundation, a member of the Steering Committee of the Wyoming Business Alliance, a member of the Investment Committee of the Community Foundation of Jackson Hole, and a member of the Council on Foreign Relations. Mr. Grady holds an A.B. degree from Harvard College and a M.B.A. degree from the Stanford Graduate School of Business.

In nominating Mr. Grady to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Grady's extensive experience in the financial services industry, including his leadership roles at several large financial services firms, his expertise with strategic business combinations and corporate strategy development, and his corporate governance experience as the chairman of a large public pension fund, and his experience as a director.

**Proposal No. 1** (continued)**William D. Watkins****Independent****Director Since: 2008****Age: 62**

Mr. Watkins has served as a director of Maxim Integrated since August 2008. Since September 2013, Mr. Watkins has been the Chief Executive Officer of Imergy Power Solutions, a leader in stationary energy storage using innovative flow battery technology, and in December 2013, Mr. Watkins became the Chairman of the Board at Imergy. From February 2010 to April 2013, Mr. Watkins was the Chief Executive Officer and a member of the board of directors of Bridgelux, Inc., a leading light emitting diode (LED) developer. Mr. Watkins was Seagate Technology's Chief Executive Officer between July 2004 and January 2009 and was a member of its board of directors between 2000 and January 2009. Previously, Mr. Watkins was Seagate's President and Chief Operating Officer, a position he had held since 2000, and in this capacity was responsible for the company's global hard disc drive operations. Mr. Watkins joined Seagate in 1996 as part of the company's merger with Conner Peripherals. In addition to Maxim Integrated, Mr. Watkins currently serves on the board of directors of Flextronics International Ltd. Mr. Watkins is co-owner of the Vancouver Stealth, a member of the National Lacrosse League, the professional box lacrosse league of North America.

In nominating Mr. Watkins to serve on the board, the Governance Committee considered as important factors, among other items, Mr. Watkins' operational and management experience, his experience as Chief Executive Officer, President and Chief Operating Officer of Seagate, his understanding of the electronics and semiconductor industries, as well as his expertise and familiarity with financial statements.

**A. R. Frank Wazzan****Independent****Director Since: 1990****Age: 80**

Dr. Wazzan has served as a director of Maxim Integrated since 1990. Dr. Wazzan is Distinguished Professor and Dean Emeritus of the School of Engineering and Applied Science, University of California, Los Angeles. Dr. Wazzan has served as consultant (classified work) to Douglas Aircraft, Hughes Electrodynamics, North American Rockwell, the U.S. Atomic Energy Commission, Westinghouse Oceanics Division, Honeywell, Electricite de France (EDF), the French Atomic Energy Commission, and the Rand Corporation. Over that period, the U.S. Department of Defense granted Dr. Wazzan secret, top secret, and critical nuclear weapon design and information clearances to work on the design of underwater weapon systems, the effect of nuclear radiation on the performance of electronic materials and communication satellites, and methods of hardening boosters and satellites to laser and microwave weapons. Dr. Wazzan is a member of the American Institute of Aeronautics and Astronautics, a Guggenheim Fellow, and a Fellow of the American Nuclear Society. He is recipient of the Gold Medal Award at the First International Meeting on Nuclear Power Plants in Commercial Operations. Dr. Wazzan served as a member of the U.S. White Team (Major General John C. Toomay, Chair) to develop the U.S. space-based laser-weapons program. He was one of thirteen national delegates representing the U.S. at the First CSNI specialists meeting on the behavior of PWR fuel elements under accident conditions (sponsored by OECD, European Nuclear Energy Agency and the International Atomic Energy Agency). Dr. Wazzan served as scientific secretary at the First European Nuclear Conference in Paris, France. He was also a Founding Member of the University of California Industry-University Cooperative Research Program (UC- IUCRP).

In nominating Dr. Wazzan to serve on the board, the Governance Committee considered as important factors, among other items, Dr. Wazzan's relevant academic experience, including his experience as Distinguished Professor and Dean Emeritus of a major university's engineering school, his long-standing service on Maxim Integrated's board and his expertise and familiarity with executive compensation matters.

**Required Vote**

The seven (7) nominees receiving the highest number of affirmative "FOR" votes shall be elected as directors. Unless marked to the contrary, proxies received will be voted "FOR" these nominees.

**Recommendation**

**Our board of directors recommends a vote "FOR" the election to the board of directors of each of the foregoing nominees.**

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## Proposal No. 2

### **RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the board of directors has appointed Deloitte & Touche LLP as the independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending June 25, 2016. During fiscal year 2015, Deloitte & Touche LLP served as our independent registered public accounting firm and also provided certain tax and audit-related services. See the information provided in this proxy statement under the heading “Independent Public Accountants.” Notwithstanding its selection, the Audit Committee, in its discretion, may appoint another independent registered public accounting firm at any time during fiscal year 2016 if the Audit Committee believes that such a change would be in the best interests of Maxim Integrated and its stockholders. If the appointment is not ratified by our stockholders, the Audit Committee may consider whether it should appoint another independent registered public accounting firm. Representatives of Deloitte & Touche LLP are expected to attend the annual meeting, where they will be available to respond to appropriate questions and, if they desire, to make a statement.

### **Required Vote**

Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending June 25, 2016 requires the affirmative “FOR” vote of a majority of the votes cast on the proposal. Unless marked to the contrary, proxies received will be voted “FOR” ratification of the appointment of Deloitte & Touche LLP.

### **Recommendation**

**Our board of directors recommends a vote “FOR” the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending June 25, 2016.**

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# Proposal No. 3

## **RATIFICATION AND APPROVAL OF AN AMENDMENT TO MAXIM INTEGRATED'S 2008 EMPLOYEE STOCK PURCHASE PLAN TO INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE THEREUNDER BY 2,000,000 SHARES**

At the 2015 annual meeting, stockholders will be asked to ratify and approve an amendment to the 2008 ESP Plan to increase the maximum number of shares of Maxim Integrated common stock that may be purchased under the 2008 ESP Plan by an additional 2,000,000 shares. The amendment to the 2008 ESP Plan to increase the maximum number of shares that may be purchased by 2,000,000 shares was approved by Maxim Integrated's board of directors. The 2008 ESP Plan was originally approved by the board of directors in October 2008 and then ratified by stockholders on December 15, 2008, and was amended annually starting in 2009 through 2014 to increase the shares reserved for issuance thereunder by 2,000,000 shares on each occasion.

Prior to the effectiveness of the proposed amendment, a total of 16,000,000 shares of Maxim Integrated common stock had been reserved for issuance under the 2008 ESP Plan. As of September 2, 2015, approximately 5,418,936 shares were available for purchase under the 2008 ESP Plan. Maxim Integrated anticipates that approximately 2,000,000 shares will be purchased by employees under the 2008 ESP Plan during fiscal year 2016 based upon current assumptions regarding employee participation levels, and is therefore seeking to increase the number of shares reserved for issuance under the 2008 ESP Plan by that amount.

The board of directors has approved, subject to stockholder ratification and approval, an amendment to increase the maximum number of shares of Maxim Integrated common stock reserved under the 2008 ESP Plan by 2,000,000 shares to a total of 18,000,000 shares.

The closing price of Maxim Integrated's common stock on September 2, 2015 was \$32.95 per share.

Maxim Integrated believes that substantial equity participation by employees is important in creating an environment in which employees will be motivated to remain employed and be productive for long periods of time. Maxim Integrated further believes that the attraction, retention and motivation of highly qualified personnel is essential to Maxim Integrated's continued growth and success and that incentive plans, such as the 2008 ESP Plan, are necessary for Maxim Integrated to remain competitive in its compensation practices. In addition, Maxim Integrated believes that the 2008 ESP Plan (and other equity incentive programs) is an effective way to assure alignment of employees' and stockholders' interests and believes all such equity incentives are in the best interest of the stockholders.

The benefits to be received by Maxim Integrated's employees and officers pursuant to the 2008 ESP Plan are not determinable at this time.

### **Required Vote**

Ratification and approval of the amendments to increase the number of shares reserved under the 2008 ESP Plan requires the approval of a majority of the shares represented in person or by proxy and voting at the annual meeting. A general description of the principal terms of the 2008 ESP Plan approved by the board of directors and the purpose of the 2008 ESP Plan is set forth below. Unless otherwise marked, all properly signed and returned proxies will be voted "FOR" Proposal No. 3.

### **Recommendation**

**Our board of directors recommends a vote "FOR" the ratification and approval of the amendment to Maxim Integrated's 2008 Employee Stock Purchase Plan as described herein.**

The following summary of certain provisions of the 2008 ESP Plan is qualified in its entirety by reference to the 2008 ESP Plan, a copy of which is attached as Appendix A to this proxy statement. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the 2008 ESP Plan.

### **Summary of Material Features of the 2008 ESP Plan**

#### *Eligible Employees*

All employees of Maxim Integrated and its subsidiaries designated by the committee appointed by the board of directors to administer the 2008 ESP Plan (the "Committee") will be eligible to participate in the 2008 ESP Plan. However, the Committee may exclude from participation (1) a group of certain highly compensated employees, (2) employees who have been employed by Maxim Integrated or any subsidiary for less than

**Proposal No. 3** (continued)

two (2) years, (3) employees whose customary employment is for not more than five (5) months in any calendar year, and (4) employees who customarily works twenty (20) hours per week or less.

Notwithstanding the foregoing, no employee shall be eligible for participation under the 2008 ESP Plan if, immediately after such grant, that employee would own stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of Maxim Integrated or of any affiliate of Maxim Integrated (including any stock which such employee may purchase under all outstanding rights and options). In addition, no employee will be permitted to purchase stock under all employee stock participation plans, including the 2008 ESP Plan, of Maxim Integrated and its affiliates (1) at a rate which in the aggregate exceeds \$25,000 of the fair market value of such stock (determined under Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), at the time the right is granted) for any calendar year in which the right is outstanding at any time or (2) 1,600 shares of stock in an offering period, whichever is less.

### *Participation*

The Committee has the power from time to time to grant or provide for the grant of rights to purchase stock of Maxim Integrated under the 2008 ESP Plan to eligible employees (an "Offer") on a date or dates (the "Offer Date(s)") identified in the 2008 ESP Plan. Each Offer will be in such form and will contain such terms and conditions as the Committee deems appropriate, except that each Offer must include the substance of the required provisions of the 2008 ESP Plan, which are described below. Each Offer will be outstanding for approximately twelve (12) months (the "Offer Period") and there will be overlapping Offer Periods.

An eligible employee becomes a participant in an Offer by delivering a written enrollment form to Maxim Integrated, within the time specified in each Offer, authorizing payroll deductions of up to a maximum percentage of twenty-five percent (25%) of his or her Eligible Compensation (as defined in the 2008 ESP Plan) during the Offer Period. All payroll deductions made for a participant are credited to his or her account under the 2008 ESP Plan and are deposited with the general funds of Maxim Integrated. The purchase price of the shares is accumulated by payroll deductions (or direct payments, if permitted) over the Offer Period. At any time during the Offer Period, a participant may terminate his or her payroll deductions, but a participant may not increase, reduce or begin such payroll deductions after the beginning of any Offer Period.

### *Purchase of Stock*

The purchase dates generally will occur on the last business day immediately preceding the second to last Saturday in May and November (each a "Purchase Date") in each year unless this day immediately follows the Thanksgiving holiday in the United States in which case the Purchase Date will be the last Friday of November of each year. On each Purchase Date, the balance in each participant's account will be applied to the purchase of whole shares of stock of Maxim Integrated. No fractional shares shall be issued upon the exercise of rights granted under the 2008 ESP Plan. The amount remaining in each participant's account after the purchase of shares that is less than the amount required to purchase one (1) share of stock on the last Purchase Date of an Offer Period shall be returned to the participant as soon as practicable after the Purchase Date, without interest.

### *Purchase Price*

The purchase price per share of stock acquired pursuant to the 2008 ESP Plan will be the lesser of: (1) eighty-five percent (85%) of the fair market value per share of such stock on the Offer Date and (2) eighty-five percent (85%) of the fair market value per share of such stock on the Purchase Date.

### *Withdrawal*

A participant may withdraw from an Offer by terminating his or her payroll deductions and by delivering to Maxim Integrated a written notice of withdrawal from the Offer. Such withdrawal may be elected within a certain period of time prior to the end of the applicable Offer Period. Upon any withdrawal from an Offer by the employee, Maxim Integrated will distribute to the employee his or her accumulated payroll deductions (reduced for prior purchases), without interest, and such employee's interest in the Offer will be automatically terminated. Upon such withdrawal from an Offer, the employee is not entitled to participate again in such Offer and the employee may not be able to participate in the 2008 ESP Plan for such period of time as determined by the Committee. Any such employee participating in a new Offer after his or her withdrawal from an Offer will be required to timely submit a new enrollment form.

### *Termination of Employment*

Rights granted pursuant to any Offer under the 2008 ESP Plan shall terminate immediately upon cessation of an employee's employment for any reason, and Maxim Integrated shall promptly distribute to such employee all of his or her accumulated payroll deductions (reduced for prior purchases), without interest.

**Proposal No. 3** (continued)*No transferability*

Rights granted under the 2008 ESP Plan are not transferable by a participating employee other than by will or the laws of descent and distribution and are exercisable during such participating employee's lifetime only by him or her.

*Adjustments upon Changes in Stock or Change in Control*

If (1) Maxim Integrated shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of Maxim Integrated or its subsidiaries or a transaction similar thereto, (2) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of Maxim Integrated, or any distribution to holders of Maxim Integrated common stock other than cash dividends, shall occur or (3) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the number or kind of shares, or both, which thereafter may be sold under the 2008 ESP Plan, then the Committee may take any necessary actions to preserve to the participating employees' rights substantially proportionate to the rights existing prior to such event. Such actions may include, without limitation, adjustments in the number and kind of shares subject to the 2008 ESP Plan and the purchase price of such shares under the 2008 ESP Plan.

Notwithstanding any other provision of the 2008 ESP Plan, if Maxim Integrated's common stock ceases to be listed or traded, as applicable, on a national stock exchange or over-the-counter market (the "Triggering Event"), then, in the discretion of the Committee, (1) the balance in the participating employee's payroll account not yet invested may be refunded to the participating employee, and such participating employee will have no further rights or benefits under the 2008 ESP Plan, (2) an amount equal to the product of the fair market value of a share on the date of the Triggering Event multiplied by the number of shares such participating employee would have been able to purchase with the balance of his or her payroll account on the date of such Triggering Event may be paid to the participating employee, and such participating employee shall have no further rights or benefits under the 2008 ESP Plan, or (3) the 2008 ESP Plan may be continued.

*Amendment, Suspension and Termination of the 2008 ESP Plan*

The board of directors may at any time and for any reason amend, suspend or terminate the 2008 ESP Plan. However, any amendment of the 2008 ESP Plan shall require stockholder approval if such approval would be required under applicable law or regulation.

*Federal Income Tax Consequences*

The following summarizes only the federal income tax consequences of participation under the 2008 ESP Plan based upon federal income tax laws in effect on the date of this proxy statement. This summary does not purport to be complete, and does not discuss any non-U.S., state or local tax consequences. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, a participant's individual circumstances. Each participant in the 2008 ESP Plan is strongly urged to consult with his or her tax advisor regarding participation in the 2008 ESP Plan.

The 2008 ESP Plan, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code (except to comply with applicable foreign or local law). Under these provisions, no income will be taxable to a participant on the Offer Date or at the time of purchase of shares. Amounts deducted from a participant's pay under the 2008 ESP Plan are part of the employee's regular compensation and remain subject to federal, state and local income and employment withholding taxes.

Upon disposition of the shares, the participant will generally be subject to tax, the amount of which will depend upon the participant's holding period. If the participant disposes of his or her shares more than two (2) years after the Offer Date and more than one (1) year after the purchase of the shares, the lesser of (1) fifteen percent (15%) of the fair market value of the shares on the Offer Date or (2) the excess (or zero (0) if there is no excess) of the fair market value of the shares on the date of the disposition of the shares over the purchase price will be treated as ordinary income, and any further gain will be treated as long-term capital gain. If the participant disposes off the shares before the expiration of these holding periods, the excess of the fair market value of the shares on the exercise date over the purchase price will be treated as ordinary income, and any further gain or loss on such disposition will be long-term or short-term capital gain or loss, depending on the holding period.

There currently is no income tax withholding required upon the purchase or disposition of the shares by a participant. However, in the future, a participant may be subject to employment tax withholding (e.g., Social Security and Medicare) at the time of purchase. The United States Internal Revenue Service issued proposed regulations which, if adopted, would subject a participant to withholding for Social Security and Medicare (not including income tax) at the time of purchase based upon the difference between the fair market value of the shares on the date of purchase and the purchase price of the shares. These proposed regulations, if adopted, would be effective only for purchases made under the 2008 ESP Plan two (2) years after the regulations are issued in final form.

**Proposal No. 3** (continued)

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Maxim Integrated is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent of ordinary income reported by participants upon disposition of shares within two (2) years from the Offer Date or within one (1) tax year of the date of purchase. Maxim Integrated is required to report to the United States Internal Revenue Service any ordinary income recognized by a participant as a result of a disposition if such information is available to Maxim Integrated. In the future, Maxim Integrated may be required to withhold (from a participant's salary) the amount due as taxes on such ordinary income.

# Proposal No. 4

## **RATIFICATION AND APPROVAL OF AN AMENDMENT TO MAXIM INTEGRATED'S 1996 STOCK INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE THEREUNDER BY 4,000,000 SHARES**

At the 2015 annual meeting, stockholders will be asked to ratify and approve an amendment to Maxim Integrated's 1996 Equity Plan to increase the maximum number of shares of Maxim Integrated common stock that may be purchased under the 1996 Equity Plan by an additional 4,000,000 shares, equivalent to approximately 1.4% of the Company's outstanding shares. The amendment to the 1996 Equity Plan has been approved by the board of directors.

### **Share Increase**

Prior to the effectiveness of the proposed Amended and Restated 1996 Equity Plan, a total of 137,100,000 shares of Maxim Integrated common stock had been reserved for issuance under the 1996 Equity Plan. As of September 2, 2015, approximately 21,726,393 shares were available for purchase under the 1996 Equity Plan, and there were 9,534,576 outstanding stock options with a weighted average exercise price of \$25.80 and a weighted average remaining contractual term of 3.10 years, and 9,364,646 outstanding restricted stock units.

Maxim Integrated is seeking to increase the number of shares under the 1996 Equity Plan by 4,000,000 shares in order to have a sufficient number of shares (and an appropriate buffer amount) to award to new employees as well as current employees who are eligible to receive equity awards as part of the Company's annual focal award in September of each year, which is made in conjunction with employee performance reviews, salary adjustments and cash bonus determinations, as well as to support awards to new employees, and awards to employees in connection with acquisitions and promotions. These awards may be a combination of restricted stock units and MSUs based upon job level. While historically we have only granted MSUs to our Chief Executive Officer, starting in September 2014, we began granting MSUs (as well as restricted stock units) to all vice presidents and managing director level employees in lieu of stock options, and we no longer continue our practice of granting stock options to employees.

As required by our 1996 Equity Plan, each restricted stock unit and MSU (granted with an exercise price less than the fair market value of our common stock) is counted against the share reserve as two (2) shares for every one (1) share subject to such award. By way of an example, if we grant 1,000 restricted stock units with an exercise price of zero (0), this will result in 2,000 shares being deducted from the share reserve under the 1996 Equity Plan. A 4,000,000 share increase in the number of shares available for issuance would result in 2,000,000 restricted stock units or MSUs being available for grant, assuming such restricted stock units or MSUs are granted with a zero (0) exercise price.

The board of directors has approved, subject to stockholder ratification and approval, an amendment to the 1996 Equity Plan to increase the maximum number of shares of Maxim Integrated common stock reserved under the 1996 Equity Plan by 4,000,000 shares to a total of 141,100,000 shares.

The closing price of Maxim Integrated's common stock on September 2, 2015 was \$32.95 per share.

The benefits to be received by Maxim Integrated's employees and officers pursuant to the 1996 Equity Plan are not determinable at this time.

### **Required Vote**

Ratification and approval of the amendment to Maxim Integrated's 1996 Equity Plan requires the approval of a majority of the shares represented in person or by proxy and voting at the annual meeting. A general description of the principal terms of the 1996 Equity Plan approved by the board of directors and the purpose of the 1996 Equity Plan is set forth below. Unless otherwise marked, all properly signed and returned proxies will be voted "FOR" Proposal No. 4.

### **Recommendation**

**Our board of directors recommends a vote "FOR" the amendment to Maxim Integrated's 1996 Equity Plan as described herein.** The following summary of certain provisions of the 1996 Equity Plan is qualified in its entirety by reference to the 1996 Equity Plan, a copy of which is attached as Appendix B to this proxy statement. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the 1996 Equity Plan.

**Proposal No. 4** (continued)**Summary of Material Features of the 1996 Equity Plan***Purpose.*

The purpose of the 1996 Equity Plan is to increase stockholder value. We believe that our employees, including highly talented analog engineers, which are scarce, are the main driver of stockholder value. The Company needs to have competitive compensation programs to recruit, retain and motivate our employees, and the Company's equity programs are a key component of its compensation structure. We also believe that employee ownership aligns employee interests with those of the stockholders and has contributed to Maxim Integrated's success.

*Types of Awards.*

The 1996 Equity Plan provides for the grant of the following types of incentive awards: (1) stock options, (2) restricted stock units (including MSUs), and (3) restricted stock, which are each hereinafter referred to individually as an "Award." Those who will be eligible for Awards under the 1996 Equity Plan include employees, directors and consultants who provide services to the Company and its parent and subsidiary companies.

*Number of Shares of Common Stock Available Under the 1996 Equity Plan.*

If stockholders approve Proposal 4, a total of 141,100,000 shares of the Company's common stock will be reserved for issuance under the 1996 Equity Plan. Any shares subject to awards of restricted stock units and restricted stock granted with an exercise price less than the fair market value on the date of grant will be counted against the share reserve as two (2) shares for every one (1) share subject to such award. Further, to the extent that a share that was subject to an award that counted as two (2) shares against the 1996 Equity Plan reserve pursuant to the preceding sentence is recycled back into the 1996 Equity Plan, the 1996 Equity Plan will be credited with two (2) shares that will thereafter be available for issuance under the 1996 Equity Plan.

If we experience a stock split, reverse stock split, stock dividend, spin-off, combination, or reclassification of our shares, or any other change or increase or decrease in the number of issued shares effected without our receipt of consideration (except for certain conversions of convertible securities), appropriate adjustments will be made, subject to any required action by the Company's stockholders, to the number of shares available for issuance under the 1996 Equity Plan, the number of shares covered by each outstanding Award, the price per share covered by each outstanding Award, and the numerical per-person share limits for each type of Award, as appropriate to reflect the stock dividend or other change.

Maxim Integrated common stock covered by the 1996 Equity Plan may be either authorized but unissued shares or treasury shares. If there is a lapse, expiration, termination, or cancellation of any Award granted under the 1996 Equity Plan without the issuance of shares or payment of cash thereunder, or if shares are issued under any Award under the 1996 Equity Plan and thereafter are reacquired by the Company pursuant to rights reserved upon the issuance thereof, the shares subject to or reserved for such Award, or so retained or reacquired, may again be used for new Awards under the 1996 Equity Plan. Notwithstanding the foregoing, any shares of common stock of the Company tendered to or withheld by the Company (a) in connection with the exercise of options under the 1996 Equity Plan (or any other equity plans of the Company) or (b) for the payment of tax withholding on any option, restricted stock unit award or restricted stock award shall not, in each case, be available for future issuance under the 1996 Equity Plan (or any other equity plans of the Company). In addition, the Company will be required to seek prior stockholder approval in order to conduct any award-for-award exchange offer or cash tender offer with respect to outstanding awards under the 1996 Equity Plan (or any other equity plans of the Company).

*Administration.*

The 1996 Equity Plan provides that the grant of Awards and other determinations under the 1996 Equity Plan shall be made by (1) the board of directors or (2) a committee designated by the board of directors (the "Administrator") which, in the case of grants of Awards to employees who are officers of the Company, is constituted in a manner to permit the grants and related transactions under the 1996 Equity Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3 of the Exchange Act and which, in the case of grants to "covered employees," is intended to constitute "performance-based compensation," is made up solely of two (2) or more "outside directors" as such terms are defined under Section 162(m) of the Code. The Administrator has the authority to select employees, directors, and consultants to whom Awards may be granted; to determine the number of shares to be covered by each Award; and to determine the terms and conditions of any Award granted under the 1996 Equity Plan.

*Performance Based Compensation.*

Section 162(m) of the Code limits the annual deduction a public corporation may claim for compensation paid to the Company's Chief Executive Officer and to each of its three (3) most highly compensated executive officers (other than the Chief Financial Officer) to \$1 million, except

**Proposal No. 4** (continued)

in limited circumstances. One such exception is for “performance-based compensation,” which is defined as compensation paid solely on account of the attainment of one or more performance goals, but only if (1) the goals are determined by a compensation committee of the board of directors comprised of two (2) or more outside directors, (2) the performance goals are disclosed to stockholders and approved by a majority vote before the remuneration is paid, (3) before the remuneration is paid, the compensation committee certifies that the performance goals and any other material terms were in fact satisfied, and (4) limits are set on the number of Awards that any individual may receive. The 1996 Equity Plan has been designed to permit the Administrator to grant Awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting the Company to continue to receive a federal income tax deduction in connection with such Awards.

The 1996 Equity Plan limits the number of shares with respect to which incentive stock options and non-qualified stock options may be granted in any fiscal year of the Company to any participant to 4,000,000 shares and limits the number of shares with respect to which restricted stock units and restricted stock may be granted in any fiscal year of the Company to any participant to 2,000,000 shares.

***Eligibility.***

Selected employees, directors, service providers, advisors and independent contractors of the Company and any parent or subsidiaries will be eligible to receive Awards under the 1996 Equity Plan. Awards may be granted to eligible persons residing in foreign jurisdictions under additional terms and conditions to accommodate local laws and to provide such eligible persons favorable treatment under local laws, provided that no such terms are inconsistent with the 1996 Equity Plan.

***Duration.***

The 1996 Equity Plan will continue in effect until August 11, 2024, unless terminated earlier by the board of directors.

***Corporate Transactions/Changes in Control/Subsidiary Dispositions.***

The Administrator shall have the authority, exercisable either in advance of any actual or anticipated, or at the time of, an actual corporate transaction, change in control or subsidiary disposition and exercisable at the time of the grant of an Award under the 1996 Equity Plan or any time while an Award remains outstanding, to provide for the full automatic vesting and exercisability of one or more outstanding unvested Awards under the 1996 Equity Plan and the release from restrictions on transfer and repurchase or forfeiture rights of such Awards in connection with a corporate transaction, change in control or subsidiary disposition, on such terms and conditions as the Administrator may specify. The Administrator also shall have the authority to condition any such Award vesting and exercisability or release from such limitations upon the subsequent termination of the continuous status as an employee or service of the participant within a specified period following the effective date of the change in control or subsidiary disposition. The Administrator may provide that any Awards so vested or released from such limitations in connection with a change in control or subsidiary disposition, shall remain fully exercisable until the expiration or earlier termination of the Award. Effective upon the consummation of a corporate transaction, all outstanding Awards under the 1996 Equity Plan shall terminate unless assumed by the successor company or its parent.

***Options.***

The 1996 Equity Plan provides that the purchase price of any stock option shall be at least one hundred percent (100%) of the fair market value of the Company common stock at the time the option is granted. The Administrator may provide for the payment of the purchase price in cash, by delivery of other common stock of the Company having a market value equal to the purchase price of such shares, or by any other method, including by delivery of an exercise notice accompanied by a copy of irrevocable instructions to a broker to deliver promptly to the Company proceeds to pay the purchase price.

The Administrator may permit or require a participant to pay all or a portion of the federal, state and local taxes, including FICA and Medicare withholding tax, arising in connection with the exercise of an option, by having the Company withhold shares or by delivering shares received in connection with the option or previously acquired, having a fair market value approximating the amount to be withheld.

The maximum term of any option will be ten (10) years from the date it is granted, except that with respect to any participant who owns ten percent (10%) of the voting power of all classes of the Company's outstanding capital stock, the term of an incentive stock option may not exceed five (5) years. Options are generally exercisable for a period of ninety (90) days after termination or retirement, 365 days after termination due to disability or 547 days after termination due to death.

**Proposal No. 4** (continued)***Restricted Stock Units.***

The Administrator is able to grant Awards of restricted stock units. Awards of restricted stock units vest in accordance with the terms and conditions established by the Administrator in its sole discretion. For example, the Administrator may set restrictions based on the achievement of specific performance goals or based upon continued service. There are no minimum vesting requirements for restricted stock units. Upon satisfying the applicable vesting criteria, a participant is entitled to the payout specified in the Award agreement. The Administrator may pay earned restricted stock units in cash, shares or a combination of both. Awards of restricted stock units may be issued either alone, in addition to, or in tandem with other Awards granted under the 1996 Equity Plan and/or cash awards made outside of the 1996 Equity Plan. The Administrator will determine the number of units granted pursuant to an Award of restricted stock units, but no participant will be granted more than 2,000,000 units during any fiscal year.

***Restricted Stock.***

The Administrator is able to grant Awards of restricted stock. Awards of restricted stock are rights to acquire or purchase shares of Company common stock. Restricted stock vests in accordance with the terms and conditions established by the Administrator in its sole discretion. For example, the Administrator may set restrictions based on the achievement of specific performance goals or based upon continued service. There are no minimum vesting requirements for Awards of restricted stock. Awards of restricted stock may be issued either alone, in addition to, or in tandem with other Awards granted under the 1996 Equity Plan and/or cash awards made outside of the 1996 Equity Plan. The Award agreement will generally grant the Company a right to repurchase or reacquire the shares upon the termination of the participant's service with the Company for any reason (including death or disability). The Committee will determine the number of shares granted pursuant to an Award of restricted stock, but no participant will be granted a restricted stock Award to purchase or acquire more than 2,000,000 shares of common stock during any fiscal year.

***Performance Goals.***

The performance goals applicable to an Award, as determined by the Administrator, may provide for a targeted level or levels of achievement using one or more of the following measures: cash flow; cash position; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings per share; economic profit; economic value added; equity or stockholders' equity; free cash flow, free cash flow per share and market share; net income; net profit; net sales; operating earnings; operating income; profit before tax; ratio of debt to debt plus equity; ratio of operating earnings to capital spending; return on net assets; sales growth; share price; share price or total return to stockholders relative to the performance of one or more peer companies as well as any index as determined by the Administrator; or total return to stockholders. The performance goals may differ from participant to participant and from Award to Award and may be stated in absolute terms or relative to comparison companies or indices to be achieved during a period of time.

***Amendments and Discontinuance.***

The 1996 Equity Plan is subject to amendment or termination by the Administrator without stockholder approval as deemed in the best interests of the Company. However, no such amendment shall, without the consent of the award holder, reduce the amount of any Award or adversely change the terms and conditions thereof.

The terms and conditions applicable to any Awards granted and outstanding may at any time be amended or modified in any lawful way or canceled by mutual agreement between the Administrator and the participant, so long as any amendment or modification does not increase the number of shares of Maxim Integrated common stock issuable under the 1996 Equity Plan and subject to the provisions regarding "repricing" described below.

***Repricing Options; Exchange Transactions.***

The Administrator does not have the authority to "reprice" any outstanding option. For these purposes, to "reprice" an outstanding option means to amend any outstanding option to reduce the exercise price. In addition, the Administrator will be required to seek prior stockholder approval for conducting any award-for-award exchange offer or cash tender offer with respect to outstanding awards under the 1996 Equity Plan (or any other equity plans of the Company).

**Number of Awards Granted to Employees, Consultants, and Directors**

The number of Awards that an employee, director or consultant may receive under the 1996 Equity Plan is in the discretion of the Administrator and therefore cannot be determined in advance. As of the date of this proxy statement, only stock options, restricted stock units and market share units have been granted under the 1996 Equity Plan. The following table sets forth (1) the aggregate number of shares subject to options granted under the 1996 Equity Plan during the fiscal year ended June 27, 2015, (2) the aggregate number of restricted stock units granted

**Proposal No. 4** (continued)

under the 1996 Equity Plan during the fiscal year ended June 27, 2015 and (3) the aggregate number of market share units granted under the 1996 Equity Plan during the fiscal year ended June 27, 2015, where each unit represents a right to acquire one (1) share of common stock.

Name of Individual or Group	Number of Options Granted	Number of Restricted Stock Units Granted	Number of Market Share Units Granted
Tunç Doluca	—	114,000	66,000
Bruce E. Kiddoo	—	45,000	25,000
Matthew J. Murphy	—	122,500	25,000
Vivek Jain	—	45,000	25,000
Christopher J. Neil	—	41,000	25,000
All current executive officers, as a group	—	519,758	254,004
All current directors who are not executive officers, as a group	—	38,400	—
All employees who are not executive officers, as a group	63,584	2,619,959	169,040

## Federal Income Tax Consequences

### *Non-qualified Stock Options.*

Under existing law and regulations, the grant of non-qualified stock options with an exercise price equal to the fair market value of the underlying stock on the date of grant will not result in income taxable to the participant. However, the exercise of such a non-qualified stock option results in taxable income to the holder and may be subject to withholding for federal income and employment tax purposes. The Company is entitled to an income tax deduction in the amount of the income recognized by the optionee, subject to possible limitations imposed by Section 162(m) of the Code and so long as the Company withholds the appropriate taxes with respect to such income (if required). At the time of the exercise of a non-qualified stock option, the amount so taxable and so deductible will be the difference between the fair market value of the shares purchased and the exercise price. Any gain or loss on the optionee's subsequent disposition of the shares of Maxim Integrated common stock will receive long-term or short-term capital gain or loss treatment, depending on whether the shares are held for more than one (1) year following exercise. The Company does not receive a tax deduction for any such gain.

### *Incentive Stock Options.*

An optionee recognizes no income when an incentive stock option is granted or exercised. However, the difference between the fair market value of the shares on the date of exercise and the option price is classified as an item of adjustment in the year of exercise for purposes of the participant's alternative minimum tax.

If the participant does not dispose of the shares received on exercise of an incentive stock option prior to two (2) years from the date of grant and one (1) year from the date of exercise of the stock option, any gain realized by the holder on the disposition of the stock will be accorded long-term capital gain treatment, and no deduction will be allowed to the Company. If either holding period requirement is not satisfied, the participant will recognize ordinary income at the time of such "disqualifying disposition" equal to the lesser of (1) the gain realized on the disposition, or (2) the difference between the option price and the fair market value of the shares on the date of exercise. Any additional gain or loss on the disqualifying disposition not reflected above would be long-term or short-term capital gain, depending on whether the shares are held for more than one (1) year following exercise. The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant, subject to possible limitations imposed by Section 162 of the Code.

### *Restricted Stock and Restricted Stock Units.*

A participant generally will not have taxable income at the time an Award of restricted stock and restricted stock units is granted. Instead, he or she will recognize ordinary income in the first taxable year in which his or her interest in the shares underlying the Award becomes either (1) freely transferable or (2) no longer subject to substantial risk of forfeiture. However, the recipient of a restricted stock Award may elect to recognize income at the time he or she receives the Award of restricted stock in an amount equal to the fair market value of the shares underlying the Award (less any cash paid for the shares) on the date the Award is granted. The Company generally will be entitled to a tax deduction in connection with an Award under the 1996 Equity Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income, subject to possible limitations imposed by Section 162 of the Code.

**Proposal No. 4** (continued)**Tax Effect for the Company**

The Company generally will be entitled to a tax deduction in connection with an Award under the 1996 Equity Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, upon the exercise of a non-qualified stock option). Special rules limit the deductibility of compensation paid to the Company's Chief Executive Officer and to each of its three (3) most highly compensated other executive officers other than the Chief Financial Officer. In general under Section 162(m) of the Code, the annual compensation paid to any of these executives is deductible only to the extent that it does not exceed \$1,000,000. The Company can, however, preserve the deductibility of certain compensation in excess of \$1,000,000 under the 1996 Equity Plan if the conditions of Section 162(m) are met. These conditions include stockholder approval of the 1996 Equity Plan, setting limits on the number of Awards that any individual may receive, and, for Awards other than certain types of stock options, establishing performance criteria that must be met before the Award actually vests or is paid. The 1996 Equity Plan has been designed to permit the Administrator to grant Awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting the Company to continue to receive a federal income tax deduction in connection with those Awards.

The foregoing discussion of the federal income tax aspects of Awards under the 1996 Equity Plan is based upon federal income tax laws in effect on the date of this proxy statement. The foregoing discussion is not a complete description of the federal income tax aspects of options under the 1996 Equity Plan. In addition, administrative and judicial interpretations of the application of the federal income tax laws are subject to change. Furthermore, no information is given with respect to state or local taxes that may be applicable to any options. Participants in the 1996 Equity Plan who are residents of or are employed in a country other than the United States may be subject to taxation in accordance with the tax laws of that particular country in addition to or in lieu of United States federal income taxes.

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# Proposal No. 5

## **ADOPTION AND APPROVAL OF AN AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION TO ELIMINATE CUMULATIVE VOTING IN THE ELECTION OF DIRECTORS**

At the 2015 annual meeting, stockholders will be asked to adopt and approve an amendment to Maxim Integrated's restated certificate of incorporation (the "Certificate") in order to eliminate the right of stockholders to cumulate their votes in the election of directors. The amendment to the Certificate (removal of Article Eight) has been approved by the Board. The text of Article Eight, as proposed to be amended, would be as follows:

"No holder of shares of the Corporation's stock of any class or series of this Corporation shall be entitled to cumulate votes for the election of directors of this Corporation."

### **Governance Enhancements Implemented**

Beginning in fiscal year 2014, in keeping with Maxim Integrated's long-standing commitment to strong corporate governance, as well as a focused approach to managing the Company for the long-term benefit of all of its constituents, the Board, with the support of the Company's management, undertook a comprehensive review of the Company's corporate governance practices. This review resulted in the Board adopting the following corporate governance enhancements in fiscal year 2015:

- (i) majority voting standard in uncontested director elections,
- (ii) giving stockholders the ability to call a special meeting upon the affirmative consent of the holders of at least thirty-five percent (35%) of the outstanding voting stock of the Company,
- (iii) engaging in stockholder outreach efforts in which the Governance Committee (or a member thereof), together with management, discuss governance issues with certain stockholders, and
- (iv) the elimination of cumulative voting in the election of directors, subject to ratification and approval by the Company's stockholders at the annual meeting.

### **Majority Voting In Uncontested Director Elections, Special Stockholders Meetings and Proxy Access, Stockholder Outreach**

Majority voting in uncontested elections of directors and giving stockholders the ability to call a special meeting have been implemented through amendments to the Company's Bylaws (the "Amended and Restated Bylaws") effective in September 2014. The Company's Amended and Restated Bylaws are available on the Company's website at <http://www.maximintegrated.com/content/dam/files/aboutus/company/bylaws.pdf>. The Company believes that its Amended and Restated Bylaws provide broad and sufficient access for stockholders to submit stockholder proposals for inclusion in the Company's proxy statements. Stockholder outreach has been formalized in the Governance Committee's Charter.

### **Elimination of Cumulative Voting**

Cumulative voting entitles stockholders to as many votes as equals the number of directors to be elected multiplied by the number of shares held by the stockholder. The stockholder may cast all such votes for a single director or distribute such votes among as many candidates who have been properly nominated.

The Board has determined that it is in the best interests of all the stockholders to eliminate cumulative voting in director elections for the following reasons:

- (i) voting power should align and be consistent with economic ownership such that there should be one vote for every share of common stock owned,
- (ii) cumulative voting permits minority stockholders to elect a particular nominee to the Board that may not be supported by a majority of the outstanding shares and may be detrimental to the interests of Maxim Integrated and our long-term stockholders, and
- (iii) a particular director who was elected to the Board by stockholders cumulating their votes may have a conflict of interest as he or she may represent the interests of the particular stockholders electing him or her to the Board instead of in the best interest of all stockholders.

**Proposal No. 5** (continued)

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A system of one vote per share for each board nominee is the prevailing election standard among publicly-traded companies in the United States and cumulative voting is atypical. Over 95% of the companies in the Nasdaq 100 and the Russell 1000 do not allow stockholders to cumulate their votes in the election of directors.

The Company also believes that cumulative voting is incompatible, and fundamentally at odds, with a majority vote standard because it allows relatively small stockholders to elect directors who are not supported by a majority of the Company's stockholder base. The Company and the Board believe that each director should represent the interests of all stockholders rather than the interests of a minority stockholder or a special constituency and that cumulative voting could lead to directors having improper incentives.

The proposal to eliminate cumulative voting is not in response to any known stockholder efforts to remove any director or otherwise gain representation on the Board.

**Required Vote**

Adoption and approval of the amendments to the Company's Certificate requires the affirmative vote of a majority of the outstanding common stock. Unless otherwise marked, all properly signed and returned proxies will be voted "FOR" Proposal No. 5.

**Recommendation**

**Our board of directors recommends a vote "FOR" the adoption and approval of the amendment to Maxim Integrated's restated certificate of incorporation to eliminate cumulative voting in the election of directors.**

# Proposal No. 6

## **TO HOLD AN ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) enables Maxim Integrated stockholders to vote to approve, on an advisory or non-binding basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules.

Maxim Integrated has a “pay-for-performance” philosophy that forms the foundation of Maxim Integrated’s decisions regarding compensation of its named executive officers. Executive compensation is tied to performance and is structured to ensure that there is an appropriate balance between long-term and short-term performance, and also a balance between operational performance and stockholder return. This compensation philosophy, and the program structure approved by the Compensation Committee (including its sub-committee, the Equity Grant Sub-Committee), is central to Maxim Integrated’s ability to attract, retain, motivate, and reward the best and brightest executives who have the talent and experience to achieve our goals. This approach has resulted in Maxim Integrated’s ability to attract and retain the executive talent necessary to guide Maxim Integrated. Please see “Compensation Discussion and Analysis” contained in this proxy statement for an overview of the compensation of Maxim Integrated’s named executive officers.

We are asking for stockholder approval of the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules, which disclosures include the disclosures under “Compensation Discussion and Analysis,” the compensation tables and the narrative discussion related to compensation. We have elected to hold this non-binding advisory vote on executive compensation annually. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this proxy statement. We believe that our executive compensation policies and programs serve the interests of our stockholders and that the compensation received by our executive officers is commensurate with the performance and strategic position of Maxim Integrated.

This vote is advisory and therefore not binding on Maxim Integrated, the Compensation Committee (including its sub-committee, the Equity Grant Sub-Committee), or the board of directors. The board of directors and the Compensation Committee value the opinions of Maxim Integrated stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider those stockholders’ concerns, and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

### **Required Vote**

Advisory approval of this proposal requires the affirmative “FOR” vote of a majority of the votes cast on the proposal. Unless otherwise marked, all properly signed and returned proxies will be voted “FOR” advisory approval of Proposal No. 6.

### **Recommendation**

**Our board of directors recommends a vote “FOR” the approval of the compensation of Maxim Integrated’s named executive officers as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC.**

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## Proposal No. 6 (continued)

**Security Ownership of Certain Beneficial Owners, Directors and Management**

The following table sets forth certain information regarding the ownership of Maxim Integrated's common stock as of June 27, 2015, the last day of fiscal year 2015, by: (1) each current director; (2) each current named executive officer; (3) all executive officers and directors as a group; and (4) all those known by Maxim Integrated to be beneficial owners of more than five percent (5%) of its common stock. The number of shares beneficially owned is determined under the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose.

Beneficial Owner	Beneficial Ownership <sup>(1)</sup>	
	Number of Shares	Percent of Total (%)
<b>5% Shareholders:</b>		
Wellington Management Company, LLP <sup>(2)</sup>	27,994,409	9.8
Dodge & Cox <sup>(3)</sup>	25,439,327	8.9
The Vanguard Group <sup>(4)</sup>	17,680,803	6.2
Capital Research Global Investors <sup>(5)</sup>	17,435,700	6.1
Capital World Investors <sup>(6)</sup>	15,716,000	5.5
<b>Directors:</b>		
James R. Bergman, Director <sup>(7)</sup>	178,223	*
Joseph Bronson, Director <sup>(8)</sup>	29,700	*
Robert E. Grady, Director <sup>(9)</sup>	123,975	*
B. Kipling Hagopian, Director <sup>(10)</sup>	167,333	*
William D. Watkins, Director <sup>(11)</sup>	57,361	*
A. R. Frank Wazzan, Director <sup>(12)</sup>	172,382	*
<b>Named Executive Officers:</b>		
Tunç Doluca, President, Chief Executive Officer and Director <sup>(13)</sup>	1,947,258	*
Bruce E. Kiddoo, Senior Vice President and Chief Financial Officer <sup>(14)</sup>	235,928	*
Matthew J. Murphy, Executive Vice President, Business Units, Sales, and Marketing <sup>(15)</sup>	225,744	*
Vivek Jain, Senior Vice President, Technology and Manufacturing Group <sup>(16)</sup>	123,942	*
Christopher J. Neil, Senior Vice President, New Ventures <sup>(17)</sup>	404,812	*
All executive officers and directors as a group (15 persons) <sup>(18)</sup>	4,278,982	1.5

\* Less than one percent

- (1) This table is based upon information supplied by officers, directors, principal stockholders and Maxim Integrated's transfer agent, and contained in Schedules 13G filed with the SEC. Unless otherwise indicated, the address of each person or entity listed is c/o Maxim Integrated Products, Inc., 160 Rio Robles, San Jose, California 95134. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 294,821,933 shares outstanding on June 27, 2015 adjusted as required under rules promulgated by the SEC.
- (2) Based solely on information supplied by Wellington Management Company, LLP ("WMC") in a Schedule 13G filed with the SEC on February 12, 2015. The address of WMC is 280 Congress Street, Boston, MA 02210.
- (3) Based solely on information supplied by Dodge & Cox in a Schedule 13G filed with the SEC on February 13, 2015. The address of Dodge & Cox is 555 California Street, 40<sup>th</sup> Floor, San Francisco, CA 94104.
- (4) Based solely on information supplied by The Vanguard Group in a Schedule 13G filed with the SEC on February 11, 2015. The address of The Vanguard Group is 100 Vanguard Blvd, Malvern, PA 19355.
- (5) Based solely on information provided by Capital Research Global Investors ("CRGI") in a Schedule 13G filed with the SEC on February 13, 2015. CRGI does not own any shares of Maxim Integrated for its own account; the shares reported are owned by accounts under the discretionary management of CRGI. CRGI has no voting power and sole dispositive power over all shares shown. The address of CRGI is 333 South Hope Street, 50<sup>th</sup> Floor, Los Angeles, CA 90071.
- (6) Based solely on information provided by Capital World Investors ("CWI"), a division of Capital Research and Management Company in a Schedule 13G filed with the SEC on February 13, 2015. CWI does not own any shares of Maxim Integrated for its own account; the shares reported are owned by accounts under the discretionary management of CWI. CWI has no voting power and sole dispositive power over all shares shown. The address of CWI is 333 South Hope Street, 50<sup>th</sup> Floor, Los Angeles, CA 90071.
- (7) Includes (i) 60,623 shares subject to options exercisable within 60 days of June 27, 2015, (ii) 1600 restricted stock units that vest within 60 days of June 27, 2015, (iii) 25,000 shares held by the Bergman Family Foundation for which Mr. Bergman disclaims beneficial ownership.
- (8) Includes (i) 7,725 shares subject to options exercisable within 60 days of June 27, 2015, (ii) 1600 restricted stock units that vest within 60 days of June 27, 2015, (iii) 400 shares held in custodian accounts, and (iv) 3,775 shares held by trust.
- (9) Includes (i) 94,123 shares subject to options exercisable within 60 days of June 27, 2015 and (ii) 1600 restricted stock units that vest within 60 days of June 27, 2015.
- (10) Includes (i) 81,373 shares subject to options exercisable within 60 days of June 27, 2015, (ii) 1600 restricted stock units that vest within 60 days of June 27, 2015, (iii) 2,000 shares held by a family foundation for which Mr. Hagopian disclaims beneficial ownership and (iv) 54,360 shares held by trust.
- (11) Includes (i) 26,961 shares subject to options exercisable within 60 days of June 27, 2015, (ii) 1600 restricted stock units that vest within 60 days of June 27, 2015 and (iii) 21,250 shares held by trust.
- (12) Includes (i) 38,549 shares subject to options exercisable within 60 days of June 27, 2015 and (ii) 1600 restricted stock units that vest within 60 days of June 27, 2015.
- (13) Includes (i) 521,895 shares subject to options exercisable within 60 days of June 27, 2015, (ii) 60,000 market share units that vest within 60 days of June 27, 2015 and (iii) 1,251,363 shares held by trust.

**Proposal No. 6** (continued)

- (14) Includes (i) 106,846 shares subject to options exercisable within 60 days of June 27, 2015, (ii) 3,886 restricted stock units that vest within 60 days of June 27, 2015 and (iii) 72,424 shares held by trust.
- (15) Includes (i) 91,208 shares subject to options exercisable within 60 days of June 27, 2015 and (ii) 8,053 restricted stock units that vest within 60 days of June 27, 2015.
- (16) Includes (i) 53,016 shares subject to options exercisable within 60 days of June 27, 2015 and (ii) 3,886 restricted stock units that vest within 60 days of June 27, 2015.
- (17) Includes (i) 266,644 shares subject to options exercisable within 60 days of June 27, 2015 and (ii) 3,886 restricted stock units that vest within 60 days of June 27, 2015.
- (18) Includes (i) 1,497,967 shares subject to options exercisable within 60 days of June 27, 2015 and (ii) 104,717 restricted stock units and market share units that vest within 60 days of June 27, 2015.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and officers, and persons who own more than ten percent (10%) of a registered class of Maxim Integrated's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of Maxim Integrated. Officers, directors, and greater than ten percent (10%) stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To the best of our knowledge, based solely on a review of the copies of such reports furnished to Maxim Integrated and written representations that no other reports were required, during the fiscal year ended June 27, 2015, all Section 16(a) filing requirements applicable to its officers, directors, and greater than ten percent (10%) beneficial owners were complied with. The Company files the Section 16 reports on behalf the Company's directors and executive officers.

# Certain Relationships and Related Transactions

## Related Transactions

During the fiscal year ended June 27, 2015, Robert Bergman, the son of James R. Bergman, a member of our board of directors was employed by Bedrock Automation Platforms, Inc. (“Bedrock”). Bedrock is an independent subsidiary of the Company engaged in a line of business separate and distinct from the Company’s primary business. Robert Bergman received approximately \$283,000 in aggregate cash compensation from Bedrock in fiscal year 2015. Maxim Integrated does not believe Bedrock or Robert Bergman to be a related party with respect to this transaction.

Maxim Integrated has entered into indemnification agreements with certain of its current and former directors and executive officers. The indemnification agreements provide, among other things, that Maxim Integrated will indemnify each of its directors and officers, under the circumstances and to the extent provided therein, for expenses, damages, judgments, fines, and settlements each may be required to pay in actions or proceedings to which he or she may be made a party by reason of his or her position or positions as a director, officer or other agent of Maxim Integrated, and otherwise to the fullest extent permitted under Delaware law and Maxim Integrated’s bylaws.

## Review, Approval or Ratification of Related Party Transactions

The Audit Committee Charter provides for the Audit Committee to review and approve all related party transactions for potential conflicts of interest on an ongoing basis (if such transactions are not approved by another independent body of the board of directors). Related party transactions include, for purposes of the Audit Committee review, without limitation, transactions involving Maxim Integrated and any director, executive officer, beneficial owner of more than five percent (5%) of Maxim Integrated common stock, any immediate family member of any such person, or any firm, corporation, partnership, or other entity in which any such person is employed or any such person has a five percent (5%) or greater beneficial ownership interest. In determining whether to approve or ratify a transaction with a related party, the Audit Committee will take into account all relevant facts and circumstances it deems relevant, including, without limitation, the nature of the related party’s interest in the transaction, the benefits to Maxim Integrated of the transaction, whether the transaction would impair the judgment of a director or executive officer to act in the best interests of Maxim Integrated and its stockholders, the potential impact of such transaction on a director’s independence, and whether the transaction is on terms no less favorable than terms that may be available in a transaction with an unaffiliated third party under the same or similar circumstances.

Any member of the Audit Committee who is a related party with respect to a transaction under review may not participate in the deliberations or vote on the approval of the transaction. Maxim Integrated will disclose the terms of related person transactions in its filings with the SEC to the extent required.

The terms of the sale of products and the employment of the individuals described above under the heading “Related Transactions” were not specifically approved by the Audit Committee because such terms (including compensation terms) were, and continue to be, consistent and commensurate with those of other similarly situated customers and employees of Maxim Integrated.

# Executive Compensation

## Executive Officers

The following is information regarding our executive officers, including their positions and their ages as of October 3, 2015.

Name	Age	Position
Tunç Doluca	57	President and Chief Executive Officer
David A. Caron	55	Vice President, Chief Accounting Officer
Vivek Jain	55	Senior Vice President, Technology and Manufacturing Group
Bruce E. Kiddoo	54	Senior Vice President, Chief Financial Officer
Edwin B. Medlin	58	Senior Vice President, General Counsel
Matthew J. Murphy	42	Executive Vice President, Business Units, Sales, and Marketing
Christopher J. Neil	49	Senior Vice President, New Ventures
Steve Yamasaki	61	Vice President, Human Resources

*Mr. Doluca*—Please see Mr. Doluca’s biography under Proposal No. 1 contained in this proxy statement.

*Mr. Caron*—joined Maxim Integrated in December 1998 as Director of Accounting. Mr. Caron has served as Maxim Integrated’s Corporate Controller since July 2003 and, prior to that, served as Maxim Integrated’s Director of Accounting from December 1998 to July 2003. Mr. Caron was appointed Vice President and Principal Accounting Officer in August 2010. Mr. Caron who worked at Ernst & Young LLP, from 1988 to 1995, is a Certified Public Accountant in the state of California.

*Mr. Jain*—joined Maxim Integrated in April 2007 as Vice President of Wafer Fab Operations. In June 2009, Mr. Jain was promoted to Senior Vice President, Manufacturing Operations, responsible for all of Maxim Integrated’s manufacturing operations, including wafer fab, test and assembly operations. Prior to joining Maxim Integrated, Mr. Jain was with Intel Corporation as Plant Manager for Technology Development and Manufacturing Facility in Santa Clara, California since 2000.

*Mr. Kiddoo*—joined Maxim Integrated in September 2007 as Vice President of Finance. On October 1, 2008, Mr. Kiddoo was appointed Chief Financial Officer and Principal Accounting Officer of Maxim Integrated and served as Principal Accounting Officer until August 2010. In September 2009, Mr. Kiddoo was also named a Senior Vice President. Prior to joining Maxim Integrated, Mr. Kiddoo held various positions at Broadcom Corporation, a global semiconductor company, beginning in December 1999. Mr. Kiddoo served as Broadcom’s Corporate Controller and Principal Accounting Officer from July 2002 and served as Vice President from January 2003. He also served as Broadcom’s Acting Chief Financial Officer between September 2006 and March 2007.

*Mr. Medlin*—joined Maxim Integrated in November 1999 as Director and Associate General Counsel. He was promoted to Vice President and Senior Counsel in April 2006, was appointed General Counsel in September 2010, and was promoted to Senior Vice President and General Counsel in May 2015. Prior to joining Maxim Integrated, he was with the law firm of Ropers, Majeski, Kohn and Bentley between 1987 and 1994 where he held various positions, including director. Between 1994 and 1997, he held the positions of General Counsel, and later, General Manager, at Fox Factory, Inc., a privately held manufacturing company. Between 1997 and 1999 he held the positions of General Counsel and later, Vice President of Global Sales and Marketing, at RockShox, Inc., a publicly traded corporation.

*Mr. Murphy*—joined Maxim Integrated in July 1994 and was promoted to Vice President in November 2006 and to Senior Vice President in September 2011. In October 2011, he assumed responsibility for the Communications and Automotive Groups. In May 2015, Mr. Murphy was promoted to Executive Vice President, Business Units and Sales. Prior to November 2006, he served in a number of business unit and executive management positions.

*Mr. Neil*—joined Maxim Integrated in September 1990, was promoted to Vice President in April 2006, was named Division Vice President in September 2009 and was promoted to Senior Vice President in September 2011. In May 2015, Mr. Neil was appointed to lead the Company’s New Ventures Organization. Prior to 2006, he held several engineering and executive management positions.

*Mr. Yamasaki*—joined Maxim Integrated in April 2010 as Vice President of Human Resources. Prior to joining Maxim Integrated, he was Corporate Vice President of Human Resources of Applied Materials from 2008 to 2010, and was Executive Vice President of Human Resources of YRC Worldwide from 2004 to 2008. Before joining YRC Worldwide, Mr. Yamasaki was Vice President of Human Resources at ConAgra Foods Inc. and Honeywell International.

# Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides a review of our executive compensation philosophy, policies and practices with respect to the following executive officers of Maxim Integrated: the Chief Executive Officer (the “CEO”), the Chief Financial Officer, and the other three (3) most highly compensated executive officers during fiscal year 2015 (the “Named Executive Officers”).

## Executive Compensation Philosophy and Components

The objectives of our executive compensation program are as follows:

- to attract, retain, motivate, and reward the best and brightest executives who have the talent and experience required to achieve our goals;
- to align the short-term and long-term interests and objectives of our executive officers with stockholders;
- to create a high-performance culture by linking total rewards to company performance, including performance relative to our peers;
- to recognize executives for their contributions to our success by rewarding individual performance; and
- to ensure that our executive compensation programs are easily understood by program participants.

We accomplish these objectives by providing our executives with compensation components that are specifically linked to either short-term or long-term corporate and executive performance. The majority of executive compensation is short-term or long-term variable compensation. The principal components of our executive compensation are:

- base salary;

- cash performance bonuses; and
- restricted stock units and market share units.

Each of these components is intended to achieve one or more of our compensation objectives. The Compensation Committee relies on its judgment in determining the appropriate mix of cash and equity compensation for our Executive Officers. In general, in order to encourage a high-performance culture and to align the interests of our executive officers with those of our stockholders, the Compensation Committee makes a significant portion of each executive officer’s compensation performance-based with cash performance bonuses and equity awards, while generally keeping base salaries below competitive levels. Our variable cash and equity programs are designed to reward recent performance with cash compensation and to motivate long-term performance and retention through equity awards. Both programs are also designed to reward our executives both for individual and overall corporate performance. Such a structure allows the Compensation Committee flexibility to reward outstanding individual performance and to recognize the contributions of our executive officers to the overall success of Maxim Integrated.

## We Follow Best Practices

### *Tax Considerations*

Section 162(m) of the Code states that public companies cannot deduct compensation paid to certain of its top executive officers in excess of \$1 million per officer per year. We believe it is in our best interest, to the extent practical, to have executive officer compensation be fully deductible under Section 162(m). However, the Compensation Committee also retains the discretion to provide compensation that may not be fully deductible. There is no guarantee that all compensation paid by the Company will be compliant with Section 162(m) of the Code. The Compensation Committee may decide, in its discretion, to pay incentive-based compensation or grant equity awards that do not qualify for the “performance-based compensation” exception, or that may not be deductible for purposes of Section 162(m) of the Code, if it determines that this is in the best interests of the Company and its shareholders. In a few instances, a portion of our annual bonus payments to certain of our executive officers does not currently qualify as deductible under Section 162(m), and restricted stock units do not qualify as deductible under Sec-

tion 162(m). The Compensation Committee will continue to evaluate whether it is in Maxim Integrated’s best interest to qualify future incentive awards under Section 162(m). Our 1996 Equity Plan has been structured with the intention that stock options and MSUs granted under the plan be qualified as performance-based compensation not subject to Section 162(m).

### *Stock Ownership Guidelines*

We have stock ownership guidelines for our CEO and members of our board of directors. These guidelines require our CEO to own shares of common stock with a value of at least four (4) times his annual base salary and our outside board members to own shares of common stock with a value of at least three (3) times the annual retainer paid to outside directors. Our stock ownership guidelines are available on the Investor Relations section of our website at [http://www.maximintegrated.com/company/investor/leadership/governance/pdfs/stock\\_ownership\\_guidelines](http://www.maximintegrated.com/company/investor/leadership/governance/pdfs/stock_ownership_guidelines).

**Compensation Discussion and Analysis** (continued)***Executive Compensation Recoupment Policy***

The Company has a policy that provides that in the event of a material restatement of its financial results due to misconduct, the Compensation Committee shall review the facts and circumstances and take actions it considers appropriate with respect to the compensation of any executive officer whose fraud or willful misconduct contributed to the need for such restatement. Such actions may include, without limitation, seeking reimbursement of any bonus paid to such executive officer exceeding the amount that, in the judgment of the Compensation Committee, would have been paid had the financial results been properly reported.

***Hedging Prohibition and Restrictions on Pledging Company Securities***

The Company has a policy that prohibits all of its executive officers and members of the board of directors from engaging in hedging transactions involving the Company's securities as well as limiting the amount of Company securities that the board of directors and executive officers may pledge. This policy is described in the Corporate Governance and Board of Directors Matters section of this Proxy Statement above. No shares of the Company have been pledged by any of the Company's executive officers or members of the board of directors.

**Governance of Executive Officer Compensation Program*****Role and Members of the Compensation Committee***

The members of our Compensation Committee are appointed by our board of directors. The Compensation Committee is responsible for determining executive officer compensation. As of the record date, the Compensation Committee was comprised of three (3) members of the board of directors, Messrs. James R. Bergman, Robert E. Grady and A. R. Frank Wazzan, each of whom is an independent, non-employee director. Since March 1, 2007, Dr. Wazzan has served, and continues to serve, as Chairman of the Compensation Committee.

The primary purpose of the Compensation Committee is to:

- review and approve corporate goals and objectives relevant to the compensation of Maxim Integrated's Chief Executive Officer and certain other Executive Officers, evaluate CEO performance, and determine CEO compensation based on this evaluation;
- approve and oversee, in consultation with our CEO, the total compensation package for certain Executive Officers, including their base salaries, bonuses, equity-based compensation, severance benefits and change-in-control benefits (if any);
- approve compensation decisions applicable to our Executive Officers;
- review periodically and make recommendations to the board of directors regarding any equity or long-term compensation plans, and administer these plans; and
- make recommendations to the board of directors with respect to compensation for members of the board of directors and its committees.

The Compensation Committee operates according to a charter that details its specific duties and responsibilities. The Compensation Committee periodically reviews the charter and recommends proposed changes to the board of directors for approval. The Compensation Committee Charter is available on our website in the Corporate Governance section at <http://www.maximintegrated.com/company/investor/leadership/governance>. The charter sets forth the membership requirements, authority and duties of the Compensation Committee, which shall consist of no fewer than two (2) members, all of

whom (1) meet the independence requirements of the NASDAQ rules, (2) are "non-employee directors" under the definition of Rule 16b-3 promulgated under Section 16 of the Exchange Act, and (3) are "outside directors" for purposes of the regulations promulgated under Section 162(m) of the Code. During fiscal year 2015, and currently, all members of the Compensation Committee met these criteria.

***Process for Evaluating Executive Officer Performance and Compensation***

The Compensation Committee generally holds at least three (3) scheduled meetings during the year and holds additional meetings periodically to review and discuss executive compensation issues. The Compensation Committee Chairman will also provide an update to the board of directors during a regularly scheduled meeting regarding Compensation Committee matters when appropriate. In addition, members of the Compensation Committee communicate on an informal basis concerning Compensation Committee matters throughout the fiscal year. The Compensation Committee may also consider and take certain actions by unanimous written consent. In fiscal year 2015, the Compensation Committee, including its two-person Equity Grant Sub-Committee, held eighteen (18) meetings and did not take any actions by unanimous written consent.

Our Vice President of Human Resources and our Corporate Secretary support the Compensation Committee in its work. The Compensation Committee also has the authority to engage the services of outside advisors, experts and others for assistance.

***Outside Compensation Consultant***

In fiscal year 2015, the Compensation Committee engaged an independent, third party compensation consulting firm, Compensia, to advise the Compensation Committee and the board of directors on executive cash and equity compensation matters, including Maxim Integrated's new officer compensation plan for fiscal year 2015 as well as board and board committee compensation. Compensia reports directly to the Compensation Committee, and the Compensation

**Compensation Discussion and Analysis** (continued)

Committee has sole authority to hire, terminate and direct the work of Compensia. The Compensation Committee has assessed the independence of Compensia pursuant to the NASDAQ Rules and concluded that Compensia's work for the Compensation Committee does not raise any conflicts of interest. For further discussion of the role of the Compensation Committee in the executive compensation decision-making process, and for a description of the nature and scope of Compensia's assignment, see "**Executive Compensation Benchmark**" below.

***Role of Management in Executive Compensation Process***

The Compensation Committee seeks input from our Chief Executive Officer and the Vice President of Human Resources to obtain recommendations with respect to our compensation programs, practices and packages for executives. Our CEO's role in the compensation-setting process consists of (1) evaluating executive and employee performance; (2) assisting in the establishment of business performance targets and objectives; and (3) recommending salary levels and equity awards. While the Compensation Committee may discuss our CEO's compensation package with him, it meets in executive session in his absence to determine his compensation.

**Executive Compensation Benchmark**

In August 2014, based on the recommendations of Compensia, and in consultation with Maxim Integrated's CEO and Vice President of Human Resources, the Compensation Committee approved a compensation peer group to be used for benchmarking and for setting executive compensation for fiscal year 2015. In determining the appropriate compensation peer group, the Compensation Committee considered

companies within the semiconductor industry that have revenue, number of employees and operations similar to our corresponding components. Many of the companies in this peer group compete with us for executive talent. Periodically, the Compensation Committee will review and update the compensation peer group as appropriate.

The compensation peer group members for fiscal year 2015 are as follows:

Altera Corporation	Linear Technology
Analog Devices	LSI Corporation (now an Avago Technologies company)
Atmel	Marvell Technology Group
Fairchild Semiconductor	Microchip Technology
Freescale Semiconductor	NVIDIA
International Rectifier	ON Semiconductor
Intersil	Semtech
KLA-Tencor	Silicon Labs
Lam Research	Texas Instruments
	Xilinx

The Compensation Committee included Texas Instruments (a much larger company), Semtech and Silicon Labs in the peer group for reference purposes only as each compete with us for executive talent.

The Compensation Committee does not target pay at a specific target percentile. Rather, the Compensation Committee believes that fixed compensation (primarily base salary) should be relatively modest and that variable compensation (primarily annual bonus and long-term incentive opportunities) should provide meaningful upside opportunities tied to performance. In addition, the Compensation Committee believes compensation opportunities should reflect Company performance, individual roles and performance and retention factors. Consistent with the foregoing, when setting each compensation component and total compensation opportunities, the Compensation Committee considers the following factors in addition to competitive market data:

- The Company's overall performance relative to peers and established objectives;

- Each individual's skills, job scope, experience, and qualifications relative to other similarly-situated executives at peer companies;
- The Company's internal value for a position relative to other positions or market practices;
- A subjective assessment of each individual's contributions to the Company's overall performance, ability to lead his or her business unit or function, work as part of a team, and reflect the Company's core values; and
- The Company's ability to retain "critical talent."

These factors provide the framework for our Compensation Committee's decision-making. No single factor above is determinative in setting pay levels, nor is the impact of any one factor on the determination of pay levels quantifiable.

## Evaluation of Named Executive Officer Compensation

### 2015 Compensation Plan for Executive Officers— Important Changes from Fiscal 2014

At the 2014 annual meeting, approximately 83% of the votes with respect to the advisory vote on executive compensation proposal were in favor of our executive compensation program described in last year's proxy statement. In September 2014, the Compensation Committee adopted a compensation plan for Executive Officers, including the Named Executive Officers, for fiscal year 2015, which was similar to the compensation plan in the prior year except the Compensation Committee decided to:

- Add product development execution metrics (in addition to relative stock price performance), for purposes of determining the amount of the annual cash bonus pool to be distributed, which is a percentage of operating income (less the effect of special items),
- Add Cirrus Logic as an eighth (8<sup>th</sup>) key competitor for the purpose of measuring the Company's relative stock price performance for annual cash bonus calculations, and
- Grant market share units in lieu of stock options (in the prior year, market share units were only granted to the Company's Chief Executive Officer).

### Fiscal 2015 Base Salary Actions

The Compensation Committee, after a review of individual and overall company performance, as well as market practices for executive compensation, approved base salary increase for one of our Named Executive Officers as set forth in the table below:

Named Executive Officer	Title	Annualized 2015 Base Salary (\$)	% Increase from 2014
Tunç Doluca	President and Chief Executive Officer	590,000	—
Bruce E. Kiddoo	Senior Vice President and Chief Financial Officer	400,000	—
Matthew J. Murphy	Executive Vice President, Business Units, Sales, and Marketing	470,000 <sup>(1)</sup>	18
Vivek Jain	Senior Vice President, Technology and Manufacturing Group	400,000	—
Christopher J. Neil	Senior Vice President, New Ventures	410,000	—

(1) Mr. Murphy's annual base salary was increased by \$10,000 to \$410,000 in September 2014, and then increased to \$470,000 in May 2015 in connection with his promotion to Executive Vice President, Business Units and Sales.

### Fiscal Year 2015 Annual Cash Performance Bonuses under 2015 Compensation Plan

In September 2014, the Compensation Committee approved a cash incentive compensation plan for executive officers applicable to fiscal year 2015 performance. The following is a description of the fiscal year 2015 annual bonus pool:

#### Bonus Pool Size

The aggregate cash bonus pool available for distribution to all executive officers of the Company, including the Named Executive Officers, ranges from 0.63% to 1.17% of the Company's operating income (as

### Base Salary

Base salaries are used to attract, motivate, and retain highly qualified executives. Base salary is the primary fixed component of compensation in the executive compensation program and, in addition to the broader principles summarized above, is determined by:

- level of responsibility and company impact;
- pay levels of similar positions in our peer group;
- expertise and experience of the executive; and
- competitive conditions in the industry.

Annual base salary increases, if any, are, in addition to the broader principles summarized above, a reflection of:

- the individual's performance for the preceding year;
- the Company's performance;
- the individual's pay level relative to similar positions in our peer group;
- anticipated future contributions of the executive; and
- competitive conditions in the industry.

For Named Executive Officers, base salaries are relatively modest compared to the base salaries paid to similarly situated executives in the compensation peer group companies.

determined under accounting principles generally accepted in the United States ("GAAP")), excluding the effect of special items, based upon the following metrics:

- *Adjusted +/-10% Linearly*: The metrics that determine the percentage of the Company's operating income available for distribution to the executive officers is year-over-year stock price performance of the Company relative to a peer group consisting of eight (8) competitors (listed below) by comparing average closing prices of common stock of Maxim Integrated and the competitors for the period from April 1, 2015 through June 30, 2015 to the average closing prices of the common stock of such companies for the same period in 2014.

## Compensation Discussion and Analysis (continued)

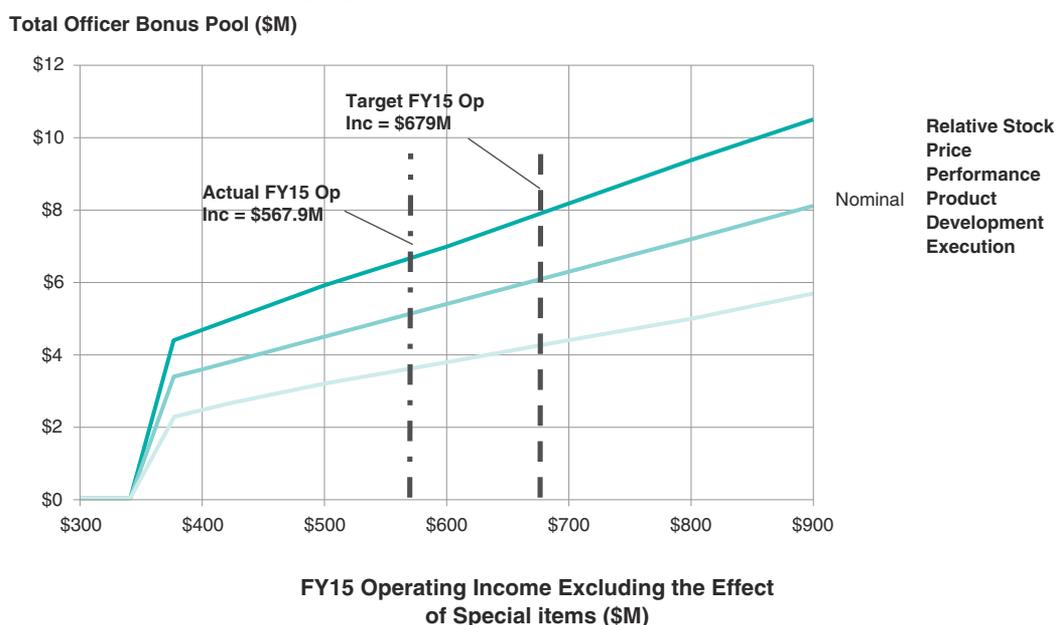
- *Peer Group:* Analog Devices, Cirrus Logic, Intersil, Linear Technology, NXP Semiconductors, Semtech, Silicon Laboratories, and Texas Instruments (collectively, the “Peer Group”).
- *Adjusted +/-20% Linearly:* Product development execution performance, including design engineering man-months introduced and stopped as well as product development cycle time.
- *Target Operating Income:* The target operating income at the beginning of fiscal year 2015 was approximately \$679 million.
- *Target Total Bonus Pool:* The aggregate target cash bonus available for distribution to all Executive Officers was \$6.11 million.
- *No Annual Cash Bonus:* In the event actual fiscal year 2015 operating income (excluding the impact of special items) is less than fifty percent (50%) of target operating income of \$679 million, no annual cash bonus will be payable to Executive Officers.

### Compensation Plan Targets

The target bonus pool size, operating income, and aggregate bonus pool under the compensation plan are as follows:

- *Target Bonus Pool Size:* The target aggregate cash bonus pool is an amount equal to 0.9% of the Company’s operating income as determined under GAAP, excluding the effect of special items.

The chart below depicts the calculation of the aggregate bonus pool to be distributed to all Executive Officers:



### Selection of Operating Income and Modulators of Bonus Pool

We selected operating income as the primary program metric (as a basis to determine the overall size of the cash bonus pool) because we deem it to be an objective and clear measure of our operating performance. It demonstrates efficiency of company performance and aligns financial reporting with compensation calculations and cannot be easily manipulated. We selected relative stock price growth as a program metric because we believe that our stock price is an overall indicator of our success and financial health. We selected this competitor group to measure relative stock price performance because we consider this group to be comprised of our closest competitors, not only for the sale of analog and mixed-signal semiconductor products but also competition for key talent. We selected product development execution metrics to measure top-line growth and productivity.

### Impact Points, Allocation of Bonus Pool to Executive Officers

Each Executive Officer’s share of the bonus pool is dependent upon his or her impact points, which are determined at the beginning of the fiscal year and subject to adjustment following the completion of the fiscal year. The number of impact points is based in part on the Executive Officer’s level of responsibility and relative value of the Executive Officer’s impact on Maxim Integrated’s performance as compared to the other executives for the fiscal year. Impact points are expressed as a percentage of the pool. Each participant’s share of the bonus pool equaled the product of (a) the percentage determined by taking his or her total impact points, as approved by the Compensation Committee at the end of the fiscal year, and dividing them by the total number of impact points allocated to all Executive Officers, (b) their individual performance, which is measured as a percentage of the Executive Officer’s performance goals met over the period, and (c) the bonus pool calculated as described above.

## Compensation Discussion and Analysis (continued)

### Formula to Calculate Individual Bonuses:

$$\text{Individual Impact Points \%} \times \text{Individual Performance \%} \times \text{Performance Bonus Pool} = \text{Performance Bonus}$$

### Actual Results for Fiscal Year 2015 under Cash Bonus Pool and Bonus Payouts to Executive Officers

In September 2015, the Compensation Committee approved cash bonuses for the Executive Officers of the Company for their performance during fiscal year 2015 under the cash bonus pool. The following are actual results for fiscal year 2015:

- +/-10% Linearly:** Maxim Integrated finished sixth (6th) relative to the Peer Group (in this case, including Maxim Integrated) based on a comparison of average closing prices of common stock of Maxim Integrated and the Peer Group for the period from April 1, 2015 through June 30, 2015 to the average closing prices of the common stock of such companies for the same period in 2014, resulting in a -2.5% reduction from target. We do not believe that our publicly announced and long-standing stock repurchase program or quarterly dividends materially impacted the relative performance of our share price during the applicable measurement period.

- +/-20% Linearly:** Product development execution performance resulted in a reduction of approximately -15.3% from target.
- Fiscal Year 2015 Operating Income:** The Company's fiscal year 2015 operating income as determined under GAAP, excluding the effect of special items, was \$567.9 million compared to \$585.3 million in fiscal year 2014, a 3% decrease. Fiscal year 2015 special items not included in GAAP operating income was \$330.6 million.
- Fiscal Year 2015 Total Bonus Pool:** The total cash bonus available for distribution to all Executive Officers was \$4.2 million, of which approximately \$3.46 million was distributed to all Executive Officers. The full cash bonus pool was not distributed. The total bonus pool for Executive Officers was calculated as follows:

$$0.9\% \times \$567.9 \text{ million} = \$5.11 \text{ million reduced by } 18\% \text{ to } \$4.2 \text{ million}$$

### Fiscal Year 2015 Performance Bonuses Paid to the Named Executive Officers

The table below describes each Named Executive Officer's performance bonus as approved by the Compensation Committee for fiscal year 2015 performance, under the cash bonus pool for Executive Officers:

Named Executive Officer	Impact Points (As a %)	FY15 Target Performance Bonus Amount Under Bonus Pool (\$)	Amount of FY15 Performance Bonus Paid Under Bonus Pool (\$)	Additional Bonus for Individual Performance Exceeding Target (\$)
Tunç Doluca	20	1,222,200	840,000	160,000
Bruce E. Kiddoo	10	611,100	420,000	115,724
Matthew J. Murphy	10	940,000*	420,000	216,414
Vivek Jain	10	611,100	420,000	83,000
Christopher J. Neil	10	611,000	409,621	—

\* Mr. Murphy was promoted in May 2015. Mr. Murphy's target bonus amount was increased in connection with his promotion.

### Equity Compensation under 2015 Compensation Program

We believe equity compensation is an effective way to align the interests of our Executive Officers with those of our stockholders in order to achieve long-term stock price growth. In designing our equity compensation program, we take into account stockholder concerns about stock usage and dilution. Equity awards are granted by the Compensation Committee or its Equity Grant Sub-Committee at duly noticed meetings. In fiscal 2015, we utilized a mix of restricted stock units and market share units to compensate our Executive Officers. We believe that market stock units align our Executive Officers' interests with those of our stockholders, as the Executive Officers benefit from future stock price appreciation relative to an index, while

restricted stock units promote strong current retention incentives for Maxim Integrated's Executive Officers.

We did not grant any stock options in fiscal 2015.

### Equity Awards for Fiscal Year 2015

#### Market Share Units

An aggregate award of 254,004 market share units at target was made on September 2, 2014 to all Executive Officers, including the Named Executive Officers. These MSUs vest on August 15, 2018, in each case subject to continued employment on the applicable vesting date. The number of MSUs that will ultimately vest and be issued is based upon the Company's stock price relative to the performance of the SPDR S&P Semiconductor Index (XSD) measured over a four-year period.

**Compensation Discussion and Analysis** (continued)

MSUs were granted in lieu of stock options.

**Restricted Stock Units**

All Executive Officers, including the Named Executive Officers, were granted an aggregate of 305,508 restricted stock units on September 2, 2014. These restricted stock units vest over eight (8) quarters in 2016 and 2018.

In addition, all Executive Officers, including the Named Executive Officers, were granted an aggregate of 214,500 restricted stock units on May 5, 2015. These restricted stock units generally vest over four (4) quarters in 2017 except for restricted stock units granted to Matthew J. Murphy and another executive officer in connection with their

The table below depicts the number of restricted stock units and MSUs granted to the Named Executive Officers in fiscal year 2015:

Name	# of Restricted Stock Units Granted in Sept. 2014	# of Restricted Stock Units Granted in May 2015	# of MSU at Target granted in Sept. 2014
Tunç Doluca	76,000	38,000	66,000
Bruce E. Kiddoo	30,000	15,000	25,000
Matthew J. Murphy	30,000	92,500	25,000
Vivek Jain	30,000	15,000	25,000
Christopher J. Neil	30,000	11,000	25,000

**Employee Stock Purchase Plan**

Our stockholders approved the 2008 ESP Plan at the 2008 annual meeting of stockholders and approved amendments to the 2008 ESP Plan to increase the number of shares available for issuance under the 2008 ESP Plan at each of the annual meetings of stockholders held from 2009 to 2014. Pursuant to the 2008 ESP Plan, employees and officers who meet certain eligibility qualifications are able to purchase Maxim Integrated's common stock at a discount of up to fifteen percent (15%) from the market price. Employee contributions are made through payroll deductions.

**Benefits and Perquisites**

Maxim Integrated's philosophy regarding benefits for our employees, including executives, is that they should be competitive with the market in order to attract and retain a high quality workforce, meet the needs of our employees, encourage employee well-being, and provide protection from catastrophic events. We provide medical, dental and vision insurance coverage to executives that are generally available to other full-time employees, including basic group life insurance and disability insurance. For all management employees, including our officers, we pay the premiums for executive life insurance, executive disability and umbrella liability insurance plans. We also offer a tax qualified 401(k) plan in which all U.S. based employees, including officers, are eligible to participate. All of our Named Executive Officers participated in our 401(k) plan during fiscal year 2014. In fiscal year 2015, employees were eligible to receive a

promotions. The primary purpose of the award made to the Executive Officers on May 5, 2015 was to provide restricted stock units that vest in 2017 so that Executive Officers have unvested equity awards in 2016, 2017, and 2018, similar to substantially all other equity eligible employees.

Although we believe that long-term equity incentives are an important part of our compensation program and that they align the interests of our executives with those of our stockholders, we also recognize the importance of limiting the stockholder dilution associated with our equity compensation programs. The foregoing awards were a result of balancing these two (2) competing objectives.

matching contribution from Maxim Integrated equal to one hundred percent (100%) of the before-tax contributions made by the employee up to three percent (3%) of total cash compensation. Under certain limited circumstances we have provided reimbursement of expenses for tax preparation for certain executives (and all of such reimbursements to date have been de minimis).

The Compensation Committee reviews the perquisites provided to executive officers as part of its overall review of executive compensation. The Compensation Committee has determined the type and amount paid in perquisites to be within the appropriate range of competitive compensation practices. Details regarding the named executive officer's perquisites, including fiscal year 2014 cost to Maxim Integrated, are shown in the Summary Compensation Table under the "All Other Compensation" column and the accompanying narrative.

**Employment Agreements**

Several years ago, we entered into an at-will employment agreement with Mr. Doluca. The agreement does not grant any right to be retained by us, and we may terminate the employment of Mr. Doluca either with or without cause at any time. In the event of any termination of employment by Maxim Integrated, all compensation and benefits, except benefits provided by law (e.g., COBRA health insurance continuation benefits) immediately cease to accrue. However, in the event of termination of employment by Maxim Integrated

**Compensation Discussion and Analysis** (continued)

without cause, severance payments are to be made in accordance with our normal policy then in effect, if any, or as otherwise mutually agreed between Maxim Integrated and Mr. Doluca.

This agreement provides that if Mr. Doluca terminates his full-time employment with us and his written notice of termination provides that he is willing to provide certain consulting services to us, we will make health insurance coverage available to him and his family during the period of provision of such services (or willingness to provide services) by Mr. Doluca. The terms of his service, unless otherwise agreed, will provide for part-time services (up to one (1) day per month) and annual compensation equal to at least five percent (5%) of his base salary at the time of termination, provided that services are rendered. Health insurance coverage will be similar to that under the group health plan we maintain for our employees.

During the ten-year period following the notice of termination, Mr. Doluca will pay the same amount for health coverage as a similarly situated full-time employee is required to pay for coverage under our group health plan. After such ten-year period, he will pay us what the cost of the coverage would be if it were being provided pursuant to COBRA health insurance continuation benefits. In the event of Mr. Doluca's death while receiving health insurance coverage, his spouse is eligible for health insurance coverage until death so long as the surviving spouse pays for the coverage. In the event Mr. Doluca becomes disabled while receiving health insurance coverage, he is deemed to have met his service obligations to us during the disability

period. Upon reaching age sixty-five (65), Medicare becomes the primary payer of medical expenses incurred by Mr. Doluca. All of such continued health insurance coverage terminates upon the occurrence of certain disqualifying events, including, but not limited to, if he competes with Maxim Integrated or becomes eligible for health insurance coverage elsewhere.

### *Post-Employment Obligations*

The at-will employment agreement with Mr. Doluca provides that in the event of termination of employment by Maxim Integrated without cause, severance payments are to be made in accordance with our normal policy then in effect, if any, or as otherwise mutually agreed between Maxim Integrated and Mr. Doluca. Maxim Integrated does not currently have any normal policy with respect to severance payments to former executives.

### *Reasonableness of Compensation*

The Compensation Committee believes it is fulfilling our compensation objectives and in particular, rewarding Executive Officers in a manner that supports our strong pay-for-performance philosophy. Executive compensation is tied to our performance and is structured to ensure that there is an appropriate balance between our long-term and short-term performance, and also a balance between our operational performance and stockholder return. The Compensation Committee believes the average target pay position relative to market and pay mix are reasonable and appropriate.

# Compensation Committee Report

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402 (b) of Regulation S-K with management and, based on such review and discussions, our Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the fiscal year ended June 27, 2015.

## **Compensation Committee**

A.R. Frank Wazzan, Chairman  
James R. Bergman  
Robert E. Grady

## Summary Compensation Table

The compensation for Maxim Integrated's Chief Executive Officer, Chief Financial Officer, and the three (3) other most highly compensated executive officers (together, "Named Executive Officers") for all services rendered in all capacities to Maxim Integrated and its subsidiaries during the fiscal year ended June 27, 2015 is set forth below.

### Fiscal Year 2015 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards			Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	All Other Compensation (\$)	Total (\$)
				Restricted Stock Unit Awards (\$) <sup>(1)</sup>	Market Share Unit Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>			
<b>Tunç Doluca</b> President and Chief Executive Officer	2015	590,000	160,000	3,253,011	1,032,240	—	840,000	15,845 <sup>(5)</sup>	5,891,096
	2014	590,000	—	—	1,100,400	1,149,568	900,000	16,105 <sup>(6)</sup>	3,756,073
	2013	560,000	5,814	—	1,869,000	1,046,466	1,130,967	16,518 <sup>(7)</sup>	4,628,765
<b>Bruce E. Kiddoo</b> Senior Vice President and Chief Financial Officer	2015	400,000	115,724	1,284,083	391,000	—	420,000	6,262 <sup>(8)</sup>	2,617,069
	2014	400,000	—	411,494	—	540,973	559,337	8,106 <sup>(9)</sup>	1,919,910
	2013	385,000	73,159	444,314	—	513,563	565,483	8,216 <sup>(10)</sup>	1,989,735
<b>Matthew J. Murphy</b> Executive Vice President, Business Units, Sales, and Marketing	2015	470,000	216,414	3,639,581	391,000	—	420,000	15,617 <sup>(11)</sup>	5,152,612
	2014	400,000	101,308	411,494	—	540,973	502,187	16,963 <sup>(12)</sup>	1,972,925
	2013	375,000	18,328	444,314	—	513,563	565,483	19,676 <sup>(13)</sup>	1,936,364
<b>Vivek Jain</b> Senior Vice President, Technology and Manufacturing Group	2015	400,000	83,000	1,284,083	391,000	—	420,000	19,004 <sup>(14)</sup>	2,597,087
	2014	400,000	—	411,494	—	540,973	485,740	19,693 <sup>(15)</sup>	1,857,900
	2013	375,000	41,226	444,314	—	544,878	565,483	24,285 <sup>(16)</sup>	1,995,186
<b>Christopher J. Neil</b> Senior Vice President, New Ventures	2015	410,000	—	1,164,444	391,000	—	409,621	11,711 <sup>(17)</sup>	2,386,776
	2014	410,000	—	411,494	—	540,973	485,740	11,112 <sup>(18)</sup>	1,859,319
	2013	400,000	—	444,314	—	491,918	530,913	12,183 <sup>(19)</sup>	1,879,328

(1) The aggregate grant date fair value of restricted stock units awarded in fiscal years 2015, 2014 and 2013, respectively, computed in accordance with FASB ASC Topic 718. In each case, the aggregate grant date fair value disregards an estimate of forfeitures. The assumptions used in the valuation of these awards are set forth in Note 6, "Stock-Based Compensation," of the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the fiscal year ended June 27, 2015.

(2) Represents the aggregate grant date fair value of MSUs awarded in fiscal years 2015, 2014, and 2013 computed in accordance with FASB ASC Topic 718. The aggregate grant date fair value disregards an estimate of forfeitures.

(3) Represents the aggregate grant date fair value of grants awarded in fiscal years 2015, 2014 and 2013, respectively, computed in accordance with FASB ASC Topic 718. In each case, the aggregate grant date fair value disregards an estimate of forfeitures. For the assumptions used in the valuation of these awards and other relevant information, see Note 6, "Stock-Based Compensation," to the Consolidated Financial Statements of our Annual Report on Form 10-K for the fiscal year ended June 27, 2015.

(4) Reflects payments earned under the non-equity incentive plan that were paid in the subsequent fiscal year. These payments are performance bonuses under Maxim Integrated's bonus plan for officers.

(5) Reflects Mr. Doluca's Company paid (i) executive disability premium of \$5,445 and (ii) matching 401(k) contributions of \$10,400.

(6) Reflects Mr. Doluca's Company paid (i) executive disability premium of \$3,865, (ii) umbrella liability insurance premium of \$1,840 and (iii) matching 401(k) contributions of \$10,400.

(7) Reflects Mr. Doluca's Company paid (i) executive disability premium of \$3,865, (ii) umbrella liability insurance premium of \$2,453 and (iii) matching 401(k) contributions of \$10,200.

(8) Reflects Mr. Kiddoo's Company paid (i) executive disability premium of \$3,800 and (ii) matching 401(k) contributions of \$2,462.

(9) Reflects Mr. Kiddoo's Company paid (i) executive disability premium of \$5,034, (ii) umbrella liability insurance premium of \$610 and (iii) matching 401(k) contributions of \$2,462.

(10) Reflects Mr. Kiddoo's Company paid (i) executive disability premium of \$5,034, (ii) umbrella liability insurance premium of \$813, (iii) matching 401(k) contributions of \$2,369.

(11) Reflects Mr. Murphy's Company paid (i) executive life insurance premium of \$2,674, (ii) executive disability premium of \$2,543, and (iii) matching 401(k) contributions of \$10,400.

(12) Reflects Mr. Murphy's Company paid (i) executive life insurance premium of \$1,972, (ii) executive disability premium of \$3,744, (iii) umbrella liability insurance premium of \$610 and (iv) matching 401(k) contributions of \$10,637.

(13) Reflects Mr. Murphy's Company paid (i) executive life insurance premium of \$4,681, (ii) executive disability premium of \$3,744, (iii) umbrella liability insurance premium of \$813 and (iv) matching 401(k) contributions of \$10,438.

(14) Reflects Mr. Jain's Company paid (i) executive life insurance premium of \$4,625, (ii) executive disability premium of \$3,979, and (iii) matching 401(k) contributions of \$10,400.

(15) Reflects Mr. Jain's Company paid (i) executive life insurance premium of \$3,439, (ii) executive disability premium of \$4,944, (iii) umbrella liability insurance premium of \$610 and (iv) matching 401(k) contributions of \$10,700.

(16) Reflects Mr. Jain's Company paid (i) executive life insurance premium of \$8,064, (ii) executive disability premium of \$4,944, (iii) umbrella liability insurance premium of \$813 and (iv) matching 401(k) contributions of \$10,464.

(17) Reflects Mr. Neil's Company paid (i) executive life insurance premium of \$3,644, (ii) executive disability premium of \$3,147, and (iii) matching 401(k) contributions of \$4,920.

(18) Reflects Mr. Neil's Company paid (i) executive life insurance premium of \$2,736, (ii) executive disability premium of \$2,846, (iii) umbrella liability insurance premium of \$610 and (iv) matching 401(k) contributions of \$4,920.

(19) Reflects Mr. Neil's Company paid (i) executive life insurance premium of \$3,478, (ii) executive disability premium of \$2,846, (iii) umbrella liability insurance premium of \$813 and (iv) matching 401(k) contributions of \$5,046.

### Grants of Plan-Based Awards

The following table shows certain information regarding grants of plan-based awards to the Named Executive Officers for the fiscal year ended June 27, 2015, which includes estimated possible performance bonuses under our cash bonus plan and equity grants.

#### Grants of Plan-Based Awards in Fiscal Year 2015

Name	Grant Date	Estimated Possible Payouts under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Restricted Stock & Market Share Units (#)	Exercise or base price of option awards (\$/Sh)	Grant date fair value of stock and option awards (\$) <sup>(1)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)			
Tunç Doluca	9/2/2014	715,541	1,022,202	1,328,862	142,000	30.76	3,148,674
	5/5/2015				38,000	32.28	1,136,576
Bruce E. Kiddoo	9/2/2014	357,771	511,101	664,431	55,000	30.76	1,226,435
	5/5/2015				15,000	32.28	448,649
Matthew J. Murphy	9/2/2014	357,771	511,101	664,431	55,000	30.76	1,226,435
	5/5/2015				92,500	32.28	2,804,147
Vivek Jain	9/2/2014	357,771	511,101	664,431	55,000	30.76	1,226,435
	5/5/2015				15,000	32.28	448,649
Christopher J. Neil	9/2/2014	357,771	511,101	664,431	55,000	30.76	1,226,435
	5/5/2015				11,000	32.28	329,009

(1) This column reflects the aggregate grant date fair value of all awards on the grant date computed in accordance with FASB ASC 718 and disregards an estimate of forfeitures related to service-based vesting conditions. The assumptions used in the valuation of these awards are set forth in Note 6, "Stock-Based Compensation," of the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the fiscal year ended June 27, 2015.

## Outstanding Equity Awards at June 27, 2015

The following table provides certain information regarding outstanding equity awards as of June 27, 2015 held by the Named Executive Officers.

### Outstanding Equity Awards at June 27, 2015

Name	Option Awards				Restricted Stock Unit Awards		Market Share Unit Awards	
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$) <sup>(1)</sup>	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$) <sup>(2)</sup>
Tunç Doluca	229,860	—	18.11	12/1/2016	114,000 <sup>(3)</sup>	3,961,500	126,000 <sup>(4)</sup>	4,378,500
	176,184	—	16.58	9/7/2017	—	—	—	—
	77,234	77,234 <sup>(5)</sup>	22.28	9/6/2018	—	—	—	—
	—	167,088 <sup>(6)</sup>	27.30	9/4/2019	—	—	—	—
	—	170,000 <sup>(7)</sup>	28.16	9/3/2020	—	—	—	—
Bruce E. Kiddoo	32,394	—	18.11	12/1/2016	52,772 <sup>(8)</sup>	1,833,827	25,000 <sup>(9)</sup>	868,750
	21,436	—	16.58	9/7/2017	—	—	—	—
	33,616	33,616 <sup>(10)</sup>	22.28	9/6/2018	—	—	—	—
	1,728	80,272 <sup>(11)</sup>	27.30	9/4/2019	—	—	—	—
	—	80,000 <sup>(12)</sup>	28.16	9/3/2020	—	—	—	—
Matthew J. Murphy	71,808	33,616 <sup>(13)</sup>	22.28	9/6/2018	126,105 <sup>(14)</sup>	4,382,149	25,000 <sup>(15)</sup>	868,750
	1,728	80,272 <sup>(16)</sup>	27.30	9/4/2019	—	—	—	—
	—	80,000 <sup>(17)</sup>	28.16	9/3/2020	—	—	—	—
Vivek Jain	31,116	31,116 <sup>(18)</sup>	22.28	9/6/2018	52,772 <sup>(19)</sup>	1,833,827	25,000 <sup>(20)</sup>	868,750
	4,228	82,772 <sup>(21)</sup>	27.30	9/4/2019	—	—	—	—
	—	80,000 <sup>(22)</sup>	28.16	9/3/2020	—	—	—	—
Christopher J. Neil	23,000	—	12.82	12/12/2015	48,772 <sup>(23)</sup>	1,694,827	25,000 <sup>(24)</sup>	868,750
	87,772	—	18.11	12/1/2016	—	—	—	—
	91,612	—	16.58	9/7/2017	—	—	—	—
	42,840	42,840 <sup>(25)</sup>	22.28	9/6/2018	—	—	—	—
	—	78,544 <sup>(26)</sup>	27.30	9/4/2019	—	—	—	—
	—	80,000 <sup>(27)</sup>	28.16	9/3/2020	—	—	—	—

(1) Market value is computed by multiplying the closing price (\$34.75 per share) of Maxim Integrated's common stock on the last trading day of the fiscal year (June 26, 2015) by the number of shares reported in the adjacent left column.

(2) Market value is computed by multiplying the closing price (\$34.75 per share) of Maxim Integrated's common stock on the last trading day of the fiscal year (June 26, 2015) by the number of shares reported in the adjacent left column.

(3) 114,000 shares each vest over 12 consecutive quarters beginning on February 15, 2016.

(4) 60,000 shares vest on August 14, 2015 and 66,000 shares vest on August 15, 2018, respectively, if specific performance metrics are met.

(5) 38,617 shares vest on August 15, 2015 and November 15, 2015, respectively.

(6) 167,088 shares vest in quarterly installments during calendar year 2016.

(7) 170,000 shares vest in quarterly installments during calendar year 2017.

(8) 3,886 shares vested on August 15, 2015 and November 15, 2015, respectively, and 45,000 shares vest over 12 consecutive quarters beginning February, 2016.

(9) 25,000 shares vest on August 15, 2018 if specific performance metrics are met.

(10) 16,808 shares vest on August 15, 2015 and November 15, 2015, respectively.

(11) 864 shares vest on August 15, 2015 and November 15, 2015, respectively, and 78,544 shares each vest over four (4) consecutive quarters beginning February 15, 2016.

(12) 80,000 shares vest in quarterly installments during calendar year 2017.

(13) 16,808 shares vest on August 15, 2015 and November 15, 2015, respectively

(14) 7,772 shares vest over two consecutive quarters beginning on August 15, 2015. 8,333 shares vest over two consecutive quarters beginning on August 15, 2015. 40,000 shares vest quarterly over four

consecutive quarters beginning on February 15, 2016. 40,000 shares vest quarterly over four consecutive quarters beginning on February 15, 2017. 30,000 shares vest quarterly over four consecutive quarters beginning on February 15, 2018.

(15) 25,000 shares vest on August 15, 2018 if specific performance metrics are met.

(16) 80,272 shares vest in quarterly installments during calendar year 2016.

(17) 80,000 shares vest in quarterly installments during calendar year 2017.

(18) 15,558 shares vest on August 15, 2015 and November 15, 2015, respectively.

(19) 3,886 shares vested on August 15, 2015 and November 15, 2015, respectively, and 45,000 shares vest over 12 consecutive quarters beginning February, 2016.

(20) 25,000 shares vest on August 15, 2018 if specific performance metrics are met.

(21) 2,114 shares vest on August 15, 2015 and November 15, 2015, respectively, and 78,544 shares vest in quarterly installments during calendar year 2016.

(22) 80,000 shares vest in quarterly installments during calendar year 2017.

(23) 3,886 shares vested on August 15, 2015 and November 15, 2015, respectively, 15,000 shares vest in quarterly installments during calendar year 2016, 11,000 shares vest in quarterly installments during calendar year 2017 and 15,000 shares vest in quarterly installments during calendar year 2018.

(24) 25,000 shares vest on August 15, 2018 if specific performance metrics are met.

(25) 21,420 shares vest on August 15, 2015 and November 15, 2015, respectively.

(26) 78,544 shares vest in quarterly installments during calendar year 2016.

(27) 80,000 shares vest in quarterly installments during calendar year 2017.

### Option Exercises and Stock Vested

The following table provides certain information regarding option exercises and vesting of restricted stock units with respect to the Named Executive Officers during fiscal year 2015.

#### Option Exercises and Stock Vested in Fiscal Year 2015

Name	Option Awards		Restricted Stock and Market Share Unit Awards	
	Number of shares acquired on exercise (#)	Value realized on exercise (\$) <sup>(1)</sup>	Number of shares acquired on vesting (#)	Value realized on vesting (\$) <sup>(2)</sup>
Tunç Doluca	130,344	2,389,027	42,476	1,296,792
Bruce E. Kiddoo	50,000	827,365	16,402	527,822
Matthew J. Murphy	60,344	871,520	20,569	669,937
Vivek Jain	33,218	619,258	16,402	527,822
Christopher J. Neil	112,000	2,251,851	16,402	527,822

(1) The value realized on exercise is the number of shares acquired on exercise multiplied by the difference between the market price upon exercise and the exercise price.

(2) The value realized is the number of shares vesting multiplied by the fair market value of Maxim Integrated's common stock on the respective vesting date.

### Non-Qualified Deferred Compensation

We do not have any non-qualified deferred compensation agreements, plans or arrangements for and as of the year ended June 27, 2015 with respect to the Named Executive Officers.

### Employment Contracts and Change in Control Arrangements

Mr. Doluca is a party to an agreement with us, pursuant to which he may be entitled to certain severance payments and benefits under the specified circumstances.

For further information and detail regarding the above-mentioned agreements and change in control arrangements, please see “Compensation Discussion and Analysis” contained in this proxy statement.

### Change-of-Control

We currently have a “double trigger” change-of-control plan (the “Severance Plan”) covering substantially all of our full-time employees, including our Named Executive Officers. The Severance Plan provides for the payment of certain benefits in the event a Named Executive Officer is terminated without cause or resigns for good reason during the 24-month period following a change-of-control of Maxim Integrated or within the period following the public announcement of, but prior to, the closing of a change-of-control event. In serving the interest of stockholders, the Severance Plan is designed to help retain the employees of the Company, help maintain a stable work environment and provide certain economic benefits to employees in the event their employment is terminated in the circumstances described below.

A change-of-control is defined as:

- a merger or consolidation of Maxim Integrated in which more than fifty percent (50%) of the outstanding voting power changes hands;
- a sale of all or substantially all of Maxim Integrated’s assets;
- the acquisition of more than fifty percent (50%) of Maxim Integrated’s voting power by any person or group; or
- a change in the composition of our board of directors, such that a majority of directors are no longer “Incumbent Directors” (Incumbent Directors are directors as of the date the change-of-control plan was implemented and directors elected other than in connection with an actual or threatened proxy contest).

If, during the 24-month period following the change-of-control or within the period following the public announcement of, but prior to, the closing of a change-of-control event, the Named Executive Officer’s employment is terminated for reasons other than cause (as defined in the Severance Plan) or the individual terminates employment for good reason (as defined in the Severance Plan), then the Named Executive Officer will receive a lump sum cash payment consisting of:

- base salary not yet paid through the date of termination and all unpaid vacation pay; and
- a severance payment equal to two (2) times the sum of the Named Executive Officer’s annual base salary in effect immediately prior to the date of termination and the average performance bonus during the past three (3) years.

In addition, all unvested stock options, restricted stock units, and market share units are accelerated and become fully vested upon a change-of-control and a termination without cause (or resignation for good reason) occurring within twenty-four (24) months following the change-of-control or within the period following the public announcement of, but prior to, the closing of a change-of-control event. All stock options remain exercisable until the end of their stated term, which is typically ten (10) years from the grant date for options granted before 2007 and seven (7) years from the grant date for options granted in 2007 and thereafter. Also, each Named Executive Officer is eligible to receive continued health insurance benefits at the Company’s cost for twenty-four (24) months. The Named Executive Officers are not entitled to receive a gross-up amount to compensate the officer for any golden parachute excise taxes imposed by the Code. Our board of directors retains the absolute right to modify and/or terminate the change-of-control plan and the benefits thereunder at any time before the occurrence of a change-of-control.

If there had been a termination of employment without cause during the 24-month period following a change-of-control of Maxim Integrated or within the period following the public announcement of, but prior to, the closing of a change-in-control event, then assuming such termination occurred at the end of fiscal year 2015, the amounts we estimate that would have been paid to the Named Executive Officers are set forth in the table below. The actual amounts that would be paid out can only be determined at the time the named executive officer is terminated from employment.

## Potential Payments upon Termination Related to a Change of Control

Name	Type of Payment	Payments Upon Involuntary or Good Reason Termination related to a Change of Control <sup>(1)(2)(3)(4)</sup> (\$)
Tunç Doluca	Base salary	1,180,000
	Performance Bonus	1,913,978
	Health plan coverage	32,503
	Accelerated Vesting of Unvested Equity Awards:	
	Stock Options	3,328,214
	Restricted Stock Units	3,961,500
	MSUs	4,378,500
	<b>Total</b>	<b>14,794,695</b>
Bruce E. Kiddoo	Base salary	800,000
	Performance Bonus	1,029,880
	Health plan coverage	32,503
	Accelerated Vesting of Unvested Equity Awards:	
	Stock Options	1,544,418
	Restricted Stock Units	1,833,827
	MSUs	868,750
	<b>Total</b>	<b>6,109,378</b>
Matthew J. Murphy	Base salary	940,000
	Performance Bonus	991,780
	Health plan coverage	32,503
	Accelerated Vesting of Unvested Equity Awards:	
	Stock Options	1,544,418
	Restricted Stock Units	4,382,149
	MSUs	868,750
	<b>Total</b>	<b>8,759,600</b>
Vivek Jain	Base salary	800,000
	Performance Bonus	980,815
	Health plan coverage	32,503
	Accelerated Vesting of Unvested Equity Awards:	
	Stock Options	1,531,868
	Restricted Stock Units	1,833,827
	MSUs	868,750
	<b>Total</b>	<b>6,047,763</b>
Christopher J. Neil	Base salary	820,000
	Performance Bonus	950,849
	Health plan coverage	32,503
	Accelerated Vesting of Unvested Equity Awards:	
	Stock Options	1,646,568
	Restricted Stock Units	1,694,827
	MSUs	868,750
	<b>Total</b>	<b>6,013,497</b>

(1) All amounts are estimated based on an assumed triggering date of last business day (June 26, 2015) of the fiscal year ended June 27, 2015 and the closing price (\$34.75 per share) of Maxim Integrated's common stock on that date.

(2) The net value of the options is based on the difference between the exercise price of unvested in-the-money options on June 27, 2015 and the closing price (\$34.75 per share) of Maxim Integrated's common stock on that date multiplied by the number of such options.

(3) Performance bonus is based on the average of non-equity incentive compensation plan performance bonus earned for each of the last three fiscal years.

(4) The cost of health insurance benefits is estimated based on the monthly premium the Company would pay for a similarly situated employee over 24 months.

## Equity Compensation Plan Information

The following table gives information about Maxim Integrated's common stock that may be issued upon the exercise of options, warrants, and rights under all of Maxim Integrated's existing equity compensation plans as of June 27, 2015.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) <sup>(2)</sup> Weighted-average exercise price of outstanding options, warrants, and rights (\$)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
<b>Equity compensation plans approved by security holders<sup>(1)</sup></b>	<b>17,717,841</b>	<b>25.83</b>	<b>31,732,495<sup>(3)</sup></b>

(1) Represents common stock issuable upon the exercise of options granted under our existing stockholder approved equity compensation plans. Includes 7,129,985 restricted stock units and 414,840 performance shares which have an exercise price of zero.

(2) This weighted average exercise price does not include the 7,129,985 restricted stock units and 414,840 performance shares which have an exercise price of zero.

(3) Represents 26,313,559 shares of common stock available for issuance under the 1996 Equity Plan and 5,418,936 shares of common stock available for issuance under the 2008 ESP Plan at June 27, 2015.

# Independent Public Accountants

## Audit and Non-Audit Fees

The following table presents fees for professional services rendered by Deloitte & Touche LLP and affiliates for the audit of Maxim Integrated's annual financial statements for the fiscal years ended June 27, 2015 and June 28, 2014, respectively, and fees billed for other services rendered by Deloitte & Touche LLP during such fiscal years. All fees set forth below are exclusive of any value-added tax (VAT) or goods and services tax (GST).

	Fiscal 2015	Fiscal 2014
Audit Fees <sup>(1)</sup>	\$1,912,435	\$1,867,938
Audit-Related Fees <sup>(2)</sup>	—	132,000
Tax Fees <sup>(3)</sup>	160,416	939,620
All Other Fees <sup>(4)</sup>	223,412	189,191
Total	\$2,296,263	\$3,128,749

(1) Audit Fees consist of fees billed for professional services rendered in connection with the audit of Maxim Integrated's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and audit services that are normally provided by Deloitte & Touche LLP and affiliates in connection with statutory and regulatory filings.

(2) Audit-Related Fees consist of assurance and related services provided by Deloitte & Touche LLP that are reasonably related to the performance of the audit or review of Maxim Integrated's financial statements and are not reported under Audit Fees.

(3) Tax Fees consist of fees billed for professional services rendered for federal, state and international tax compliance, tax advice and federal, state and international tax planning.

(4) All Other Fees consist of fees for products and services other than the services reported above.

## Audit Committee Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent auditors. Under the policy, pre-approval is generally provided for up to one (1) year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also provide pre-approval for particular services on a case-by-case basis. For each proposed service, the independent auditor is required to provide detailed back-up documentation at the time of approval. For fiscal year 2015, there were no audit-related fees, tax fees, or any other fees that were approved by the Audit Committee pursuant to the "de minimus" exception under Regulation S-X Rule 2-01(c)(7)(i)(C).

# Report of the Audit Committee of the Board of Directors

The Audit Committee (the “Committee”) of the board of directors is comprised entirely of independent directors who meet the independence requirements of the Marketplace Rules of The NASDAQ Stock Market and the Securities and Exchange Commission. The Committee operates pursuant to a charter that is available on the Investor Relations section of our website at <http://www.maximintegrated.com/company/investor/>.

The Committee oversees Maxim Integrated’s financial reporting process on behalf of the board of directors. Management is responsible for the preparation, presentation and integrity of the financial statements, including establishing accounting and financial reporting principles and designing systems of internal controls over financial reporting. Maxim Integrated’s independent auditors are responsible for expressing an opinion as to the conformity of Maxim Integrated’s consolidated financial statements with generally accepted accounting principles.

In performing its responsibilities, the Committee has reviewed and discussed, with management and the independent auditors, the audited consolidated financial statements in Maxim Integrated’s Annual Report on Form 10-K for the year ended June 27, 2015. The Committee has also discussed with the independent auditors matters required to be discussed by the Public Company Accounting Oversight Board’s Auditing Standard No. 16, Communications with Audit Committees.

Pursuant to Independence Standards Board Standard No. 1, “Independence Discussions with Audit Committees,” the Committee received written disclosures and the letter from the independent auditors, and discussed with the auditors their independence.

Based on the reviews and discussions referred to above, the Committee recommended to the board of directors that the audited consolidated financial statements be included in Maxim Integrated’s Annual Report on Form 10-K for the year ended June 27, 2015.

## **Audit Committee**

Joseph R. Bronson, Chairman

James R. Bergman

William D. Watkins

**MAXIM INTEGRATED PRODUCTS, INC.  
2008 EMPLOYEE STOCK PURCHASE PLAN**

(As amended)<sup>1</sup>

The Company wishes to attract employees to the Company, its Subsidiaries and Affiliates and to induce employees to remain with the Company, its Subsidiaries and Affiliates, and to encourage them to increase their efforts to make the Company's business more successful, whether directly or through its Subsidiaries and Affiliates. In furtherance thereof, the Plan is designed to provide equity-based incentives to the Eligible Employees of the Company, its Subsidiaries and Affiliates. The Plan is intended to comply with the provisions of Section 423 of the Code and shall be administered, interpreted and construed accordingly, although the Company makes no undertaking or representation to maintain such qualification. In addition, the Plan authorizes the purchase of Shares under a Non-423(b) Component, pursuant to rules, procedures or sub-plans adopted by the Board of Directors or the Committee and designed to achieve tax, securities law or other objectives.

## 1. Definitions.

When used herein, the following terms shall have the respective meanings set forth below:

**"Affiliate"** means any entity, other than a Subsidiary, in which the Company has an equity or other ownership interest.

**"Board of Directors"** means the Board of Directors of the Company.

**"Code"** means the Internal Revenue Code of 1986, as amended.

**"Code Section 423(b) Component"** shall mean an employee stock purchase plan which is designed to meet the requirements set forth in Section 423(b) of the Code, as amended. The provisions of the Code Section 423(b) Plan should be construed, administered and enforced in accordance with Section 423(b) of the Code.

**"Committee"** means the committee appointed by the Board of Directors of the Company under Section 3 hereof.

**"Common Stock"** means the Common Stock, par value \$0.001 per share, of the Company.

**"Company"** means Maxim Integrated Products, Inc., a Delaware corporation.

**"Designated Companies"** shall mean the Company and any Subsidiary or Affiliate which has been designated by the Board of Directors or the Committee from time to time in its sole discretion as eligible to participate in the Plan. For purposes of the Code Section 423(b) Component, only the Company and its Subsidiaries may be Designated Companies, provided, however that at any given time, a Subsidiary that is a Designated Company under the Code Section 423(b) Component shall not be a Designated Company under the Non-423(b) Component.

**"Effective Date"** means the later of December 15, 2008 or the date of the approval of this Plan by the Company's stockholders.

**"Eligible Compensation"** for any pay period means, unless otherwise determined by the Committee, the amount of base salary for such period. Eligible Compensation does not include, without limitation, any payments for reimbursement of expenses, bonuses, incentive compensation, overtime, deferred compensation, and other non-cash or non-basic payments, unless otherwise determined by the Committee.

**"Eligible Employee"** means employees eligible to participate in the Plan pursuant to the provisions of Section 4.

**"Enrollment Period"** means such period preceding an Offer Period as is specified by the Committee with respect to such Offer Period.

**"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

**"Fair Market Value"** per Share as of a particular date means (i) if Shares are then listed on a national stock exchange, the closing price per Share on the exchange for the last preceding date on which there was a sale of Shares on such exchange, as determined by the Committee, (ii) if Shares are not then listed on a national stock exchange but are then traded on an over-the-counter market, the average of the closing bid and asked prices for such Shares in such over-the-counter market for the last preceding date on which there was a sale of such Shares in such market, as determined by the Committee, or (iii) if Shares are not then listed on a national exchange or traded on an over-the-counter market, such value as the Committee in its discretion may in good faith determine; provided that, where such shares are so listed or traded, the Committee may make discretionary determinations where the shares have not been traded for 10 trading days.

**"Non-423(b) Component"** means the grant of an option under the Plan which is not intended to meet the requirements set forth in Section 423(b) of the Code, as amended.

**"Offer Date"** means the first day of an Offer Period.

<sup>1</sup> As approved by the Board of Directors on August 12, 2015 and submitted to stockholders for approval on November 12, 2015.

**“Offer Period”** means, as applicable, in each case subsequent to the approval of this Plan by the Company’s stockholders, (i) the initial Offer Period beginning on such date to be determined by the Committee and ending on November 28, 2009 (or, if such date is not a trading day, the trading day immediately preceding such date, unless otherwise provided by the Committee), (ii) the Offer Period beginning on the business day immediately following the second to last Friday of May of each year (or, if such date is not a trading day, the trading day immediately following such date, unless otherwise provided by the Committee) and ending on the second to last Friday of May of the next year (or, if such date is not a trading day, the trading day immediately preceding such date, unless otherwise provided by the Committee), and (iii) the Offer Period beginning on the business day immediately following the second to last Friday of November of each year unless this day immediately follows the Thanksgiving holiday in the United States in which case it will be the business day immediately following the last Friday of November of each year (or, if each such date is not a trading day, the trading day immediately following such date, unless otherwise provided by the Committee) and ending on the second to last Friday of November of the next year unless this day immediately follows the Thanksgiving holiday in the United States in which case it will be on the last Friday of November (or, if each such date is not a trading day, the trading day immediately preceding such date, unless otherwise provided by the Committee). Each Offer Period of approximately 12 months in length (except for the initial Offer Period) may overlap each other as set forth above, and each will consist of 2 Purchase Periods of approximately 6 months in length.

**“Participating Employee”** means an employee (i) for whom payroll deductions are currently being made or who otherwise contributes to the Plan, or (ii) for whom payroll deductions are not currently being made or who does not otherwise contribute to the Plan because he or she has reached the limitation set forth in the first sentence of Section 6.

**“Payroll Account”** means an account maintained by the Company with respect to each Participating Employee as contemplated by Section 5.

**“Plan”** means this Maxim Integrated Products, Inc. 2008 Employee Stock Purchase Plan, as it may from time to time be amended, which includes a Code Section 423(b) Plan and a Non-423(b) Component.

**“Plan Year”** means the fiscal year of the Company.

**“Purchase Date”** means, as applicable, the second (2nd) to last Friday of May and November of each year unless this day immediately follows the Thanksgiving holiday in the United States in which case the Purchase Date will be the last Friday of November of each year.

**“Purchase Period”** means a specified period of time within an Offer Period beginning on the Offer Date and ending on a Purchase Date. An Offer Period shall consist of 2 Purchase Periods, each of which shall approximately be 6 months in length.

**“Shares”** means shares of Common Stock.

**“Stock Account”** means a brokerage account as contemplated by Section 8.

**“Subsidiary”** means any corporation that is a “subsidiary corporation” with respect to the Company under Section 424(f) of the Code.

## **2. Shares Reserved for the Plan.**

There shall be reserved for issuance and purchase by employees under the Plan an aggregate of 18,000,000 Shares, subject to adjustment as provided in Section 12, any or all of which Shares may be granted under the Code Section 423(b) Component. Shares subject to the Plan may be Shares now or hereafter authorized but unissued, or Shares that were once issued and subsequently reacquired by the Company. If and to the extent that any right to purchase reserved Shares shall not be exercised by any employee for any reason or if such right to purchase shall terminate as provided herein, Shares that have not been so purchased hereunder shall again become available for the purposes of the Plan unless the Plan shall have been terminated, but such unpurchased Shares shall not be deemed to increase the aggregate number of Shares specified above to be reserved for purposes of the Plan (subject to adjustment as provided in Section 12).

## **3. Administration of the Plan.**

The Plan shall be administered by the Committee appointed by the Board of Directors. The Board of Directors shall consider the rules of Rule 16b-3 promulgated under the Exchange Act in connection with any such appointment, if and to the extent that such appointments may have an effect thereunder. Each member of the Committee shall serve at the pleasure of the Board of Directors. The acts of a majority of the members present at any meeting of the Committee at which a quorum is present, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan. If and to the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member. Notwithstanding the foregoing, the Board of Directors may designate the Compensation Committee of the Board of Directors to act as the Committee hereunder.

The Committee may make such rules and regulations and establish such procedures and sub-plans for the operation and administration of the Plan as it deems appropriate, including relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures for jurisdictions outside of the United States. The Committee shall have authority to interpret the Plan, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law and shall take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof.

#### **4. Eligible Employees.**

Except as described below, all employees of the Company and its Designated Companies shall be eligible to participate in the Plan, provided that each of such employees does not own, for purposes of Section 423 of the Code, immediately after the right is granted, stock possessing 5% or more of the total combined voting power or value of all classes of capital stock of the Company or of a Subsidiary.

To the extent permitted under local law, the Committee may also exclude from participation in the Plan any or all of (i) a group of highly compensated employees designated by the Committee as being ineligible to participate in the Plan as permitted by Section 423(b)(4)(D) of the Code, (ii) employees who have been employed by the Company or any Subsidiary for less than 2 years, (iii) employees whose customary employment is for not more than 5 months in any calendar year, and (iv) employees who customarily work 20 hours per week or less. The employment of an employee of a Subsidiary or an Affiliate which ceases to be a "Subsidiary" or an "Affiliate" as defined herein shall, automatically and without any further action, be deemed to have terminated (and such employee shall cease to be an Eligible Employee hereunder).

#### **5. Election to Participate and Payroll Deductions/Contributions.**

Each Eligible Employee may elect to participate in the Plan during the Enrollment Period immediately prior to the beginning of each Offer Period during a Plan Year. Each Eligible Employee may elect a payroll deduction of from 1% to 25% of Eligible Compensation from each paycheck, in increments of 1% (i.e., 1%, 2%, 3%, etc.), unless otherwise so provided by the Committee. Elections under this Section 5 are subject to the limits set forth in Section 6. All payroll deductions shall be credited, as promptly as practicable, to a Payroll Account in the name of the Participating Employee. The Committee, in its discretion, may decide that an Eligible Employee may contribute to the Plan by means other than payroll deductions. All funds held by the Company under the Plan shall not be segregated from other corporate funds (except that the Company may in its discretion establish separate bank or investment accounts in its own name) and may be used by the Company for any corporate purpose, unless otherwise required by local law.

Each Participating Employee may cancel his or her election to participate in the Plan by signing and delivering written notice to the Committee, on a form specified for such purpose by the Committee, at such times as may be established by the Committee. In such case, the entire balance in the Payroll Account of such former Participating Employee shall be repaid to such former Participating Employee as promptly as practicable in accordance with Section 9, without interest (unless required by local law). Upon such voluntary withdrawal during an Offer Period by a Participating Employee, such withdrawing Participating Employee may not be entitled to participate in the Plan again for such time as may be established by the Committee. Thereafter, such Eligible Employee is eligible to participate in subsequent Offer Periods under the Plan upon timely delivery of a new enrollment form.

Unless prohibited by any applicable laws, regulations or stock exchange rules, the Committee, in its discretion, may prescribe that, if the Fair Market Value of the Shares on a Purchase Date within an Offer Period then in progress is lower than the Fair Market Value of the Shares on the first business day of such Offer Period, then each Participating Employee in such Offer Period shall automatically be deemed (i) to have withdrawn from such Offer Period at the close of the Purchase Period ending on such Purchase Date, and (ii) to have enrolled in a new Offering Period commencing on the business day immediately following the last Saturday of May or November of each year, as applicable (or, if such date is not a trading day, the trading day immediately following such date, unless otherwise provided by the Committee).

Subject to the preceding paragraphs of this Section 5, if so provided by the Committee, an Eligible Employee who is a Participating Employee immediately prior to the beginning of an Offer Period will be deemed (i) to have elected to participate for such Offer Period and (ii) to have authorized the same percentage payroll deduction for such Offer Period in effect for such Eligible Employee as that in effect (without regard to Section 6) on the day before such Offer Period. The Committee may adopt the procedures set forth in the foregoing sentence for some but not all Offer Periods.

#### **6. Limitation of Number of Shares That an Employee May Purchase.**

No right to purchase Shares under the Plan shall provide an employee the right to purchase Common Stock under all employee stock purchase plans of the Company and its Subsidiaries which accrues at a rate which in the aggregate exceeds \$25,000 of the fair market value of such stock (determined under Section 423 of the Code at the time the right is granted) for each calendar year in which the right is outstanding at any time. Notwithstanding the foregoing, the maximum number of shares of Common Stock that an Eligible Employee may purchase during an Offer Period shall not exceed 1,600 shares.

#### **7. Purchase Price.**

The purchase price for each Share shall be the lesser of (i) 85% of the Fair Market Value of such Shares on the Offer Date and (ii) 85% of the Fair Market Value of such Shares on the Purchase Date.

#### **8. Method of Purchase.**

As of the Purchase Date, each Participating Employee shall be deemed, without any further action, to have purchased the number of whole Shares which the balance of his or her Payroll Account at that time will purchase, determined by dividing the balance in his or her Payroll Account not theretofore invested by the purchase price as determined in Section 7.

All Shares purchased as provided in the foregoing paragraph shall be initially maintained in separate Stock Accounts for the Participating Employees at a brokerage firm selected by, and pursuant to an arrangement with, the Company. The Company shall deliver the shares to the Stock Account as soon as reasonably practicable after the close of the applicable Purchase Date. A Participating Employee shall be free to undertake a disposition (as that term is defined in Section 424 of the Code) of the Shares in his or her Stock Account at any time, whether by sale, exchange, gift or other transfer of legal title, but, for Participating Employees in the Code Section 423(b) Component, in the absence of such a disposition of such Shares, unless otherwise provided by the Committee, the Shares must remain in the Participating Employee's Stock Account at the brokerage firm so selected until the holding period set forth in Section 423(a) of the Code has been satisfied. With respect to those Shares for which the Section 423 (a) holding period has been satisfied or which are held by Participating Employees in the Non-Section 423(b) Component, the Participating Employee may, without limitation, move those Shares to another brokerage account of the Participating Employee's choosing or request that a stock certificate be issued and delivered to him or her.

If and to the extent provided by the Committee, for so long as such Shares are maintained in Stock Accounts, all dividends paid with respect to such Shares shall be credited to each Participating Employee's Stock Account, and will be automatically reinvested in whole Shares. The Committee may provide that transaction fees incurred with respect to dividend reinvestment may be paid by the Company.

Unless otherwise provided by the Committee, in no event shall fractional Shares be purchased hereunder, and any remaining cash in a Participating Employee's Payroll Account resulting from such failure to invest in fractional Shares shall be returned to the Participating Employee as soon as practicable. Notwithstanding any other provision of the Plan, the Committee may permit the purchase of fractional Shares hereunder and establish rules and procedures relating thereto.

## **9. Termination of Participation or Employment.**

The right to participate in the Plan shall terminate immediately when a Participating Employee ceases to be employed by the Company or a Designated Company for any reason (including death or disability) or a Participating Employee otherwise becomes ineligible. Participation also terminates immediately when the Participating Employee voluntarily cancels his or her election to participate in the Plan as provided in Section 5.

Notwithstanding any other provision of the Plan to the contrary, the Company shall distribute to such former Participating Employee (or, in the event of death, to his or her estate), the balance in his or her Payroll Account not theretofore invested, without interest (unless required by local law), any such distribution or payment to be made as soon as practicable. If applicable, fractional Shares will be sold on the open market and the Participating Employee will receive the net proceeds, if any, after all fees have been paid.

## **10. Rights as a Stockholder.**

At the time funds from a Participating Employee's Payroll Account are used to purchase the Common Stock, he or she shall have all of the rights and privileges of a stockholder of the Company with respect to the Shares purchased under the Plan whether or not certificates representing such Shares have been issued.

## **11. Rights Not Transferable.**

Rights granted under the Plan are not transferable by a Participating Employee other than by will or the laws of descent and distribution and are exercisable during his or her lifetime only by him or her.

## **12. Adjustment in Case of Changes Affecting Common Stock.**

If (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or its Subsidiaries or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company, or any distribution to holders of Common Stock other than cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the number or kind of shares, or both, which thereafter may be sold under the Plan, then the Committee may forthwith take any such action as in its judgment shall be necessary to preserve to the Participating Employees' rights substantially proportionate to the rights existing prior to such event, and to maintain the continuing availability of Shares under Section 2 and the last sentence of Section 6 (if Shares are otherwise then available) in a manner consistent with the intent hereof, including, without limitation, adjustments in (x) the number and kind of shares subject to the Plan, (y) the purchase price of such shares under the Plan, and (z) the number and kind of shares available under Section 2 and the last sentence of Section 6. To the extent that such action shall include an increase or decrease in the number of Shares (or units of other property then available) subject to the Plan, the number of Shares (or units) available under Section 2 and the last sentence of Section 6 above shall be increased or decreased, as the case may be, proportionately, as may be provided by Committee in its discretion.

Notwithstanding any other provision of the Plan, if the Common Stock ceases to be listed or traded, as applicable, on a national stock exchange or over-the-counter market (a "Triggering Event"), then, in the discretion of the Committee, (i) the balance in the Participating Employee's Payroll Account not theretofore invested may be refunded to the Participating Employee, and such Participating Employee shall have no further rights or benefits under the Plan, (ii) an amount equal to the product of the Fair Market Value of a Share on the date of the Triggering Event

multiplied by the number of Shares such Participating Employee would have been able to purchase with the balance of his or her Payroll Account on such Triggering Event if such Triggering Event were the Purchase Date may be paid to the Participating Employee, and such Participating Employee shall have no further rights or benefits under the Plan, or (iii) the Plan may be continued without regard to the application of this sentence.

### **13. Amendment of the Plan.**

The Board of Directors may at any time, or from time to time, amend the Plan in any respect; provided, however, that the Plan may not be amended in any way that would cause, if such amendment were not approved Company's shareholders, the Code Section 423(b) Component to fail to comply with

- (i) the requirements for employee stock purchase plans under Section 423 of the Code; or
- (ii) any other requirement of applicable law or regulation;

unless and until stockholder approval is obtained.

### **14. Termination of the Plan.**

The Plan and all rights of employees hereunder shall terminate:

- (i) on the date that Participating Employees become entitled to purchase a number of Shares greater than the number of reserved Shares remaining available for purchase; or
- (ii) at any time, at the discretion of the Board of Directors.

In the event that the Plan terminates under circumstances described in (i) above, reserved Shares remaining as of the termination date shall be subject to Participating Employees on a pro rata basis. No termination of the Plan shall alter or impair any rights outstanding at the time of the such termination to purchase Shares pursuant to any offering of the right to purchase Shares hereunder.

### **15. Governmental and Other Regulations; Further Assurances.**

The Plan, and the grant and exercise of the rights to purchase Shares hereunder, and the Company's obligation to sell and deliver Shares upon the exercise of rights to purchase Shares, shall be subject to all applicable federal, state and foreign laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company shall not be required to issue or deliver any certificates for Shares prior to the completion of any registration or qualification of such Shares under, and the obtaining of any approval under or compliance with, any state or federal law, or any ruling or regulation of any government body which the Company shall, in its sole discretion, determine to be necessary or advisable. Certificates for Shares issued hereunder may be legended as the Committee may deem appropriate.

The Participating Employee shall take whatever additional actions and execute whatever additional documents the Committee may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participating Employee pursuant to the Plan.

### **16. Non-U.S. Subsidiaries.**

Without amending the Plan, the Committee may allow for participation under the terms hereunder by Eligible Employees of non-U.S. Subsidiaries and Affiliates with such modifications of the terms and conditions otherwise specified hereunder as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes hereof, and, in furtherance of such purposes, the Committee may make such amendments, procedures and the like and establish such sub-plans as may be necessary or advisable to comply with provisions of laws (including tax laws) in other countries in which such Subsidiaries and Affiliates operate or have employees.

### **17. Indemnification of Committee.**

The Company shall indemnify and hold harmless the members of the Board of Directors of the Company and the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan if such person acts in good faith and in a manner that he or she reasonably believes to be in, or not opposed to, the best interests of the Company, to the maximum extent permitted by law.

### **18. Withholding; Disqualifying Dispositions.**

Notwithstanding any other provision of the Plan, the Company or any Designated Company, as appropriate, shall have the authority and the right to deduct or withhold, or require a Participating Employee to remit to the Company or the Designated Company, an amount sufficient to satisfy U.S. federal, state, and local taxes and taxes imposed by jurisdictions outside of the United States (including income tax, social insurance contributions, payment on account and any other taxes that may be due) required by law to be withheld with respect to any taxable event concerning a Participating Employee arising as a result of his or her participation in the Plan or to take such other action as may be necessary in the opinion of the Company or a Designated Company, as appropriate, to satisfy withholding obligations for the payment of taxes. No shares shall be delivered hereunder to any Participating Employee until the Participating Employee has made arrangements acceptable to the Company for the satisfaction of these tax obligations with respect to any taxable event concerning the Participating Employee's participation in the Plan.

If Shares acquired under the Plan are disposed of in a disposition that does not satisfy the holding period requirements of Section 423(a) of the Code, such Participating Employee in the Code Section 423(b) Plan who is employed by a Designated Company which is part of the Company's U.S. federal income tax return shall notify the Company in writing as soon as practicable thereafter of the date and terms of such disposition.

#### **19. Notices.**

All notices or other communications by a Participating Employee to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

#### **20. Severability.**

If any particular provision of this Plan is found to be invalid or unenforceable, such provision shall not affect the other provisions of the Plan, but the Plan shall be construed in all respects as if such invalid provision had been omitted.

#### **21. No Right to Continued Employment.**

The Plan and any right to purchase Common Stock granted hereunder shall not confer upon any employee any right with respect to continued employment by the Company or any Subsidiary or Affiliate, nor shall they restrict or interfere in any way with the right of the Company or any Subsidiary or Affiliate by which an employee is employed to terminate his or her employment at any time.

#### **22. Captions.**

The use of captions in the Plan is for convenience. The captions are not intended to and do not provide substantive rights.

#### **23. Effective Date of the Plan.**

The Plan shall be effective as of the Effective Date, provided that the Plan is approved by stockholders prior thereto.

#### **24. Code Section 409A.**

The Code Section 423(b) Plan is exempt from the application of Section 409A of the Code. The Non-423(b) Component is intended to be exempt from Section 409A of the Code under the short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. In the case of a Participating Employee who would otherwise be subject to Section 409A of the Code, to the extent an option to purchase Shares or the payment, settlement or deferral thereof is subject to Section 409A of the Code, the option to purchase Shares shall be granted, paid, exercised, settled or deferred in a manner that will comply with Section 409A of the Code, including the final regulations and other guidance issued with respect thereto, except as otherwise determined by the Board of Directors or the Committee. Notwithstanding the foregoing, the Company shall have no liability to a Participating Employee or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Board of Director or the Committee with respect thereto.

#### **25. Governing Law.**

The provisions of the Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflict of law rules.

**MAXIM INTEGRATED PRODUCTS, INC.**  
**AMENDED AND RESTATED 1996 STOCK INCENTIVE PLAN<sup>1</sup>**

1. *Purposes of the Plan.* The purposes of this 1996 Stock Incentive Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees, Directors and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business.

2. *Definitions.* As used herein, the following definitions shall apply:

(a) "*Administrator*" means the Board or any of the Committees appointed to administer the Plan.

(b) "*Affiliate*" and "*Associate*" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(c) "*Applicable Laws*" means the legal requirements relating to the administration of stock incentive plans, if any, under applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any foreign jurisdiction applicable to Awards granted to residents therein.

(d) "*Award*" means, individually or collectively, a grant under the Plan of Options, Restricted Stock and Restricted Stock Units.

(e) "*Award Agreement*" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan, including an Option Agreement. The Award Agreement is subject to the terms and conditions of the Plan.

(f) "*Board*" means the Board of Directors of the Company.

(g) "*Change in Control*" means a change in ownership or control of the Company effected through either of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such stockholders accept, or

(ii) a change in the composition of the Board over a period of thirty-six (36) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors.

Notwithstanding the foregoing, if it is determined that an Award hereunder is subject to the requirements of Section 409A, then, to the extent necessary to comply with the requirements of Section 409A with respect to the payment of any amounts thereunder deemed to constitute "nonqualified deferred compensation" subject to Section 409A, the Company will not be deemed to have undergone a Change in Control unless the Company is deemed to have undergone a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5).

(h) "*Code*" means the Internal Revenue Code of 1986, as amended.

(i) "*Committee*" means any committee appointed by the Board to administer the Plan.

(j) "*Common Stock*" means the Common Stock of the Company.

(k) "*Company*" means Maxim Integrated Products, Inc., a Delaware corporation.

(l) "*Consultant*" means any person who is a consultant, advisor, independent contractor, vendor, customer or other person having a past, current or prospective business relationship with the Company or any Parent or Subsidiary.

(m) "*Continuing Directors*" means members of the Board who either (i) have been Board members continuously for a period of at least thirty-six (36) months or (ii) have been Board members for less than thirty-six (36) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(n) "*Continuous Status as an Employee, Director or Consultant*" means that the employment, director or consulting relationship with the Company, any Parent, or Subsidiary, is not interrupted or terminated. Continuous Status as an Employee, Director or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor.

<sup>1</sup> As approved by the Board of Directors on August 12, 2015 and submitted to stockholders for approval on November 12, 2015.

- (o) “*Corporate Transaction*” means any of the following stockholder-approved transactions to which the Company is a party:
- (i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated,
  - (ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company (including the capital stock of the Company’s subsidiary corporations) in connection with complete liquidation or dissolution of the Company, or
  - (iii) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company’s outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger.
- (p) “*Covered Employee*” means any person who is a “covered employee” under Section 162(m)(3) of the Code.
- (q) “*Determination Date*” means the latest possible date that will not jeopardize the qualification of an Award granted under the Plan as Performance-Based Compensation.
- (r) “*Director*” means a member of the Board.
- (s) “*Employee*” means any person, including an Officer or Director, who is an employee of the Company or any Parent or Subsidiary. Except with respect to the grant of Incentive Stock Options, Employee also means any person, including an Officer or Director, who is an employee of any other affiliated entity of the Company, as determined by the Company in its sole discretion. Neither service as a Director nor payment of a director’s fee by the Company will be sufficient to constitute “employment” by the Company.
- (t) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.
- (u) “*Fair Market Value*” means, as of any date, the value of Common Stock determined as follows:
- (i) Where there exists a public market for the Common Stock, the Fair Market Value of a share of Common Stock shall be (A) the closing sale price of the Common Stock on the date of the determination (or, if no sales were reported on such date, on the last trading date on which sales were reported) on (1) the stock exchange determined by the Administrator to be the primary market for the Common Stock, or (2) the Nasdaq National Market, or (3) ,as reported by Market Sweep, a service from Interactive Data Services, Inc., or such other reporting source as the Administrator deems reliable; whichever is applicable or (B) if the Common Stock is not traded on any such exchange or national market system, the closing price of a Share on the Nasdaq Small Cap Market or over-the-counter (Pink Over-The-Counter Markets Inc. Electronic Quotation Service), as applicable, on the date of the determination (or, if no such price was reported on that date, on the last date on which such price was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or
  - (ii) In the absence of an established market of the type described in (i), above, for the Common Stock, the Fair Market Value thereof shall be determined by the Administrator in good faith (in a manner intended to comply with Section 409A).
- (v) “*Fiscal Year*” means the fiscal year of the Company.
- (w) “*Grantee*” means an Employee, Director or Consultant who receives an Award under the Plan.
- (x) “*Incentive Stock Option*” means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- (y) “*Non-Qualified Stock Option*” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.
- (z) “*Officer*” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (aa) “*Option*” means a stock option granted pursuant to the Plan.
- (bb) “*Option Agreement*” means the written agreement evidencing the grant of an Option executed by the Company and the Grantee, including any amendments thereto.
- (cc) “*Parent*” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (dd) “*Performance-Based Compensation*” means compensation qualifying as “performance-based compensation” under Section 162(m) of the Code.
- (ee) “*Performance Goals*” has the meaning given to it in Section 11.

(ff) “*Performance Period*” means any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.

(gg) “*Period of Restriction*” means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of Performance Goals, or the occurrence of other events as determined by the Administrator.

(hh) “*Plan*” means this Amended and Restated 1996 Stock Incentive Plan.

(ii) “*Restricted Stock*” means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.

(jj) “*Restricted Stock Unit*” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(kk) “*Rule 16b-3*” means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(ll) “*Section 16(b)*” means Section 16(b) of the Exchange Act.

(mm) “*Section 409A*” shall mean Section 409A of the Code and all formal guidance and regulations promulgated thereunder.

(nn) “*Share*” means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.

(oo) “*Subsidiary*” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

(pp) “*Subsidiary Disposition*” means the disposition by the Company of its equity holdings in any Subsidiary effected by a merger or consolidation involving that Subsidiary, the sale of all or substantially all of the assets of that Subsidiary or the Company’s sale or distribution of substantially all of the outstanding capital stock of such Subsidiary.

(qq) “*U.S. Taxpayer*” means a Grantee who is, or may be, subject to taxation under the laws of the United States or a political subdivision thereof.

### 3. *Stock Subject to the Plan.*

(a) *Stock Subject to the Plan.* Subject to the provisions of Section 13 below, the maximum aggregate number of Shares which may be issued pursuant to this Plan is 141,100,000 Shares.

(b) *Full Value Awards.* Any Shares subject to Options will be counted against the numerical limits of this Section 3 as one Share for every Share subject thereto. Any Shares subject to Awards of Restricted Stock or Restricted Stock Units with a per share or unit purchase price lower than one hundred percent (100%) of Fair Market Value on the date of grant will be counted against the numerical limits of this Section 3 as two Shares for every one Share subject thereto. To the extent that a Share that was subject to an Award that counted as two Shares against the Plan reserve pursuant to the preceding sentence is recycled back into the Plan under the next paragraph of this Section 3, the Plan will be credited with two Shares.

(c) *Lapsed Awards.* If an Award expires or becomes unexercisable without having been exercised in full, or, with respect to Restricted Stock and Restricted Stock Units, is forfeited to or repurchased by the Company, the unexercised Shares (or for Awards other than Options, the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). Notwithstanding anything contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 3(a) and will not be available for future grants of Awards under this Plan or any other plans listed in Section 3(a): (i) Shares tendered by a Grantee or withheld by the Company in payment of the exercise price of an Option (or any other option granted under any other plans listed in Section 3(a)), and (ii) Shares tendered by a Grantee or withheld by the Company to satisfy any tax withholding obligation with respect to an Award (or any other equity award granted under any other plans listed in Section 3(a)). Notwithstanding the foregoing and, subject to adjustment provided in Section 13, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan under this Section 3(b).

### 4. *Administration of the Plan.*

(a) Plan Administrator.

(i) *Administration with Respect to Directors and Officers.* With respect to grants of Awards to Directors or Employees who are also Officers or Directors, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) *Administration With Respect to Consultants and Other Employees.* With respect to grants of Awards to Employees or Consultants who are neither Directors nor Officers, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. Subject to Applicable Laws, the Board may authorize one or more Officers to grant such Awards and may limit such authority by requiring that such Awards must be reported to and ratified by the Board or a Committee within six (6) months of the grant date, and if so ratified, shall be effective as of the grant date.

(iii) *Administration With Respect to Covered Employees.* Notwithstanding the foregoing, grants of Awards to any Covered Employee intended to qualify as Performance-Based Compensation shall be made only by a Committee (or subcommittee of a Committee) which is comprised solely of two or more Directors eligible to serve on a committee making Awards qualifying as Performance-Based Compensation. In the case of such Awards granted to Covered Employees, references to the “Administrator” or to a “Committee” shall be deemed to be references to such Committee or subcommittee.

(iv) *Administration Errors.* In the event an Award is granted in a manner inconsistent with the provisions of this subsection (a), such Award shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

(b) *Powers of the Administrator.* Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

- (i) to select the Employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;
- (ii) to determine whether and to what extent Awards are granted hereunder;
- (iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;
- (iv) to determine the Fair Market Value;
- (v) to approve forms of Award Agreement for use under the Plan;
- (vi) to determine the terms and conditions of any Award granted hereunder;

(vii) to modify or amend the terms of any outstanding Award granted under the Plan in any lawful way, provided that any amendment that would adversely affect the Grantee’s rights under an outstanding Award shall not be made without the Grantee’s written consent; provided, however, that any provision of the Plan to the contrary notwithstanding, the Administrator shall not have the authority to reprice any outstanding Option, it being understood that “reprice” shall mean to amend any outstanding Option to reduce the exercise price;

(viii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(ix) notwithstanding any provision of the Plan to the contrary, in order to facilitate compliance with the tax, securities, foreign exchange, probate or other applicable provisions of the laws in other countries in which the Company or its Affiliates operate or have key employees or non-employee directors, the Administrator, in its discretion, shall have the power and authority to (A) determine which (if any) Employees, Directors, and/or Consultants rendering services or employed outside the U.S. are eligible to participate in the Plan or to receive any type of Award hereunder; (B) determine which non-U.S.-based Affiliates or operations (e.g., branches, representative offices) participate in the Plan or any type of Award hereunder; (C) modify the terms and conditions of any Awards made to such Employees, Directors, and/or Consultants, or with respect to such non-U.S.-based Affiliates or operations; and (D) establish sub-plans, modify methods of exercise, modify payment restrictions on sale or transfer of Shares and other terms and procedures to the extent deemed necessary or desirable by the Administrator to comply with Applicable Laws of the non-U.S. jurisdiction. The Administrator shall not, however, have the power or authority to amend the Plan with respect to the maximum aggregate number of Shares that may be issued under the Plan as set forth in Section 3(a), increase the Award limits as set forth in Sections 6, 7 and 8; or lengthen the term of an Option set forth in Section 6(d); and

(x) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

(c) *Effect of Administrator’s Decision.* All decisions, determinations and interpretations of the Administrator shall be conclusive and binding on all persons.

5. *Eligibility.* Non-Qualified Stock Options, Restricted Stock and Restricted Stock Units may be granted to Employees, Directors and Consultants, which awards need not be identical. Incentive Stock Options may be granted only to Employees. Employees providing services to an Affiliate that is not a Subsidiary are not eligible to receive Options, SARs or other “stock rights” within the meaning of Section 409A, unless (i) the Participant is not a U.S. Taxpayer or (ii) the Committee determines that the Option, SAR or stock right is exempt from, or may be granted in compliance with, Section 409A. An Employee, Director or Consultant who has been granted an Award may, if otherwise eligible, be granted additional Awards. Awards may be granted to such Employees, Directors and Consultants who are residing in foreign jurisdictions as the Administrator may determine from time to time. Designation of a Grantee in any year shall not require the Administrator to designate such person to receive an Award in any other year or, once designated, to receive the same type or amount of Award as granted to the Grantee in any other year.

## 6. Terms and Conditions of Options.

(a) *Designation of Option.* Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Non-Qualified Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares subject to Options designated as Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000, such excess Options, to the extent of the Shares covered thereby in excess of the foregoing limitation, will be treated as Non-Qualified Stock Options. For the purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted, and the Fair Market Value of the Shares will be determined as of the date the Option with respect to such Shares is granted.

(b) *Conditions of Option.* Subject to the terms of the Plan, the Administrator will determine the provisions, terms and conditions of each Option including, but not limited to, the Option vesting schedule, form of payment upon exercise of the Option and satisfaction of any performance criteria.

(c) *Individual Option Limit.* The maximum number of Shares with respect to which Options may be granted to any individual in any Fiscal Year shall be 4,000,000. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 13. To the extent required by Section 162(m) of the Code or the regulations thereunder, in applying the foregoing limitation with respect to an individual, if any Option is canceled, the canceled Option shall continue to count against the maximum number of Shares with respect to which Options may be granted to the individual. For this purpose, the repricing of an Option shall be treated as the cancellation of the existing Option and the grant of a new Option.

(d) *Term of Option.* The Administrator will determine the term of each Option in its sole discretion, provided the term of an Option will not be more than ten (10) years from the date of grant. Moreover, in the case of an Incentive Stock Option granted to a Grantee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement.

(e) *Option Exercise Price, Consideration and Taxes.*

(i) *Exercise Price.* The exercise price for an Option shall be as follows:

(A) In the case of an Incentive Stock Option:

(1) granted to an Employee who, at the time of the grant of such Incentive Stock Option owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant.

(2) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price will be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(B) In the case of a Non-Qualified Stock Option, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(C) Notwithstanding the foregoing, the Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) *Consideration.* Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise of an Option including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). In addition to any other types of consideration the Administrator may determine, unless otherwise provided in the Award Agreement, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following:

(A) cash;

(B) check;

(C) surrender of Shares (including withholding of Shares otherwise deliverable upon exercise of the Option) which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised (but only to the extent that such exercise of the Option would not result in an accounting compensation charge with respect to the Shares used to pay the exercise price unless otherwise determined by the Administrator);

(D) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale proceeds required to pay the exercise price; or

(E) any combination of the foregoing methods of payment.

(f) *Exercise of Option.*

(i) *Procedure for Exercise; Rights as a Stockholder.*

(A) Any Option granted hereunder will be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement.

(B) An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company or its designated agent (e.g., the exclusive, captive broker) in accordance with the terms of the Option, from the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company or its designated agent, or the appropriate exercise/sale transaction has been executed under subsection 6(e)(ii)(D) above. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to Shares subject to an Option, notwithstanding the exercise of an Option. The Company shall issue (or cause to be issued) such stock certificate in uncertificated form promptly upon exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate in uncertificated form is issued, except as provided in the Award Agreement or Section 13, below.

To the extent that reporting of United States taxable income with respect to an Option exercise under subsections 6(e)(ii) (A)-(C) above is based on the fair market value of the underlying Shares on the date of exercise, the Company shall use the Fair Market Value on the day the Option is deemed exercised in accordance with this Section 6(f)(B), that is the closing sales price (see Section 2(u)) on the day the written notice of exercise and full payment for the Shares (i.e., cashier's check, money order, Shares (pursuant to subsection 6(e)(ii)(C) above) or readily available funds) are received by the Company or its designated agent. In the case of an exercise under subsection 6(e)(ii)(D) above, the United States taxable income will be calculated using the actual sales price of the underlying Shares subject to the Option.

(ii) *Exercise of Option Following Termination of Employment, Director or Consulting Relationship.* In the event of termination of a Grantee's Continuous Status as an Employee, Director or Consultant with the Company for any reason other than disability or death (but not in the event of an Grantee's change of status from Employee to Consultant or from Consultant to Employee), such Grantee may, but only within ninety (90) days after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise his or her Option to the extent that the Grantee was entitled to exercise it at the date of such termination or to such other extent as may be determined by the Administrator. If the Grantee should die within ninety (90) days after the date of such termination, the Grantee's estate or the person who acquired the right to exercise the Option by bequest or inheritance may exercise the Option to the extent that the Grantee was entitled to exercise it at the date of such termination within five hundred forty-seven (547) days of the Grantee's date of death (but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement). In the event of a Grantee's change of status from Employee to Consultant, an Employee's Incentive Stock Option shall convert automatically to a Non-Qualified Stock Option on the ninety-first (91st) day following such change of status. Unless otherwise provided by the Administrator, if on the date of termination the Grantee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. To the extent that Grantee is not entitled to exercise the Option at the date of termination, or if Grantee does not exercise such Option to the extent so entitled within the time specified herein, the Option will terminate.

(iii) *Disability of Grantee.* In the event of termination of a Grantee's Continuous Status as an Employee, Director or Consultant as a result of his or her disability, Grantee may, but only within three hundred sixty-five (365) days from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination; provided, however, that if such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically convert to a Non-Qualified Stock Option on the day three (3) months and one day following such termination. Unless otherwise provided by the Administrator, if on the date of termination the Grantee is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. To the extent that Grantee is not entitled to exercise the Option at the date of termination, or if Grantee does not exercise such Option to the extent so entitled within the time specified herein, the Option will terminate.

(iv) *Death of Grantee.* In the event of the death of a Grantee, the Option may be exercised at any time within five hundred forty-seven (547) days following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement except as otherwise provided for in subsection (vi) below)), by the Grantee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Grantee was entitled to the Option at the date of death. If, at the time of death, the Grantee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan unless otherwise determined by the Administrator. If, after death, the Grantee's

estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate.

#### 7. *Restricted Stock.*

(a) *Grant of Restricted Stock.* Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Employees, Directors or Consultants in such amounts as the Administrator, in its sole discretion, will determine.

(b) *Restricted Stock Agreement.* Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Notwithstanding the foregoing, during any Fiscal Year no Grantee will receive more than an aggregate of 2,000,000 Shares of Restricted Stock. Unless the Administrator determines otherwise, Shares of Restricted Stock will be held by the Company as escrow agent until the restrictions on such Shares have lapsed.

(c) *Transferability.* Except as provided in this Section 7, Shares of Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated, or hypothecated until the end of the applicable Period of Restriction.

(d) *Other Restrictions.* The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) *Removal of Restrictions.* Except as otherwise provided in this Section 7, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction. The restrictions will lapse at a rate determined by the Administrator; provided, however, that Shares of Restricted Stock will not vest more rapidly than one-third (1/3rd) of the total number Shares of Restricted Stock subject to an Award each year from the date of grant (or, if applicable, the date a Grantee begins providing services to the Company or any of its Affiliates), unless the Administrator determines that the Award is to vest upon the achievement of performance criteria, provided the period for measuring such performance will cover at least twelve (12) months. After the grant of Restricted Stock, the Administrator, in its sole discretion, may reduce or waive any restrictions for such Restricted Stock.

(f) *Voting Rights.* During the Period of Restriction, Grantees holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) *Dividends and Other Distributions.* During the Period of Restriction, Grantees holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless otherwise provided by the Administrator. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) *Return of Restricted Stock to Company.* On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will automatically revert to the Company and again will become available for grant under the Plan.

#### 8. *Restricted Stock Units.*

(a) *Grant.* Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. Each Restricted Stock Unit grant will be evidenced by an Award Agreement that will specify such other terms and conditions as the Administrator, in its sole discretion, will determine, including all terms, conditions, and restrictions related to the grant, the number of Restricted Stock Units and the form of payout, which, subject to Section 8(d), may be left to the discretion of the Administrator. Notwithstanding the anything to the contrary in this subsection (a), during any Fiscal Year, no Grantee will receive more than an aggregate of 2,000,000 Restricted Stock Units.

(b) *Vesting Criteria and Other Terms.* The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Grantee. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Administrator in its discretion.

(c) *Earning Restricted Stock Units.* Upon meeting the applicable vesting criteria, the Grantee will be entitled to receive a payout as specified in the Award Agreement. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) *Form and Timing of Payment.* Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement; provided that payment of earned Restricted Stock Units will be made in no event later than the fifteenth (15th) day of the third month following the end of the latter of the calendar year or fiscal year in which such Restricted Stock Units vest. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination thereof. Shares represented by Restricted Stock Units that are fully paid in cash again will be available for grant under the Plan.

(e) *Cancellation.* On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

9. *Leaves of Absence.* Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Grantee will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the ninety-first (91st) day of such leave any Incentive Stock Option held by the Grantee will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Non-Qualified Stock Option.

10. *Transferability of Awards.* Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

11. *Performance Goals.* Awards of Restricted Stock and Restricted Stock Units may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Section 162(m) of the Code and may provide for a targeted level or levels of achievement ("*Performance Goals*") including cash flow; cash position; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings per Share; economic profit; economic value added; equity or stockholder's equity; free cash flow, free cash flow per Share, market share; net income; net profit; net sales; operating earnings; operating income; profit before tax; ratio of debt to debt plus equity; ratio of operating earnings to capital spending; return on net assets; sales growth; Share price; Share price performance relative to one or more peer companies; Share price performance relative to one or more indexes; total return to stockholders; or total return to stockholders relative to one or more peer companies or indexes. The Performance Goals for a Grantee will be determined by the Administrator based on the Company's tactical and strategic business objectives, which may differ from Grantee to Grantee and from Award to Award. Prior to the Determination Date, the Administrator will determine whether to make any adjustments to the calculation of any Performance Goal with respect to any Grantee for any significant or extraordinary events affecting the Company and both before and after taking into account equity based compensation charges. In all other respects, Performance Goals will be calculated in accordance with the Company's financial statements, generally accepted accounting principles, or under a methodology established by the Administrator prior to the issuance of an Award.

12. *Conditions Upon Issuance of Shares.*

(a) *Legal Compliance.* Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) *Investment Representations.* As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

13. *Adjustments.* Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, as well as the price per share of Common Stock covered by each such outstanding Award, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other similar event resulting in an increase or decrease in the number of issued shares of Common Stock. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

14. *Corporate Transactions/Changes in Control/Subsidiary Dispositions.*

(a) The Administrator shall have the authority, exercisable either in advance of any actual or anticipated Corporate Transaction, Change in Control or Subsidiary Disposition or at the time of an actual Corporate Transaction, Change in Control or Subsidiary Disposition and exercisable at the time of the grant of an Award under the Plan or any time while an Award remains outstanding, to provide for the full automatic vesting and exercisability of one or more outstanding unvested Awards under the Plan and the release from restrictions on transfer and repurchase or forfeiture rights of such Awards in connection with a Corporate Transaction, Change in Control or Subsidiary Disposition, on such terms and conditions as the Administrator may specify. The Administrator also shall have the authority to condition any such Award vesting and exercisability or release from such limitations upon the subsequent termination of the Continuous Status as an Employee or Consultant of the Grantee within a specified period following the effective date of the Change in Control or Subsidiary Disposition. The Administrator may provide that any Awards so vested or released from such limitations in connection with a Change in Control or Subsidiary Disposition, shall remain fully exercisable until the expiration or sooner termination of the Award. Effective upon the consummation of a Corporate Transaction, all outstanding Awards under the Plan shall terminate unless assumed by the successor company or its Parent.

(b) The portion of any Incentive Stock Option accelerated under this Section 14 in connection with a Corporate Transaction, Change in Control or Subsidiary Disposition shall remain exercisable as an Incentive Stock Option under the Code only to the extent the \$100,000 dollar limitation of Section 422(d) of the Code is not exceeded. To the extent such dollar limitation is exceeded, the accelerated excess portion of such Option shall be exercisable as a Non-Qualified Stock Option.

15. *Tax Withholding.*

(a) *Withholding Requirements.* Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Grantee to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Grantee's FICA obligation) required to be withheld with respect to such Award (or exercise thereof). The Company will have no obligation to permit exercise of an Award or to issue any Shares or cash pursuant to an Award, unless and until either the exercise of the Award or the issuance of Shares or cash pursuant thereto is accompanied by sufficient payment, as determined by the Company in its absolute discretion, to meet those withholding obligations on such exercise, issuance, lapse or disposition or other arrangements are made that are satisfactory to the Company in its absolute discretion to provide otherwise for such payment. The Company will have no liability to any Grantee or transferee for exercising the foregoing right not to permit exercise or issue or deliver Shares or cash.

(b) *Withholding Arrangements.* The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Grantee to satisfy such tax withholding obligation, in whole or in part (without limitation) by (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the amount required to be withheld, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the amount required to be withheld, or (iv) selling a sufficient number of Shares otherwise deliverable to the Grantee through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Grantee with respect to the Award on the date that the amount of tax to be withheld is to be determined. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

16. *Date of an Award.* The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination to grant such Award, or such other date as is determined by the Administrator. Notice of the grant determination will be given to each Grantee to whom an Award is so granted within a reasonable time after the date of such grant.

17. *Term of Plan.* Subject to Section 21 of the Plan, the term of the Plan shall remain in effect until August 11, 2024, unless terminated earlier under Section 18 of the Plan.

18. *Section 409A*

(a) The Company intends that any Awards be structured in compliance with, or to satisfy an exemption from, Section 409A, such that there are no adverse tax consequences, interest, or penalties as a result of the payments. Notwithstanding anything else to the contrary herein, if any Award is subject to Section 409A, the Administrator may, in its sole discretion and without a Grantee's prior consent, amend the Plan and/or Awards, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and actions with retroactive effect) as are necessary or appropriate to (i) exempt the Plan and/or any Award from the application of Section 409A, (ii) preserve the intended tax treatment of any such Award, or (iii) comply with the requirements of Section 409A, including without limitation any such regulations guidance, compliance programs and other interpretative authority that may be issued after the date of the grant.

(b) Notwithstanding any contrary provision in the Plan or Award Agreement, any payment(s) of nonqualified deferred compensation (within the meaning of Section 409A) that are otherwise required to be made under the Plan to a "specified employee" (as defined under Section 409A) as a result of his or her separation from service (other than a payment that is not subject to Section 409A) shall be delayed for the first six (6) months following such separation from service (or, if earlier, the date of death of the specified employee) and shall instead be paid (in a manner set forth in the Award Agreement) on the payment date that immediately follows the end of such six (6) month period or as soon as administratively practicable thereafter.

(c) A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan or any Award Agreement providing for the payment of any amounts or benefits that are considered nonqualified deferred compensation under Section 409A upon or following a termination of employment, unless such termination is also a "separation from service" within the meaning of Section 409A and the payment thereof prior to a "separation from service" would violate Section 409A. For purposes of any such provision of the Plan or any Award Agreement relating to any such payments or benefits, references to a "termination," "termination of employment" or like terms shall mean "separation from service".

19. *No Guarantees Regarding Tax Treatment.* Grantees (and their beneficiaries) shall be responsible for all taxes with respect to any Awards under the Plan. The Administrator and the Company make no guarantees to any person regarding the tax treatment of Awards or payments

made under the Plan. Neither the Administrator nor the Company has any obligation to take any action to prevent the assessment of any tax on any person with respect to any Award under Section 409A of the Code or otherwise and none of the Company, any of its Subsidiaries or Affiliates, or any of their employees or representatives shall have any liability to a Grantee with respect thereto.

20. *Unfunded Plan.* The Plan is intended to constitute an unfunded plan for incentive compensation. Prior to the issuance of Shares, cash or other form of payment in connection with an Award, nothing contained herein shall give any Grantee any rights that are greater than those of a general unsecured creditor of the Company. The Administrator may, but is not obligated, to authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares with respect to awards hereunder.

21. *Amendment, Suspension or Termination of the Plan.*

(a) The Administrator may at any time amend, suspend or terminate the Plan. To the extent required to comply with Applicable Laws, the Company shall obtain stockholder approval of any Plan amendment in such manner and to such a degree as required. Notwithstanding the foregoing, the Company shall, at all times, obtain stockholder approval prior to implementing any (i) exchange offer in which any outstanding Awards (or any other outstanding equity awards granted under any other plans listed in Section 3 (a)) would be cancelled in exchange for new Awards of any kind or (ii) offer to purchase any outstanding Awards (or any other outstanding equity awards granted under any other plans listed in Section 3(a)) for any amount of cash, in each case, based on a new valuation of the Awards (or any other outstanding equity awards granted under any other plans listed in Section 3(a)) subject to such offer after their original grant dates.

(b) No Award may be granted during any suspension of the Plan or after termination of the Plan.

(c) Any amendment, suspension or termination of the Plan shall not affect Awards already granted, and such Awards shall remain in full force and effect as if the Plan had not been amended, suspended or terminated, unless mutually agreed otherwise between the Grantee and the Administrator, which agreement must be in writing and signed by the Grantee and the Company.

22. *Reservation of Shares.*

(a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

(b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

23. *Stockholder Approval.* The Plan, as amended and restated on August 16, 2012, will be subject to approval by the stockholders of the Company within twelve (12) months after such date; provided that, in the event such approval is not obtained within twelve (12) months after such date, the Plan as in effect prior to August 16, 2012, shall continue in effect until August 11, 2015, unless terminated earlier under Section 21 of the Plan. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

24. *No Effect on Terms of Employment.* The Plan shall not confer upon any Grantee any right with respect to continuation of employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

25. *Electronic Delivery.* Any reference herein to a written agreement or document will include any agreement or document delivered electronically, filed publicly at [www.sec.gov](http://www.sec.gov) (or any successor website thereto) or posted on the Company's intranet.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Fiscal Year Ended June 27, 2015

OR

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

Commission File Number 001-34192



**MAXIM INTEGRATED PRODUCTS, INC.**

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

94-2896096  
(I.R.S. Employer  
Identification No.)

160 Rio Robles  
San Jose, California 95134  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (408) 601-1000

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.001 par value	The NASDAQ Global Select Market

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

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

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  Smaller Reporting Company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant based upon the closing price of the common stock on December 27, 2014 as reported by The NASDAQ Global Select Market was \$5,863,648,233. Shares of voting stock held by executive officers, directors and holders of more than 5% of the outstanding voting stock have been excluded from this calculation because such persons may be deemed to be affiliates. Exclusion of such shares should not be construed to indicate that any of such persons possesses the power, direct or indirect, to control the Registrant, or that any such person is controlled by or under common control with the Registrant.

Number of shares outstanding of the Registrant's Common Stock, \$.001 par value, as of August 7, 2015: 284,355,689.

**Documents Incorporated By Reference:**

(1) Items 10, 11, 12, 13 and 14 of Part III incorporate information by reference from the Proxy Statement for Maxim Integrated Products, Inc.'s 2015 Annual Meeting of Stockholders, to be filed subsequently.



# MAXIM INTEGRATED PRODUCTS

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Annual Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in Part I, Item 1A — Risk Factors and in Part II, Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations. These statements relate to, among other things, sales, gross margins, operating expenses, capital expenditures and requirements, liquidity, asset dispositions, product development and R&D efforts, manufacturing plans, pending litigation, effective tax rates, and tax reserves for uncertain tax positions, and are indicated by words or phrases such as “anticipate,” “expect,” “outlook,” “foresee,” “forecast,” “believe,” “should,” “could,” “intend,” “will,” “may,” “might,” “plan,” “seek,” “project,” and variations of such words and similar words or expressions. These statements involve risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. For a discussion of some of the factors that could cause actual results to differ materially from our forward-looking statements, see the discussion on “Risk Factors” that appears in Part I, Item 1A of this Annual Report and other risks and uncertainties detailed in this and our other reports and filings with the Securities and Exchange Commission (“SEC”). We undertake no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof and disclaim any obligation to do so except as required by applicable laws.

## PART I

### ITEM 1. BUSINESS

#### Overview

Maxim Integrated Products, Inc. (“Maxim Integrated” or the “Company” and also referred to as “we,” “our” or “us”) designs, develops, manufactures and markets a broad range of linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of customers in diverse geographical locations. The analog market is fragmented and characterized by diverse applications, numerous product variations and, with respect to many circuit types, relatively long product life cycles. Our objective is to develop and market both proprietary and industry-standard analog integrated circuits that meet the increasingly stringent quality and performance standards demanded by customers.

We are a Delaware corporation originally incorporated in California in 1983. The mailing address for our headquarters is 160 Rio Robles, San Jose, California 95134, and our telephone number is (408) 601-1000. Additional information about us is available on our website at [www.maximintegrated.com](http://www.maximintegrated.com). The contents of our website are not incorporated into this Annual Report.

We have a 52-to-53-week fiscal year that ends on the last Saturday in June. Accordingly, every fifth or sixth fiscal year will be a 53-week fiscal year. Fiscal years 2015, 2014 and 2013 were each 52-week fiscal years.

We make available through our website, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and any amendments to those reports or statements filed or furnished pursuant to the Exchange Act, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. We also use our Investor Relations website at [www.maximintegrated.com/company/investor](http://www.maximintegrated.com/company/investor) as a routine channel for distribution of other important information, such as news releases, analyst presentations and financial information. We assume no obligation to update or revise any forward-looking statements in this Annual Report, whether as a result of new information, future events or otherwise, unless we are required to do so by applicable laws. A copy of this Annual Report is available without charge and can be accessed at our website at [www.maximintegrated.com/company/investor](http://www.maximintegrated.com/company/investor).

#### The Mixed Signal Analog Integrated Circuit Market

All electronic signals generally fall into one of two categories, linear or digital. Linear (or analog) signals represent real world phenomena, such as temperature, pressure, sound, or speed, and are continuously variable over a wide range of values. Digital signals represent the “ones” and “zeros” of binary arithmetic and are either on or off.

Three general classes of semiconductor products arise from this distinction between linear and digital signals:

- digital devices, such as memories and microprocessors that operate primarily in the digital domain;
- linear devices, such as amplifiers, references, analog multiplexers and switches that operate primarily in the analog domain; and
- mixed-signal devices such as data converter devices that combine linear and digital functions on the same integrated circuit and interface between the analog and digital domains.

Our strategy has been to target both the linear and mixed-signal markets, often collectively referred to as the analog market. However, some of our products are exclusively or principally digital. While our focus continues to be on the linear and mixed signal market, our capabilities in the digital domain enable development of new mixed signal and other products with highly sophisticated digital characteristics.

We operate in one reportable segment — the design, development, marketing and manufacturing of a broad range of linear and mixed signal integrated circuits.

Our linear and mixed signal products serve five major end-markets, Automotive, Communications and Data Center, Computing, Consumer, and Industrial. These major end-markets and their corresponding market are noted in the table below:

MAJOR END-MARKET	MARKET
AUTOMOTIVE	Automotive
COMMUNICATIONS & DATA CENTER	Basestations Data Storage Network & Datacom Servers Telecom Other Communications
COMPUTING	Desktop Computers Notebook Computers Peripherals & Other Computer
CONSUMER	Smartphones Digital Cameras Handheld Computers Home Entertainment & Appliances Mobility & Fitness Wearables Other Consumer
INDUSTRIAL	Automatic Test Equipment Control & Automation Electronic Instrumentation Financial Terminals Medical Military & Aerospace Security Utility & Other Meters Other Industrial

## Product Quality

Based on industry standard requirements, we conduct reliability stress testing on the products we manufacture and sell. Through this testing, we can detect and accelerate the presence of defects that may arise over the life of a product. We employ a system addressing quality and reliability of our products from initial design through wafer fabrication, assembly, testing and final shipment. We have received ISO 9001/2, TS 16949 and ISO 14001 certifications for all wafer fabrication, assembly, final test and shipping facilities.

## Manufacturing

We utilize our own wafer fabrication facilities as well as third party foundries for the production of our wafers. The broad range of products demanded by the analog integrated circuit market requires multiple manufacturing process technologies. As a result, many different process technologies are currently used for wafer fabrication of our products. Historically, wafer fabrication of analog integrated circuits has not required state-of-the-art processing equipment, although newer processes do utilize and require such state-of-the-art facilities and equipment. In addition, hybrid and module products are manufactured using a complex multi-chip technology featuring thin-film, laser-trimmed resistors and other active or passive components. The majority of processed wafers are subject to parametric and functional testing at either our facilities or third party vendors.

During fiscal years 2015, 2014 and 2013, a majority of our own wafer production occurred at one of our three owned wafer fabrication facilities at Beaverton, Oregon, San Jose, California and San Antonio, Texas. During 2015, we concluded that maintaining operations in our San Jose, California wafer fabrication facility were no longer economically feasible. We anticipate the closure of the site to occur in our fiscal 2016 with related capacity and manufacturing requirements being transferred to our other existing manufacturing locations or to our third party service providers.

In fiscal year 2007, we entered into a supply agreement with Seiko Epson Corporation (“Epson”). In fiscal year 2010, we entered into a supply agreement with Powerchip Technology Corporation (“Powerchip”) and Maxchip Electronics Corp. (“Maxchip”) to provide 300mm and 200mm wafer capacity, respectively. Under these agreements, partner foundries (Epson, Powerchip and Maxchip) have manufactured some of the wafers required for our mixed-signal semiconductor products. These products are manufactured under rights and licenses using our proprietary technology at Epson’s fabrication facility located in Sakata, Japan and at Powerchip and Maxchip’s fabrication facilities in Hsinchu, Taiwan. In fiscal years 2015, 2014 and 2013, the products manufactured by our partner foundries, in addition to wafers manufactured at certain merchant foundries such as Taiwan Semiconductor Company Limited, represented 48%, 50% and 53%, respectively, of our total wafer production.

Once wafer manufacturing has been completed, wafers are sorted in order to determine which integrated circuits on each wafer are functional and which are defective. We currently perform the majority of wafer sorting, final testing and shipping activities at two facilities, located in Cavite, the Philippines and Chonburi Province, Thailand, although we also utilize independent subcontractors for some wafer sorting.

Where required, our wafer bump manufacturing facility located in Dallas, Texas is used to process wafers for products that utilize chip scale packaging (“CSP”) also known as wafer level packaging (“WLP”). CSP or WLP enables integrated circuits to be attached directly to a printed circuit board without the use of a traditional plastic package. In addition, we utilize independent subcontractors to perform wafer bump manufacturing to the extent we do not have the internal capacity or capabilities to perform such services. With the introduction of 300mm wafers into our manufacturing network, we have enabled subcontractors located in Taiwan to perform wafer bumping and testing of these wafers.

Integrated circuit assembly is performed by foreign assembly subcontractors, located in China, Japan, Malaysia, the Philippines, Taiwan, Thailand, Singapore and South Korea, where wafers are separated into individual integrated circuits and assembled into a variety of packages.

After assembly has been completed, the majority of the assembled product is shipped back to our facilities located in Cavite, the Philippines or Chonburi Province, Thailand, where the packaged integrated circuits undergo final testing and preparation for customer shipment. In addition, we utilize independent subcontractors to perform final testing.

We currently perform substantially all of our module assembly operations in our facility in Batangas, the Philippines. Our Philippines facility also performs wafer singulation and tape-and-reel of bumped (CSP or WLP) wafers. During 2015, we concluded that we would close down our operations in Batangas and move the activities discussed in the preceding sentence to our operations in Cavite, the Philippines. This movement, which we expect to occur in our fiscal 2016, will provide for improved efficiency and manufacturing time requirements as all activities will be performed in one consolidated location.

The majority of our finished products ship directly from either Cavite, the Philippines or Chonburi Province, Thailand to customers worldwide or to other Company locations for sale to end-customers or distributors.

## Customers, Sales and Marketing

We market our products worldwide through a direct-sales and applications organization and through our own and other unaffiliated distribution channels to a broad range of customers in diverse industries. Our products typically require a sophisticated technical sales and marketing effort. Our sales organization is divided into domestic and international regions. Distributors and direct customers generally buy on an individual purchase order basis, rather than pursuant to long-term agreements.

Certain distributors have agreements with us which allow for certain sales price rebates or price protection on certain inventory if we lower the price of those products. Certain distributor agreements also generally permit distributors to exchange a portion of certain purchases on a periodic basis. As is customary in the semiconductor industry, our distributors may also market other products that compete with our products.

Sales to certain international distributors are made under agreements which permit limited stock return privileges but not sales price rebates or price protection. The agreements generally permit distributors to exchange a portion of their purchases on a periodic basis. See “Critical Accounting Policies” in Part II, Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note 2 to the Consolidated Financial Statements included in Part IV, Item 15(a) of this Annual Report, which contains information regarding our revenue recognition policy.

We derived approximately 36% of our fiscal year 2015 revenue from sales made through distributors which includes distribution sales to Samsung and catalog distributors. Our primary distributor is Avnet Electronics which accounted for 19%, 17% and 14% of our revenues in fiscal years 2015, 2014 and 2013, respectively. Avnet, like our other distributors, is not an end customer, but rather serves as a channel of sale to many end users of our products. Sales to Samsung, our largest single end customer (through direct sales and distributors), accounted for approximately 15%, 20% and 28% of net revenues in fiscal years 2015, 2014 and 2013, respectively. No single customer (other than Avnet and Samsung) nor single product accounted for more than 10% of net revenues in fiscal years 2015, 2014 and 2013. Based on customers’ ship-to-locations, international sales accounted for approximately 88%, 87% and 88% of our net revenues in fiscal years 2015, 2014 and 2013, respectively. See Note 12: “Segment Information” in the Notes to Consolidated Financial Statements in Part IV, Item 15 of this Annual Report.

## Seasonality

Our revenue is generally influenced on a quarter to quarter basis by customer demand patterns and new product introductions. A large number of our products have been incorporated into consumer electronic products, which are subject to significant seasonality and fluctuations in demand.

## Foreign Operations

We conduct business in numerous countries outside of the United States (“U.S.”). Our international business is subject to numerous risks, including fluctuations in foreign currency exchange rates and controls, import and export controls, and other laws, policies and regulations of foreign governments. Refer to our discussion of risks related to our foreign operations as included in Item 1A, Risk Factors and our discussion of foreign income included in Item 7 under “Results of Operations” and Note 17 to the Consolidated Financial Statements included in this Annual Report.

## Backlog

At June 27, 2015 and June 28, 2014, our current quarter backlog was approximately \$366 million and \$377 million, respectively. Our current quarter backlog includes customer request dates to be filled within the next three months. As is customary in the semiconductor industry, these orders may be canceled in most cases without penalty to customers. In addition, backlog includes orders from certain domestic distributors for which revenues are not recognized until the products are sold by the distributors. Accordingly, we believe that our backlog is not a reliable measure of future revenues. All backlog numbers have been adjusted for estimated future U.S. distribution ship and debit pricing adjustments.

## Research and Development

We believe that research and development is critical to our future success. Objectives for the research and development function include:

- new product definition and development of differentiated products;
- design of products with performance differentiation that achieve high manufacturing yield and reliability;
- development of, and access to, manufacturing processes and advanced packaging;
- development of hardware and software to support the acceptance and design-in of our products in the end customer’s system; and
- development of high-integration products across multiple end markets.

Our research and development plans require engineering talent and tools for product definition, electronic design automation (“EDA”), circuit design, process technologies, test development, test technology, packaging development, software development and applications support. Research and development expenses were \$521.8 million, \$558.2 million and \$534.8 million in fiscal years 2015, 2014 and 2013, respectively. See “Research and Development” under Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, for more information.

## Competition

The mixed signal analog integrated circuit industry is intensely competitive, and virtually all major semiconductor companies presently compete with, or conceivably could compete with, some portion of our business.

We believe the principal elements of competition include:

- technical innovation;
- service and support;
- time to market;
- differentiated product performance and features;
- quality and reliability;
- product pricing and delivery capabilities;
- customized design and applications;
- business relationship with customers;
- experience, skill and productivity of employees and management; and
- manufacturing competence and inventory management.

Our principal competitors include, but are not limited to, Analog Devices, Inc., Intersil Corporation, Linear Technology Corporation, NXP Semiconductors NV, Semtech Corporation, Silicon Laboratories, Cirrus Logic, Inc. and Texas Instruments Inc. In addition, we compete with digital chipset providers, including Broadcom Corporation, Samsung Semiconductor, Inc., and Qualcomm Inc. We expect increased competition in the future from other emerging and established companies as well as through consolidation of our competitors within the semiconductor industry.

## **Patents, Licenses, and Other Intellectual Property Rights**

We rely upon both know-how and patents to develop and maintain our competitive position.

It is our policy to seek patent protection for significant inventions that may be patented, though we may elect, in certain cases, not to seek patent protection even for significant inventions if other protection, such as maintaining the invention as a trade secret, is considered by us to be more advantageous. In addition, we have registered certain of our mask sets under the Semiconductor Chip Protection Act of 1984, as amended. We hold a number of patents worldwide with expiration dates ranging from 2015 to 2033. We have also registered several of our trademarks and copyrights with the U.S. Patent and Trademark Office and in foreign jurisdictions.

## **Employees**

As of June 27, 2015, we employed 8,250 persons.

## **Environmental Regulations**

Our compliance with foreign, federal, state and local laws and regulations that have been enacted to regulate the environment has not had a material adverse effect on our capital expenditures, earnings, or competitive or financial position.

## **Executive Officers**

For information regarding our current executive officers, see Part III, Item 10 of this Annual Report.

## ITEM 1A. RISK FACTORS

*The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also adversely affect our business.*

***The sale of our products and our results of operations are dependent upon demand from the end markets of our customers, which is cyclical.***

The demand for our products is subject to the strength of the five major end-markets that we serve and to some extent the overall economic climate. We often experience decreases and increases in demand for our products primarily due to the end-market demand of our customers. Our business and results of operations may be adversely affected if demand for our products decreases or if we are unable to meet an increase in demand without significantly increasing the lead-time for the delivery of our products. The semiconductor market historically has been cyclical with periods of increased demand and rapid growth followed by periods of oversupply and subsequent contraction and subject to significant and often rapid increases and decreases in product demand. As a result, changes could have adverse effects on our results of operation.

***We are dependent on a few large customers for a substantial portion of our revenues, the loss of which could materially affect our revenues and results of operations.***

We depend on a few large customers for a substantial portion of our net revenues. Sales to Samsung, our largest single end customer (through direct sales and distributors), accounted for approximately 15%, 20% and 28% of net revenues in fiscal years 2015, 2014 and 2013, respectively. The delay, significant reduction in, or loss of, orders from large customers (including curtailments of purchases due to a change in the design, manufacturing or sourcing policies or practices of these customers or the timing of customer inventory adjustments) or demands of price concessions from large customers could have a material adverse effect on our net revenues and results of operations.

***Incorrect forecasts, reductions, cancellations or delays in orders for our products and volatility in customer demand could adversely affect our results of operations.***

As is customary in the semiconductor industry, customer orders may be canceled in most cases without penalty to the customers. Some customers place orders that require us to manufacture products and have them available for shipment, even though the customer may be unwilling to make a binding commitment to purchase all, or even any, of the products. In other cases, we manufacture products based on forecasts of customer demands. As a result, we may incur inventory and manufacturing costs in advance of anticipated sales and are subject to the risk of cancellations of orders, potentially leading to an initial inflation of backlog followed by a sharp reduction. In addition, backlog includes orders from certain domestic distributors for which revenues are not recognized until the ordered products are sold by the distributors. Because of the possibility of order cancellation, backlog should not be used as a measure of future revenues. Furthermore, canceled or unrealized orders, especially for products meeting unique customer requirements, may also result in an inventory of unsaleable products, causing potential inventory write-offs, some of which could be substantial and could have a material adverse effect on our gross margins and results of operations.

***Our operating results may be adversely affected by increased competition and consolidation of competitors in our market.***

The semiconductor industry has experienced significant consolidation within the last twelve months. As a result, we experience intense competition from a number of companies, some of which have significantly greater financial, manufacturing, and marketing resources than us, as well as greater technical resources and proprietary intellectual property rights than us. The principal elements of competition include product performance, functional value, quality and reliability, technical service and support, price, diversity of product line, and sale of integrated system solutions which combine the functionality of multiple chips on one chip for a price as part of a complete system solution and delivery capabilities. We believe we compete favorably with respect to these factors, although we may be at a disadvantage in comparison to companies with broader product lines, greater technical service and support capabilities and larger research and development budgets. We may be unable to compete successfully in the future against existing or new competitors and our operating results may be adversely affected by increased competition or our inability to timely develop new products to meet the needs of our customers.

***Our operating results may be adversely affected by our inability to timely develop new products through our research and development efforts. We may be unsuccessful in developing and selling new products necessary to maintain or expand our business.***

The marketplace for our products is constantly changing and we are required to make substantial ongoing investments in our research and development. The semiconductor industry is characterized by rapid technological change, variations in manufacturing efficiencies of new products, and significant expenditures for capital equipment and product development. New product introductions are a critical factor for maintaining or increasing future revenue growth and sustained or increased profitability. However, they can present significant business challenges because product development commitments and expenditures must be made well in advance of the related revenues. The success of a new product depends on a variety of factors including accurate forecasts of long-term market demand and future technological developments,

accurate anticipation of competitors' actions and offerings, timely and efficient completion of process design and development, timely and efficient implementation of manufacturing and assembly processes, product performance, quality and reliability of the product, and effective marketing, revenue and service.

***Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.***

Many of our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products developed by major systems manufacturers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards or requirements, we could miss opportunities to achieve crucial design wins which in turn could have a material adverse effect on our business, operations and financial results.

***Our results of operations could be adversely affected by warranty claims and product liability.***

We face an inherent risk of exposure to product liability suits in connection with reliability problems or other product defects that may affect our customers. Our products are used by a variety of industries, including the automotive and medical industries. Failure of our products to perform to specifications, or other product defects, could lead to substantial damage to both the end product in which our device has been placed and to the user of such end product. Although we take measures to protect against product defects, if a product liability claim is brought against us, the cost of defending the claim could be significant and any adverse determination could have a material adverse effect on our results of operations.

***We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively.***

We rely upon know-how, trade secrets, and patents to develop and maintain our competitive position. There can be no assurance that others will not develop or patent similar technology or reverse engineer our products or that the confidentiality agreements upon which we rely will be adequate to protect our interests. Moreover, the laws of some foreign countries generally do not protect proprietary rights to the same extent as the United States, and we may encounter problems in protecting our proprietary rights in those foreign countries. Periodically, we have been asked by certain prospective customers to provide them with broad licenses to our intellectual property rights in connection with the sale of our products to them. Such licenses, if granted, may have a negative impact on the value of our intellectual property portfolio. Other companies have obtained patents covering a variety of semiconductor designs and processes, and we could be required to obtain licenses under some of these patents or be precluded from making and selling the infringing products, if such patents are valid and other design and manufacturing solutions are not available. There can be no assurance that we would be able to obtain licenses, if required, upon commercially reasonable terms or at all.

***We may suffer losses and business interruption if our products infringe the intellectual property rights of others.***

In the past, it has been common in the semiconductor industry for patent holders to offer licenses on reasonable terms and rates. Although the practice of offering licenses appears to be generally continuing, in some situations, typically where the patent directly relates to a specific product or family of products, patent holders have refused to grant licenses. In any of those cases, there can be no assurance that we would be able to obtain any necessary license on terms acceptable to us, if at all, or that we would be able to re-engineer our products or processes in a cost effective manner to avoid infringement. Any litigation in such a situation could involve an injunction to prevent the sales of a material portion of our products, the reduction or elimination of the value of related inventories and the assessment of a substantial monetary award for damages related to past sales, all of which could have a material adverse effect on our results of operations and financial condition.

***We may experience losses related to intellectual property indemnity claims.***

We provide intellectual property indemnification for certain customers, distributors, suppliers and subcontractors for attorney fees and damages and costs awarded against these parties in certain circumstances in which our products are alleged to infringe third party intellectual property rights, including patents, registered trademarks and copyrights. In certain cases, there are limits on and exceptions to our potential liability for indemnification relating to intellectual property infringement claims. We cannot estimate the amount of potential future payments, if any, that we might be required to make as a result of these agreements. To date, we have not been required to pay significant amounts for intellectual property indemnification claims. However, there can be no assurance that we will not have significant financial exposure under those intellectual property indemnification obligations in the future.

***If we fail to attract and retain qualified personnel, our business may be harmed.***

Our success depends to a significant extent upon the continued service of our chief executive officer, our other executive officers, and key management and technical personnel, particularly our experienced engineers and business unit managers, and on our ability to continue to attract, retain, and motivate qualified personnel. The loss of the services of one or several of our executive officers could have a material adverse effect on our company. In addition, we could be materially adversely affected if the turnover rates for engineers and other key personnel

increases significantly or we are unsuccessful in attracting, motivating and retaining qualified personnel. Should we lose one or more engineers who are key to a project's completion during the course of a particular project, the completion of such project may be delayed which could negatively affect customer relationships and goodwill and have a material adverse effect on our results of operations.

***Exiting certain product lines or businesses, or restructuring our operations, may adversely affect certain customer relationships and produce results that differ from our intended outcomes.***

The nature of our business requires strategic changes from time to time, including restructuring our operations, divesting and consolidating certain product lines and businesses. For example, we recently announced our intention to transfer our wafer manufacturing facility in San Antonio, Texas to a foundry partner and to close our wafer level packaging ("WLP") manufacturing facility in Dallas, Texas. If we are unable to transfer the factory in San Antonio or to timely shut down our WLP factory or otherwise exit product lines and businesses, or to close or consolidate operations, depends on a number of factors, many of which are outside of our control. If we are unable to exit a product line or business in a timely manner, or to restructure our operations in a manner we deem to be advantageous, this could have a material adverse effect on our business, financial condition and results of operations. Even if a divestment is successful, we may face indemnity and other liability claims by the acquirer or other parties.

***Our manufacturing operations may be interrupted or suffer yield problems.***

Given the nature of our products, it would be time consuming, difficult, and costly to arrange for new manufacturing facilities to supply such products. Any prolonged inability to utilize one of our or a third party's manufacturing facilities due to damages resulting from fire, natural disaster, unavailability of electric power, labor unrest, political conditions or other causes, could have a material adverse effect on our results of operations and financial condition.

The manufacture and design of integrated circuits is highly complex. We may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, equipment malfunctioning, construction delays, upgrading or expanding existing facilities, changing our process technologies, or new technology qualification delays, particularly in our internal fabrication facilities, any of which could result in a loss of future revenues or increases in fixed costs. To the extent we do not achieve acceptable manufacturing yields or we experience delays in wafer fabrication, our results of operations could be adversely affected. In addition, operating expenses related to increases in production capacity may adversely affect our operating results if revenues do not increase proportionately.

***Our dependence on subcontractors for assembly, test, freight, wafer fabrication and logistic services and certain manufacturing services may cause delays beyond our control in delivering products to our customers.***

We rely on subcontractors located in various parts of the world for assembly and CSP packaging services, freight and logistic services, wafer fabrication and sorting and testing services. None of the subcontractors we currently use are affiliated with us. Reliability problems experienced by our subcontractors or the inability to promptly replace any subcontractor could cause serious problems in delivery and quality resulting in potential product liability to us. Such problems could impair our ability to meet our revenue plan in the fiscal year period impacted by the disruption. Failure to meet the revenue plan may materially adversely impact our results of operations.

Any disruptions in our sort, assembly, test, freight and logistic operations or in the operations of our subcontractors, including, but not limited to, the inability or unwillingness of any of our subcontractors to produce or timely deliver adequate supplies of processed wafers, integrated circuit packages or tested products conforming to our quality standards, or other required products or services could damage our reputation, relationships and goodwill with customers. Furthermore, finding alternate sources of supply or initiating internal wafer processing for these products may not be economically feasible.

***Shortage of raw materials or supply disruption of such raw materials could harm our business.***

The semiconductor industry has experienced a large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor, solar and other manufacturers, availability of certain basic materials and supplies, and of subcontract services, has been limited from time to time over the past several years, and could come into short supply again if overall industry demand exceeds the supply of these materials and services in the future.

We purchase materials and supplies from many suppliers, some of which are sole-sourced. If the availability of these materials and supplies is interrupted, we may not be able to find suitable replacements. In addition, from time to time natural disasters can lead to a shortage of some materials due to disruption of the manufacturer's production. We continually strive to maintain availability of all required materials, supplies and subcontract services. However, we do not have long-term agreements providing for all of these materials, supplies and services, and shortages could occur as a result of capacity limitations or production constraints on suppliers that could have a material adverse effect on our ability to achieve our production requirements.

***Extensions in lead-time for delivery of products could adversely affect our future growth opportunities and results of operations.***

Supply constraints, which may include limitations in manufacturing capacity, could impede our ability to grow revenues and meet increased customer demands for our products. Our results of operations may be adversely affected if we fail to meet such increase in demand for our products without significantly increasing the lead-time required for our delivery of such products. Any significant increase in the lead-time for delivery of products may negatively affect our customer relationships, reputation as a dependable supplier of products and ability to obtain future design wins, while potentially increasing order cancellations, aged, unsaleable or otherwise unrealized backlog, and the likelihood of our breach of supply agreement terms. Any of the foregoing factors could negatively affect our future revenue growth and results of operations.

***We may be liable for additional production costs and lost revenues to certain customers with whom we have entered into customer supply agreements if we are unable to meet certain product quantity and quality requirements.***

We enter into contracts with certain customers whereby we commit to supply quantities of specified parts at a predetermined scheduled delivery date. The number of such arrangements continues to increase as this practice becomes more commonplace. Should we be unable to supply the customer with the specific part at the quantity and product quality desired and on the scheduled delivery date, the customer may incur additional production costs. In addition, the customer may lose revenues due to a delay in receiving the parts necessary to have the end-product ready for sale to its customers or due to product quality issues. Under certain customer supply agreements, we may be liable for direct additional production costs or lost revenues. If products are not shipped on time or are quality deficient, we may be liable for penalties and resulting damages. Such liability, should it arise, and/or our inability to meet these commitments to our customers may have a material adverse impact on our results of operations and financial condition and could damage our relationships, reputation and goodwill with the affected customers.

***If we fail to enter into future vendor managed inventory arrangements or fail to supply the specific product or quantity under such arrangements, the results of our operations and financial condition may be materially adversely impacted.***

We enter into arrangements with certain original equipment manufacturers (“OEMs”) and Electronic Manufacturing Services (“EMS”) partners to consign quantities of certain products within close proximity of the OEMs and EMS partners’ manufacturing location. The inventory is physically segregated at these locations and we retain title and risk of loss related to this inventory until such time as the OEM or EMS partner pulls the inventory for use in its manufacturing process. Once the inventory is pulled by the OEM or EMS partner, title and risk of loss pass to the customer, at which point we relieve inventory and recognize revenue and the related cost of goods sold. The specific quantities to be consigned are based on a forecast provided by the OEM or EMS partner. Generally, the arrangements with the OEMs and EMS partners provide for transfer of title and risk of loss once product has been consigned for a certain length of time.

We believe these arrangements will continue to grow in terms of number of customers and products and will increase in proportion to consolidated net revenues. Should we be unable or unwilling to enter into such agreements as requested by OEMs or EMS partners, our results of operations may be materially adversely impacted. In addition, should we be unable to supply the specific product in the quantity needed by the OEM or EMS partner as reflected in their forecast, we may be liable for damages, including, but not limited to, lost revenues and increased production costs which could have a material adverse impact on our results of operations and financial condition. Should we supply product in excess of the OEM or EMS partners actual usage, any inventory not consumed may become excess or obsolete, which would result in an inventory write off that could materially adversely affect our results of operations.

***Our critical information systems are subject to attacks, interruptions and failures.***

We rely on several information technology systems to provide products and services, process orders, manage inventory, process shipments to customers, keep financial, employee and other records, and operate other critical functions. We currently have, and are in the process of developing several more, systems and procedures that include, among other things, ongoing internal risk assessments to identify vulnerabilities, the creation of an internal group dedicated to reviewing cybersecurity threats, and the adoption of an information security policy. Despite our efforts to mitigate risks associated with cybersecurity events, our information technology systems may be susceptible to adaptive persistent threats (“APT”), catastrophic cybersecurity attacks, damage, disruptions or shutdowns due to power outages, hardware failures, computer malware and viruses, telecommunication failures, user errors, or other unforeseen events. Risks associated with these threats include, but are not limited to, loss of intellectual property, impairment of our ability to conduct our operations, disruption of our customers’ operations, loss or damage to our customer data delivery systems, and increased costs to prevent, respond to or mitigate catastrophic cybersecurity events. A prolonged systemic disruption in the information technology systems could result in the loss of sales and customers and significant consequential costs, which could adversely affect our business. In addition, cybersecurity breaches of our information technology systems could result in the misappropriation or unauthorized disclosure of confidential information belonging to us or to our customers, partners, suppliers, or employees which could result in our suffering significant financial or reputational damage.

***We may encounter difficulties in the implementation of a new global execution system, which may adversely affect our operations and financial reporting.***

We are in the process of implementing in phases a new global execution system (“GES”) as part of our efforts to integrate inventory movement with our financial reporting system. Any difficulties in the implementation or operation of GES could disrupt our supply chain execution which may lead to our inability to effectively supply products to our customers. Such developments could materially adversely affect our results of operations and financial reporting.

***Material impairments of our goodwill or intangible assets could adversely affect our results of operations.***

Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise or upon the disposition of a significant portion of a reporting unit. The review compares the fair value for each reporting unit to its associated book value including goodwill. A decrease in the fair value associated with a reporting unit resulting from, among other things, unfavorable changes in the estimated future discounted cash flow of the reporting unit, may require us to recognize impairments of goodwill. Most of our intangible assets are amortized over their estimated useful lives, but they are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the future undiscounted cash flows expected to result from the use of the intangible asset and its eventual disposition is less than the carrying amount of the asset, we would recognize an impairment loss to the extent the carrying amount of the asset exceeds its fair value.

***Our operating results may be adversely affected by unfavorable economic and market conditions.***

The global economic environment could subject us to increased credit risk should customers be unable to pay us, or delay paying us, for previously purchased products. Accordingly, reserves for doubtful accounts and write-offs of accounts receivable may increase. In addition, weakness in the market for end users of our products could harm the cash flow of certain of our distributors and resellers who could then delay paying their obligations to us or experience other financial difficulties. This would further increase our credit risk exposure and potentially cause delays in our recognition of revenue on sales to these customers.

If economic or market conditions deteriorate globally, in the United States or in other key markets, our business, operating results, and financial condition may be materially and adversely affected.

***Our quarterly operating results may fluctuate, which could adversely impact our common stock price.***

We believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicators of future performance. Our operating results have in the past been, and will continue to be, subject to quarterly fluctuations as a result of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include, but are not limited to, the following:

- Fluctuations in demand for our products and services;
- Loss of a significant customer or significant customers electing to purchase from another supplier;
- Reduced visibility into our customers’ spending plans and associated revenue;
- The level of price and competition in our product markets;
- Our pricing practices, including our use of available information to maximize pricing potential;
- The impact of the uncertain economic and credit environment on our customers, channel partners, and suppliers, including their ability to obtain financing or to fund capital expenditures;
- The overall movement toward industry consolidations among our customers and competitors;
- Below industry-average growth of the non-consumer segments of our business;
- Announcements and introductions of new products by our competitors;
- Deferrals of customer orders in anticipation of new products or product enhancements (introduced by us or our competitors);
- Our ability to meet increases in customer orders in a timely manner;
- Striking an appropriate balance between short-term execution and long-term innovation;
- Our ability to develop, introduce, and market new products and enhancements and market acceptance of such new products and enhancements; and
- Our levels of operating expenses.

***Our stock price may be volatile.***

The market price of our common stock may be volatile and subject to wide fluctuations. Fluctuations have occurred and may continue to occur in response to various factors, many of which are beyond our control.

In addition, the market prices of securities of technology companies, including those in the semiconductor industry, generally have been and remain volatile. This volatility has significantly affected the market prices of securities of many technology companies for reasons frequently unrelated to the operating performance of the specific companies. If our actual operating results or future forecasted results do not meet the

expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, the market price of our common stock may decline. Accordingly, you may not be able to resell shares of our common stock at a price equal to or higher than the price you paid for them.

Due to the nature of our compensation programs, some of our executive officers sell shares of our common stock each quarter or otherwise periodically, including pursuant to trading plans established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Regardless of the reasons for such sales, analysts and investors could view such actions in a negative light and the market price of our stock could be adversely affected as a result of such periodic sales.

***Our independent distributors and sales representatives may terminate their relationship with us or fail to make payments on outstanding accounts receivable to us, which would adversely affect our financial results.***

A portion of our sales is realized through independent electronics distributors that are not under our direct control. These independent sales organizations generally represent product lines offered by several companies and thus could reduce their sales efforts applied to our products or terminate their distribution relationship with us. In fiscal 2015, 36% of our revenues were generated from distributors the largest of which was Avnet, our primary world-wide distributor, which accounted for 19% of our revenues. We require certain foreign distributors to provide a letter of credit to us in an amount up to the credit limit set for accounts receivable from such foreign distributors. The letter of credit provides for collection on accounts receivable from the foreign distributor should the foreign distributor default on their accounts receivable to us. Where credit limits have been established above the amount of the letter of credit, we are exposed for the difference. We do not require letters of credit from any of our domestic distributors and are not contractually protected against accounts receivable default or bankruptcy by these distributors. The inability to collect open accounts receivable could adversely affect our results of operations and financial condition. Termination of a significant distributor, whether at our or the distributor's initiative, could be disruptive and harmful to our current business.

***Our financial results may be adversely affected by increased tax rates and exposure to additional tax liabilities.***

A number of factors may increase our future effective tax rates, including, but not limited to:

- the jurisdictions in which profits are determined to be earned and taxed;
- changes in our global structure that involve an increased investment in technology outside of the United States to better align asset ownership and business functions with revenues and profits;
- the resolution of issues arising from tax audits with various tax authorities, and in particular, the outcome of the pending Internal Revenue Service audit of our tax returns for fiscal years 2009-2011;
- changes in the valuation of our deferred tax assets and liabilities;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including impairments of goodwill in connection with acquisitions;
- changes in available tax credits;
- changes in share-based compensation;
- changes in tax laws or the interpretation of such tax laws, including the Base Erosion and Profit Shifting (“BEPS”) project being conducted by the Organization for Economic Co-operation and Development (“OECD”);
- changes in generally accepted accounting principles; and
- the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes.

We are subject to taxation in various countries and jurisdictions. Significant judgment is required to determine tax liabilities on a worldwide basis. Any significant increase in our future effective tax rates could reduce net income for future periods and may have a material adverse impact on our results of operations.

***Political conditions could materially affect our revenues and results of operations.***

We are subject to the political and legal risks inherent in international operations. Exposure to political instabilities, different business policies and varying legal standards could impact economic activity, which in turn could lead to a contraction of customer demand or a disruption in our operations. We have been impacted by these problems in the past, but none have materially affected our results of operations. Problems in the future or not-yet-materialized consequences of past problems could affect deliveries of our products to our customers, possibly resulting in substantially delayed or lost sales and/or increased expenses that cannot be passed on to customers.

***Environmental, safety and health laws and regulations could force us to expend significant capital and incur substantial costs.***

Various foreign and domestic federal, state, and local government agencies impose a variety of environmental, safety and health laws and regulations on the storage, handling, use, discharge and disposal of certain chemicals, gases and other substances used or produced in the semiconductor manufacturing process. Historically, compliance with these regulations has not had a material adverse effect on our capital expenditures, earnings, or competitive or financial position. There can be no assurance, however, that interpretation and enforcement of current or future environmental, safety and health laws and regulations will not impose costly requirements upon us. Any failure by us to adequately

control the storage, handling, use, discharge or disposal of regulated substances could result in fines, suspension of production, alteration of wafer fabrication processes and legal liability, which may materially adversely impact our financial condition, results of operations or liquidity.

***Employee health benefit costs may negatively impact our profitability.***

With a large number of employees participating in our health benefit plans, our expenses relating to employee health benefits are substantial. In past years, we have experienced significant increases in certain of these costs, largely as a result of economic factors beyond our control, including, in particular, ongoing increases in health care costs well in excess of the rate of inflation. While we have attempted to control these costs in recent years, there can be no assurance that we will be as successful in controlling such costs in the future. Continued increases in health care costs, as well as changes in laws, regulations and assumptions used to calculate health and benefit expenses, may adversely affect our business, financial position and results of operations.

***Business interruptions from natural disasters could harm our ability to produce products.***

We operate our business in worldwide locations. Some of our facilities and those of our subcontractors are located in geologically unstable areas of the world and are susceptible to damage from natural disasters. In the event of a natural disaster, we may suffer a disruption in our operations that could adversely affect our results of operations.

***Our financial condition, operations and liquidity may be materially adversely affected in the event of a catastrophic loss for which we are self-insured.***

We are primarily self-insured with respect to many of our commercial risks and exposures. Based on management's assessment and judgment, we have determined that it is generally more cost effective to self-insure these risks. The risks and exposures we self-insure include, but are not limited to, fire, property and casualty, natural disasters, product defects, political risk, general liability, theft, counterfeits, patent infringement, certain employment practice matters and medical benefits for many of our U.S. employees. Should there be catastrophic loss from events such as fires, explosions or earthquakes or other natural disasters, among many other risks, or adverse court or similar decisions in any area in which we are self-insured, our financial condition, results of operations and liquidity may be materially adversely affected.

***We may pursue acquisitions and investments that could harm our operating results and may disrupt our business.***

We have made and will continue to consider making strategic business investments, alliances and acquisitions we consider necessary or desirable to gain access to key technologies that we believe will complement our existing technical capability and support our business model objectives. Acquisitions, alliances and investments involve risks and uncertainties that may negatively impact our future financial performance and result in an impairment of goodwill. If integration of our acquired businesses is not successful, we may not realize the potential benefits of an acquisition or suffer other adverse effects that we currently do not foresee. We may also need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions.

Any of the foregoing, and other, factors could harm our ability to achieve anticipated levels of profitability from acquired businesses or to realize other anticipated benefits of acquisitions. In addition, because acquisitions of high technology companies are inherently risky, no assurance can be given that our previous or future acquisitions will be successful and will not adversely affect our business, operating results, or financial condition.

***Our debt covenants may limit us from engaging in certain transactions or other activities.***

We have entered into debt arrangements that contain certain covenants. The debt indentures that govern our outstanding notes include covenants that limit our ability to grant liens on its facilities and to enter into sale and leaseback transactions, which could limit our ability to secure additional debt funding in the future. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the notes, we would be required to make an offer to repurchase the affected notes at a purchase price greater than the aggregate principal amount of such notes, plus accrued and unpaid interest. Our ability to repurchase the notes in such events may be limited by our then-available financial resources or by the terms of other agreements to which we are a party. Although we currently have the funds necessary to retire this debt, funds might not be available to repay the notes when they become due in the future.

We have access to a revolving credit facility with certain institutional lenders. The credit agreement requires us to comply with certain covenants, including a requirement that we maintain a minimum debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) ratio and a minimum interest coverage ratio (EBITDA divided by interest expense). We remain subject to these covenants although we have not borrowed any amounts from this credit facility as it may be necessary or appropriate to do so in the future.

***We may be materially adversely affected by currency fluctuations or changes in trade policies.***

We conduct our manufacturing and other operations in various worldwide locations. A portion of our operating costs and expenses at foreign locations are paid in local currencies. Many of the materials used in our products and much of the manufacturing process for our products are supplied by foreign companies or by our foreign operations, such as our test operations in the Philippines and Thailand. Approximately 88%, 87% and 88% of our net revenues in fiscal years 2015, 2014 and 2013, respectively, were from international sales. Accordingly, both manufacturing and sales of our products may be adversely affected by political or economic conditions abroad. In addition, various forms of

protectionist trade legislation are routinely proposed in the United States and certain foreign countries. A change in current tariff structures or other trade policies could adversely affect our foreign manufacturing or marketing strategies. Currency exchange fluctuations could also decrease revenue and increase our operating costs, the cost of components manufactured abroad, and the cost of our products to foreign customers, or decrease the costs of products produced by our foreign competitors.

***We are subject to a variety of domestic and international laws and regulations, including the use of “conflict minerals”, U.S. Customs and Export Regulations, and the Foreign Corrupt Practices Act.***

Pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC has promulgated new disclosure requirements for manufacturers of products containing certain minerals that are mined from the Democratic Republic of Congo and adjoining countries. These “conflict minerals” are commonly found in metals used in the manufacture of semiconductors. Manufacturers are also required to disclose their efforts to prevent the sourcing of such minerals and metals produced from them. The implementation of these new regulations may limit the sourcing and availability of some of the metals used in the manufacture of our products. The regulations may also reduce the number of suppliers who provide conflict-free metals, and may affect our ability to obtain products in sufficient quantities or at competitive prices. Finally, some of our customers may elect to disqualify us as a supplier if we are unable to verify that the metals used in our products are free of conflict minerals.

Among other laws and regulations, we are also subject to U.S. Customs and Export Regulations, including U.S. International Traffic and Arms Regulations and similar laws, which collectively control import, export and sale of technologies by companies and various other aspects of the operation of our business, and the Foreign Corrupt Practices Act and similar anti-bribery laws, which prohibit companies from making improper payments to government officials for the purposes of obtaining or retaining business. While our Company policies and procedures mandate compliance with such laws and regulations, there can be no assurance that our employees and agents will always act in strict compliance. Failure to comply with such laws and regulations may result in civil and criminal enforcement, including monetary fines and possible injunctions against shipment of product or other activities of the Company, which could have a material adverse impact on our results of operations and financial condition.

***Our certificate of incorporation contains certain anti-takeover provisions that may discourage, delay or prevent a hostile change in control of our company.***

Our certificate of incorporation permits our Board of Directors to authorize the issuance of up to 2,000,000 shares of preferred stock and to determine the rights, preferences and privileges and restrictions applicable to such shares without any further vote or action by our stockholders. Any such issuance might discourage, delay or prevent a hostile change in control of our company.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Our worldwide headquarters is in San Jose, California. Manufacturing and other operations are conducted in several locations worldwide. The following table provides certain information regarding our principal offices and manufacturing facilities at June 27, 2015:

Principal Properties Owned	Use(s)	Approximate Floor Space (sq. ft.)
San Jose, California	Corporate headquarters, office space, engineering, manufacturing, administration, customer services, shipping and other	435,000
San Jose, California *	Wafer fabrication, office space and administration	78,000
N. Chelmsford, Massachusetts	Engineering, office space and administration	30,000
Beaverton, Oregon	Wafer fabrication, engineering, office space and administration	221,000
Farmers Branch, Texas	Office space, engineering, manufacturing, administration, bump facility, customer service, warehousing, shipping, and other (49,000 sq. ft. are not being utilized currently)	507,000
San Antonio, Texas	Wafer fabrication, office space and administration	389,000
Cavite, the Philippines	Manufacturing, engineering, administration, office space, customer service, shipping and other	489,000
Batangas, the Philippines *	Manufacturing, engineering, office space and other	80,000
Chonburi Province, Thailand	Manufacturing, engineering, administration, office space, customer service, shipping and other	144,000
Chandler, Arizona	Office space, engineering and test	65,000

Principal Properties Leased	Use(s)	Approximate Floor Space (sq. ft.)
Hillsboro, Oregon *	Engineering, testing, office space and administration	325,000
Dublin, Ireland	Office space, administration and customer services	26,000
Colorado Springs, Colorado	Office space, engineering, and administration	24,000
Irvine, California	Office space, engineering, and administration	32,000
Rozanno, Italy	Office space, engineering, administration and other	32,000
Bangalore, India	Office space, engineering, administration and other	35,000

\* During fiscal year 2015, we commenced activities to close down the operations in our San Jose, California fabrication facility, our Hillsboro, Oregon testing site, and our Batangas, the Philippines manufacturing site. We anticipate that the closure of these sites will occur in our fiscal year 2016 with related capacity and manufacturing requirements being transferred to our other existing manufacturing locations or alternatively to our third party subcontractors. In addition, we intend to transfer our wafer manufacturing facility in San Antonio, Texas to a foundry partner in fiscal year 2016 and to close our wafer level packaging manufacturing facility in Dallas, Texas by fiscal year 2018.

In addition to the property listed in the above table, we also lease sales, engineering, administration and manufacturing offices and other premises at various locations in the United States and internationally under operating leases, none of which are material to our future cash flows. These leases expire at various dates through 2029. We anticipate no difficulty in retaining occupancy of any of our other manufacturing, office or sales facilities through lease renewals prior to expiration or through month-to-month occupancy or in replacing them with equivalent facilities.

We expect these facilities to be adequate for our business purposes through at least the next 12 months.

### ITEM 3. LEGAL PROCEEDINGS

#### *Legal Proceedings*

We are party or subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including proceedings and claims that relate to intellectual property matters. While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized or reserved, if any.

#### *Indemnifications*

We indemnify certain customers, distributors, suppliers and subcontractors for attorney fees, damages and costs awarded against such parties in certain circumstances in which our products are alleged to infringe third party intellectual property rights, including patents, registered trademarks or copyrights. The terms of our indemnification obligations are generally perpetual from the effective date of the agreement. In certain cases, there are limits on and exceptions to our potential liability for indemnification relating to intellectual property infringement claims.

Pursuant to our charter documents and separate written indemnification agreements, we have certain indemnification obligations to our current officers and directors, some current and former employees who are not officers, and some former officers and directors.

### 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

Our common stock is traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol MXIM. As of August 7, 2015, there were approximately 750 stockholders of record of our common stock.

The following table sets forth the range of the high and low closing prices by quarter for fiscal years 2015 and 2014:

	High	Low
<b>Fiscal Year ended June 27, 2015</b>		
First Quarter	\$34.46	\$29.31
Second Quarter	\$31.97	\$25.78
Third Quarter	\$36.23	\$31.02
Fourth Quarter	\$35.65	\$32.26

	High	Low
<b>Fiscal Year ended June 28, 2014</b>		
First Quarter	\$30.04	\$27.11
Second Quarter	\$30.22	\$27.60
Third Quarter	\$32.81	\$27.86
Fourth Quarter	\$35.41	\$31.49

The following table sets forth the dividends paid per share for fiscal years 2015 and 2014:

	Fiscal Years	
	2015	2014
First Quarter	\$0.28	\$0.26
Second Quarter	\$0.28	\$0.26
Third Quarter	\$0.28	\$0.26
Fourth Quarter	\$0.28	\$0.26

### Issuer Purchases of Equity Securities

The following table summarizes the activity related to stock repurchases for the three months ended June 27, 2015:

Issuer Purchases of Equity Securities				
(in thousands, except per share amounts)				
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount That May Yet Be Purchased Under the Plans or Programs
Mar. 29, 2015 - Apr. 25, 2015	289	\$34.86	289	\$592,686
Apr. 26, 2015 - May 23, 2015	365	\$33.07	365	\$580,617
May 24, 2015 - Jun. 27, 2015	403	\$34.29	403	\$566,780
Total	1,057	\$34.02	1,057	\$566,780

In July 2013, the Board of Directors authorized us to repurchase up to \$1.0 billion of the Company's common stock from time to time at the discretion of our management. This stock repurchase authorization has no expiration date. All prior authorizations by the Board of Directors for the repurchase of common stock were superseded by this authorization.

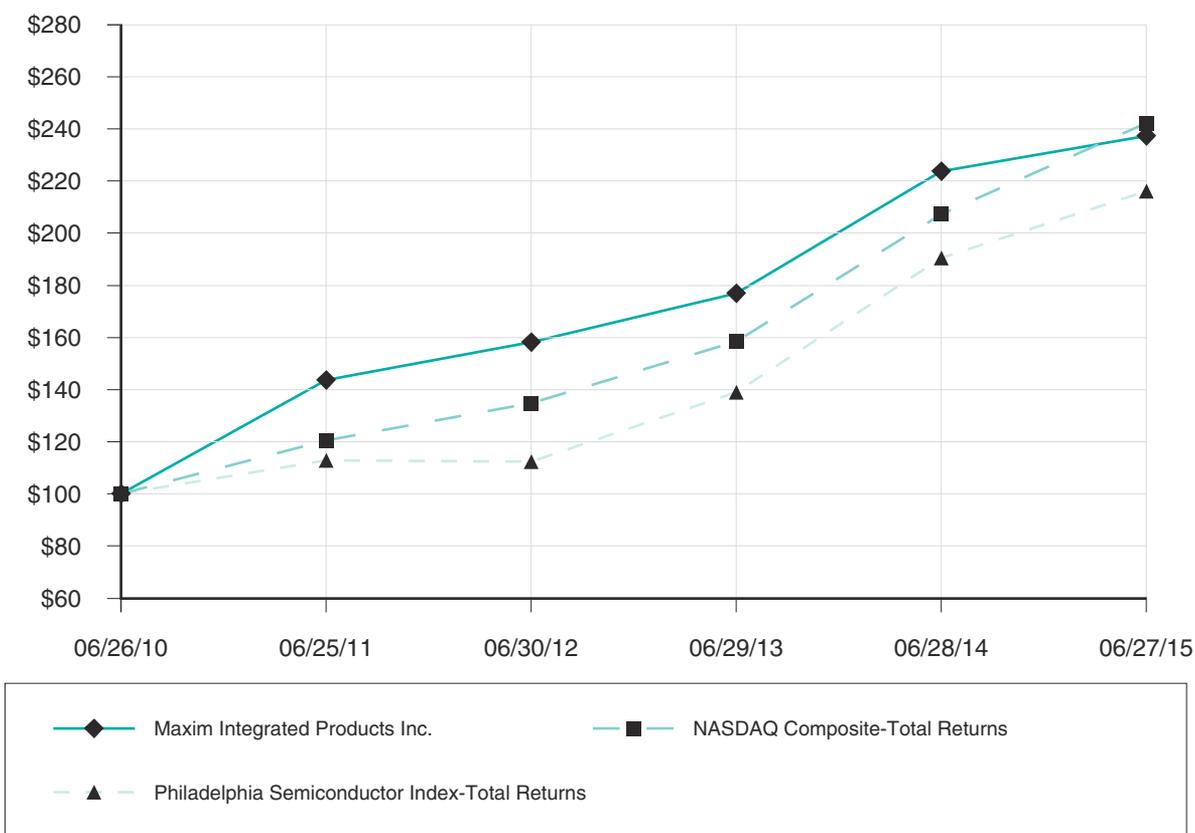
During fiscal year 2015, we repurchased approximately 6.2 million shares of our common stock for \$195.1 million. As of June 27, 2015, we had a remaining authorization of \$566.8 million for future share repurchases. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and liquidity and general market and business conditions.

### Stock Performance Graph

The line graph below compares the cumulative total stockholder return on our common stock with the cumulative total return of the NASDAQ Composite Stock Index and the Philadelphia Semiconductor Index for the five years ended June 27, 2015. The graph and table assume that \$100 was invested on June 25, 2010 (the last day of trading for the fiscal year ended June 26, 2010) in each of our common stock, the NASDAQ Composite Stock Index and the Philadelphia Semiconductor Index, and that all dividends were reinvested. Cumulative total stockholder returns for our common stock, the NASDAQ Composite Stock Index and the Philadelphia Semiconductor index are based on our fiscal year.

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or incorporated by reference into any of our filings under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing. The returns shown are based on historical results and are not intended to suggest or predict future performance.

### Comparison of Cumulative Five Year Total Return



	Base Year	Fiscal Year Ended				
	June 26, 2010	June 25, 2011	June 30, 2012	June 29, 2013	June 28, 2014	June 27, 2015
Maxim Integrated Products, Inc.	100.00	143.56	158.22	177.05	223.72	237.38
NASDAQ Composite-Total Return	100.00	120.43	134.73	158.44	207.32	242.26
Philadelphia Semiconductor-Total Return	100.00	112.82	112.40	139.10	190.42	216.22

## ITEM 6. SELECTED FINANCIAL DATA

Set forth below is a summary of certain consolidated financial information with respect to the Company as of the dates and for the periods indicated. The data set forth below for the five-year period ended June 27, 2015 are derived from and should be read in conjunction with, and are qualified by reference to, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations and Item 8—Financial Statements and Supplementary Data, and notes thereto included elsewhere in Part IV, Item 15(a) of this Annual Report. The following selected financial data as of June 29, 2013, June 30, 2012, and June 25, 2011 and for the two years in the period ended June 30, 2012 is derived from our consolidated financial statements not included herein. The historical results are not necessarily indicative of the results to be expected in any future period.

	Fiscal Year Ended				
	June 27, 2015	June 28, 2014	June 29, 2013	June 30, 2012	June 25, 2011
	(in thousands, except percentages and per share data)				
<b>Consolidated Statements of Income Data:</b>					
Net revenues	\$2,306,864	\$2,453,663	\$2,441,459	\$2,403,529	\$2,472,341
Cost of goods sold	<u>1,034,997</u>	<u>1,068,898</u>	<u>944,892</u>	<u>952,677</u>	<u>942,377</u>
Gross margin	\$1,271,867	\$1,384,765	\$1,496,567	\$1,450,852	\$1,529,964
Gross margin %	<u>55.1%</u>	<u>56.4%</u>	<u>61.3%</u>	<u>60.4%</u>	<u>61.9%</u>
Operating income	\$ 237,280	\$ 422,291	\$ 588,319	\$ 534,797	\$ 673,039
% of net revenues	<u>10.3%</u>	<u>17.2%</u>	<u>24.1%</u>	<u>22.3%</u>	<u>27.2%</u>
Income from continuing operations	\$ 206,038	\$ 354,810	\$ 452,309	\$ 354,918	\$ 489,009
Income from discontinued operations, net of tax	—	—	<u>2,603</u>	<u>31,809</u>	—
Net income	<u>\$ 206,038</u>	<u>\$ 354,810</u>	<u>\$ 454,912</u>	<u>\$ 386,727</u>	<u>\$ 489,009</u>
Earnings per share: Basic					
From continuing operations	\$ 0.73	\$ 1.25	\$ 1.55	\$ 1.21	\$ 1.65
From discontinued operations	—	—	<u>0.01</u>	<u>0.11</u>	—
Basic net income per share	<u>\$ 0.73</u>	<u>\$ 1.25</u>	<u>\$ 1.56</u>	<u>\$ 1.32</u>	<u>\$ 1.65</u>
Earnings per share: Diluted					
From continuing operations	\$ 0.71	\$ 1.23	\$ 1.51	\$ 1.18	\$ 1.61
From discontinued operations	—	—	<u>0.01</u>	<u>0.11</u>	—
Diluted net income per share	<u>\$ 0.71</u>	<u>\$ 1.23</u>	<u>\$ 1.52</u>	<u>\$ 1.29</u>	<u>\$ 1.61</u>
Shares used in the calculation of earnings per share:					
Basic	<u>283,675</u>	<u>283,344</u>	<u>291,835</u>	<u>292,810</u>	<u>296,755</u>
Diluted	<u>288,949</u>	<u>289,108</u>	<u>298,596</u>	<u>300,002</u>	<u>303,377</u>
Dividends declared and paid per share	<u>\$ 1.12</u>	<u>\$ 1.04</u>	<u>\$ 0.96</u>	<u>\$ 0.88</u>	<u>\$ 0.84</u>
	As of				
	June 27, 2015	June 28, 2014	June 29, 2013	June 30, 2012	June 25, 2011
	(in thousands)				
<b>Consolidated Balance Sheet Data:</b>					
Cash, cash equivalents and short-term investments	\$1,626,119	\$1,372,425	\$1,200,046	\$ 956,386	\$1,012,887
Working capital	\$1,937,404	\$1,688,067	\$1,535,013	\$ 943,977	\$1,313,512
Total assets	\$4,228,384	\$4,405,618	\$3,935,910	\$3,737,946	\$3,527,743
Long-term debt, excluding current portion	\$1,000,000	\$1,001,026	\$ 503,573	\$ 5,592	\$ 300,000
Total stockholders’ equity	<u>\$2,290,020</u>	<u>\$2,429,911</u>	<u>\$2,507,998</u>	<u>\$2,538,277</u>	<u>\$2,510,818</u>

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and notes thereto included in Part IV, Item 15(a), the risk factors included in Part I, Item 1A, and the "forward-looking statements" and other risks described herein and elsewhere in this Annual Report.*

### Overview

We are a global company with manufacturing facilities in the United States, the Philippines and Thailand, and sales offices and design centers throughout the world. We design, develop, manufacture and market linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of customers in diverse geographical locations. The analog market is fragmented and characterized by diverse applications, a great number of product variations and, with respect to many circuit types, relatively long product life cycles. The major end-markets in which we sell our products are the automotive, communications and data center, computing, consumer and industrial markets. We are incorporated in the State of Delaware.

### Critical Accounting Policies

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. The Securities and Exchange Commission ("SEC") has defined the most critical accounting policies as the ones that are most important to the presentation of our financial condition and results of operations, and that require us to make our most difficult and subjective accounting judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our most critical accounting policies include revenue recognition, which impacts the recording of net revenues; valuation of inventories, which impacts costs of goods sold and gross margins; the assessment of recoverability of long-lived assets, which impacts impairment of long-lived assets; assessment of recoverability of intangible assets and goodwill, which impacts impairment of goodwill and intangible assets; accounting for stock-based compensation, which impacts cost of goods sold, gross margins and operating expenses; accounting for income taxes, which impacts the income tax provision; and assessment of litigation and contingencies, which impacts charges recorded in cost of goods sold, selling, general and administrative expenses and income taxes. These policies and the estimates and judgments involved are discussed further below. We have other significant accounting policies that either do not generally require estimates and judgments that are as difficult or subjective, or it is less likely that such accounting policies would have a material impact on our reported results of operations for a given period. Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements included in this Annual Report.

### Revenue Recognition

We recognize revenue for sales to direct customers and sales to certain distributors upon shipment, provided that persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title and risk of loss has transferred, collectability of the resulting receivable is reasonably assured, there are no customer acceptance requirements and we do not have any significant post-shipment obligations. We estimate returns for sales to direct customers and certain distributors based on historical return rates applied against current period gross revenue. Specific customer returns and allowances are considered within this estimate.

Sales to certain distributors are made pursuant to agreements allowing for the possibility of certain sales price rebates or price protection and for non-warranty product return privileges. The non-warranty product return privileges include allowing certain distributors to return a small portion of our products in their inventory based on their previous purchases. Given the uncertainties associated with the levels of non-warranty product returns, sales price rebates, and price protection that could be issued to certain distributors, we defer recognition of such revenue and related cost of goods sold until receipt of notification from these distributors that product has been sold to their end-customers.

Accounts receivable from direct customers and distributors (excluding those distributors discussed in the immediately preceding paragraph) are recognized and inventory is relieved upon shipment as title to inventories generally transfers upon shipment at which point we have a legally enforceable right to collection under normal terms. Accounts receivable related to consigned inventory is recognized when the customer takes title to such inventory from its consigned location at which point inventory is relieved, title transfers, and we have a legally enforceable right to collection under the terms of our agreement with the related customers.

We estimate potential future returns and sales allowances related to current period product revenue. Management analyzes historical returns, changes in customer demand and acceptance of products when evaluating the adequacy of returns and sales allowances. Estimates made by us may differ from actual returns and sales allowances. These differences may materially impact reported revenue and amounts ultimately collected on accounts receivable. Historically, such differences have not been material. At June 27, 2015 and June 28, 2014, we had \$17.4 million and \$16.2 million accrued for returns and allowances against accounts receivable, respectively. During fiscal years 2015 and 2014, we recorded \$81.5 million and \$75.3 million for estimated returns and allowances against revenues, respectively. These amounts were offset by \$80.2 million and \$71.6 million for actual returns and allowances given during fiscal years 2015 and 2014, respectively.

## Inventories

Inventories are stated at the lower of (i) standard cost, which approximates actual cost on a first-in-first-out basis, or (ii) market value. Our standard cost revision policy is to continuously monitor manufacturing variances and revise standard costs on a quarterly basis. Because of the cyclical nature of the market, inventory levels, obsolescence of technology, and product life cycles, we generally write-down inventories to net realizable value based on forecasted product demand. Actual demand and market conditions may be lower than those projected by us. This difference could have a material adverse effect on our gross margin should inventory write-downs beyond those initially recorded become necessary. Alternatively, should actual demand and market conditions be more favorable than those estimated by us, gross margin could be favorably impacted as we release these reserves upon the ultimate product shipment. During fiscal years 2015, 2014 and 2013, we had net inventory write-downs of \$28.6 million, \$35.1 million and \$19.2 million, respectively.

## Long-Lived Assets

We evaluate the recoverability of property, plant and equipment in accordance with Accounting Standards Codification ("ASC") No. 360, *Property, Plant, and Equipment* ("ASC 360"). We perform periodic reviews to determine whether facts and circumstances exist that would indicate that the carrying amounts of property, plant and equipment might not be fully recoverable. If facts and circumstances indicate that the carrying amount of property, plant and equipment might not be fully recoverable, we compare projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining useful lives against their respective carrying amounts. In the event that the projected undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets. Evaluation of impairment of property, plant and equipment requires estimates in the forecast of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our property, plant and equipment could differ from our estimates used in assessing the recoverability of these assets. These differences could result in impairment charges, which could have a material adverse impact on our results of operations. We recorded impairment charges of \$67.0 million, \$11.6 million, and \$24.9 million during fiscal years 2015, 2014 and 2013, respectively.

## Intangible Assets and Goodwill

We account for intangible assets in accordance with ASC No. 350, *Intangibles-Goodwill and Other* ("ASC 350"). We review goodwill and purchased intangible assets with indefinite lives for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable, such as when reductions in demand or significant economic slowdowns in the semiconductor industry are present.

Intangible asset reviews are performed when indicators exist that could indicate the carrying value may not be recoverable based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate consistent with the guidance provided in FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*. Impairment is based on the excess of the carrying amount over the fair value of those assets. During fiscal years 2015, 2014 and 2013, we recorded impairment of intangible assets of \$8.9 million, \$2.6 million and \$2.8 million, respectively, related to write-offs of acquired in-process research and development.

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. In accordance with ASC 350 we test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis or more frequently if we believe indicators of impairment exist. During the fourth quarter of fiscal year 2015, we changed our annual goodwill impairment testing date from the first quarter to the fourth quarter of each year. This change ensures the completion of the annual goodwill impairment test prior to the end of the annual reporting period, thereby aligning impairment testing procedures with year-end financial reporting. This change does not accelerate, delay, avoid, or cause an impairment charge, nor does this change result in adjustments to previously issued financial statements. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as the market approach which includes the guideline company method. 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 to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

During the quarter ended December 27, 2014, goodwill for the Sensing Solutions reporting unit was determined to be impaired and we recorded a charge of \$84.1 million. The Sensing Solutions reporting unit develops integrated circuits which are primarily sold in the consumer and automotive end customer markets. The impairment was the result of our decision within the quarter ended December 27, 2014 to exit certain market offerings that have competitive dynamics which are no longer consistent with our business objectives.

We determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the Sensing Solutions reporting unit. The reporting unit's carrying value exceeded its estimated fair value and, accordingly, a second phase of the goodwill impairment test ("Step 2") was performed. Under Step 2, the fair value of all Sensing Solution's assets and liabilities were estimated, including tangible assets and intangible assets (including existing and in-process technology) for the purpose of deriving an estimate of the implied fair value of goodwill. The implied fair value of the goodwill was then compared to the carrying value of the goodwill to determine the amount of the impairment.

We estimated the fair value of the Sensing Solutions reporting unit using a weighting of fair values derived equally from the income and market approach. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit.

In performing the goodwill impairment testing for the fiscal years 2014 and 2013, the fair value was in excess of the carrying value. As a result, no impairment charges were recorded associated with our goodwill during fiscal years 2014 and 2013.

### *Stock-Based Compensation*

We account for stock-based compensation in accordance with ASC 718, *Compensation in Stock Compensation* ("ASC 718"). ASC 718 requires the recognition of the fair value of stock-based compensation for all stock-based payment awards, including grants of stock options and other awards made to our employees and directors in exchange for services, in the income statement. Accordingly, stock-based compensation cost is measured at the grant date, based on the fair value of the awards ultimately expected to vest and is recognized as an expense, on the greater of a straight-line basis or the value of awards vested each period, over the requisite service period. ASC 718 also requires forfeitures to be estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures or vesting differ from those estimates. Such revisions could have a material effect on our operating results.

We use the Black-Scholes valuation model to measure the fair value of our stock options utilizing various assumptions with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield. The assumptions we use in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation for future awards may differ materially compared to the awards granted previously.

### *Accounting for Income Taxes*

We must make certain estimates and judgments in the calculation of income tax expense, determination of uncertain tax positions, and in the determination of whether deferred tax assets are more likely than not to be realized. The calculation of our income tax expense and income tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations.

ASC 740-10, *Income Taxes* ("ASC 740-10"), prescribes a recognition threshold and measurement framework for financial statement reporting and disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, a tax position is recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals or litigation processes. A tax position that meets the recognition threshold is then measured to determine the largest amount of the benefit that has a greater than 50% likelihood of being realized upon settlement. Although we believe that our computation of tax benefits to be recognized and realized are reasonable, no assurance can be given that the final outcome will not be different from what was reflected in our income tax provisions and accruals. Such differences could have a material impact on our net income and operating results in the period in which such determination is made. See Note 17: "Income Taxes" in the Notes to Consolidated Financial Statements included in Part IV, Item 15(a) of this Annual Report for further information related to ASC 740-10.

We evaluate our deferred tax asset balance and record a valuation allowance to reduce the net deferred tax assets to the amount that is more likely than not to be realized. In the event it is determined that the deferred tax assets to be realized in the future would be in excess of the net recorded amount, an adjustment to the deferred tax asset valuation allowance would be recorded. This adjustment would increase income, or additional paid in capital, as appropriate, in the period such determination was made. Likewise, should it be determined that all or part of the net deferred tax asset would not be realized in the future, an adjustment to increase the deferred tax asset valuation allowance would be charged to income in the period such determination is made. In assessing the need for a valuation allowance, historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and practicable tax planning strategies are considered. Realization of our deferred tax asset is dependent primarily upon future U.S. taxable income. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. These changes, if any, may require material adjustments to the net deferred tax asset and an accompanying reduction or increase in net income in the period in which such determinations are made.

## Litigation and Contingencies

From time to time, we receive notices that our products or manufacturing processes may be infringing the patent or other intellectual property rights of others, notices of stockholder litigation or other lawsuits or claims against us. We periodically assess each matter in order to determine if a contingent liability in accordance with ASC No. 450, *Accounting for Contingencies* (“ASC 450”), should be recorded. In making this determination, management may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. We expense legal fees associated with consultations and defense of lawsuits as incurred. Based on the information obtained, combined with management’s judgment regarding all of the facts and circumstances of each matter, we determine whether a contingent loss is probable and whether the amount of such loss can be estimated. Should a loss be probable and estimable, we record a contingent loss in accordance with ASC 450. In determining the amount of a contingent loss, we take into consideration advice received from experts in the specific matter, the current status of legal proceedings, settlement negotiations which may be ongoing, prior case history and other factors. Should the judgments and estimates made by management be incorrect, we may need to record additional contingent losses that could materially adversely impact our results of operations. Alternatively, if the judgments and estimates made by management are incorrect and a particular contingent loss does not occur, the contingent loss recorded would be reversed thereby favorably impacting our results of operations.

## Results of Operations

The following table sets forth certain Consolidated Statements of Income data expressed as a percentage of net revenues for the periods indicated:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
Net revenues	100%	100%	100%
Cost of goods sold	44.9%	43.6%	38.7%
Gross margin	55.1%	56.4%	61.3%
Operating expenses:			
Research and development	22.6%	22.8%	21.9%
Selling, general and administrative	13.4%	13.2%	13.3%
Intangible asset amortization	0.7%	0.7%	0.6%
Impairment of long-lived assets	2.9%	0.5%	1.0%
Impairment of goodwill and intangible assets	4.0%	0.1%	0.1%
Severance and restructuring expenses	1.3%	1.0%	0.1%
Acquisition-related costs	—%	0.3%	—%
Other operating expenses (income), net	(0.1)%	0.6%	0.1%
Total operating expenses	44.8%	39.2%	37.1%
Operating income	10.3%	17.2%	24.2%
Interest and other income (expense), net	0.4%	(0.5)%	(0.7)%
Income before provision for income taxes	10.7%	16.7%	23.5%
Provision for income taxes	1.7%	2.2%	4.8%
Income from continuing operations	9.0%	14.5%	18.7%
Income from discontinued operations, net of tax	—%	—%	0.1%
Net income	9.0%	14.5%	18.8%

The following table shows pre-tax stock-based compensation included in the components of the Consolidated Statements of Income reported above as a percentage of net revenues for the periods indicated:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
Cost of goods sold	0.5%	0.5%	0.5%
Research and development	1.8%	1.9%	1.8%
Selling, general and administrative	1.1%	1.1%	1.0%
	3.4%	3.5%	3.3%

## *Net Revenues*

We reported net revenues of \$2,306.9 million, \$2,453.7 million and \$2,441.5 million in fiscal years 2015, 2014 and 2013, respectively. Our net revenues in fiscal year 2015 decreased by 6.0% compared to our net revenues in fiscal year 2014. Revenues from consumer products were down 23% mainly due to lower demand for products in the consumer end market primarily from smartphone customers. This decrease was partially offset by an increase in net revenues in automotive of 38%, mainly due to product offered in the automotive end market with new design win ramps across multiple applications and customers.

Our net revenues in fiscal year 2014 increased by 0.5%, compared to our net revenues in fiscal year 2013. Revenues from automotive, communications and data center, and industrial products were up 43%, 20% and 9%, respectively, due to an increase in shipments of our products offered in the automotive end market with new design win ramps across multiple applications and customers, an increase in server revenues driven by the Volterra acquisition and in demand driven by network and datacom, and cable infrastructure products in the communications and data center end market, and an increase in control and automation shipments in the industrial end market. This increase was offset by a decrease in net revenues in consumer and computing products of 16% and 4%, respectively, mainly due to lower demand for products in the consumer end market primarily from smartphones. The decrease in net revenues in consumer products was primarily attributable to a weakness in demand for the products of our leading customer.

Approximately 88%, 87% and 88% of our net revenues in fiscal years 2015, 2014 and 2013, respectively, were derived from customers located outside the United States, primarily in Asia and Europe. While more than 95% of our sales are denominated in U.S. dollars, we enter into foreign currency forward contracts to mitigate its risks on firm commitments and net monetary assets denominated in foreign currencies. The impact of changes in foreign exchange rates on net revenues and our results of operations for fiscal years 2015, 2014 and 2013 were immaterial.

## *Gross Margin*

Our gross margin as a percentage of net revenue was 55.1% in fiscal year 2015 compared to 56.4% in fiscal year 2014. Our gross margin decreased by 1.3%, primarily resulted from a \$51.5 million increase in accelerated depreciation relating to the San Jose wafer fabrication facility shut down and, a \$9.9 million increase in incremental amortization related to Volterra intangible assets due to a full year of amortization in fiscal year 2015 as compared to nine months of amortization in fiscal year 2014. This decrease was mitigated by a \$19.0 million reduction in product warranty related expenses.

Our gross margin as a percentage of net revenue was 56.4% in fiscal year 2014 compared to 61.3% in fiscal year 2013. Our gross margin decreased by \$111.8 million, primarily due to a \$30.5 million increase in incremental amortization related to Volterra intangible assets, a \$20.8 million increase of product warranty related expenses primarily associated with one customer, a \$19.0 million increase related to acquired inventory fair value mark-up amortization mostly related to Volterra, and a \$16.8 million increase in inventory reserves due to softening demand primarily in the smartphone space.

## *Research and Development*

Research and development expenses were \$521.8 million and \$558.2 million for fiscal years 2015 and 2014, respectively, which represented 22.6% and 22.8% of net revenues, respectively. The decrease in research and development expenses was primarily attributable to a decrease in salaries and related expenses of \$19.4 million as a result of headcount reductions related to restructuring programs and spending control efforts.

Research and development expenses were \$558.2 million and \$534.8 million for fiscal years 2014 and 2013, respectively, which represented 22.8% and 21.9% of net revenues, respectively. The increase in research and development expenses was primarily attributable to an increase in salaries and stock-based compensation expenses of \$21.4 million as a result of acquisitions occurring in fiscal year 2014.

The level of research and development expenditures as a percentage of net revenues will vary from period to period depending, in part, on the level of net revenues and on our success in recruiting the technical personnel needed for our new product introductions and process development. We view research and development expenditures as critical to maintaining a high level of new product introductions, which in turn are critical to our plans for future growth.

## *Selling, General and Administrative*

Selling, general and administrative expenses were \$308.1 million and \$324.7 million in fiscal years 2015 and 2014, respectively, which represented 13.4% and 13.2% of net revenues, respectively. The \$16.6 million decrease was primarily attributable to spending control efforts and a \$10.2 million decrease in salaries and related expenses primarily resulting from lower total headcount.

Selling, general and administrative expenses were \$324.7 million and \$324.3 million in fiscal years 2014 and 2013, respectively, which represented 13.2% and 13.3% of net revenues, respectively. There were no significant fluctuations in any specific items making up the selling, general and administrative expenses.

The level of selling, general and administrative expenditures as a percentage of net revenues will vary from period to period, depending on the level of net revenues and our success in recruiting sales and administrative personnel needed to support our operations.

### *Impairment of Long-lived Assets*

Impairment of long-lived assets was \$67.0 million in fiscal year 2015 and \$11.6 million in fiscal year 2014, which represented 2.9% and 0.5% of net revenues, respectively. The \$55.4 million increase was primarily due to the equipment impairment associated with the Sensing Solutions reporting unit. For details, please refer to Note 10: "Impairment of long-lived assets" in our consolidated financial statements included in Part IV, Item 15(a) to this Annual Report.

Impairment of long-lived assets was \$11.6 million in fiscal year 2014 and \$24.9 million in fiscal year 2013, which represented 0.5% and 1.0% of net revenues, respectively. The \$13.3 million decrease was primarily due to lower levels of certain assets classified as excess property, plant and equipment and certain assets classified as held for sale written down to fair value less cost to sell, including used fabrication tools and test equipment.

### *Impairment of Goodwill and Intangible Assets*

Impairment of goodwill and intangible assets was \$93.0 million in fiscal year 2015 and \$2.6 million in fiscal year 2014. The \$90.4 million increase was primarily driven by impairments to goodwill and in-process research and development for the Sensing Solutions reporting unit. The Sensing Solutions reporting unit develops integrated circuits that are primarily sold in the consumer and automotive end customer markets. The impairment was the result of our decision within the quarter ended December 27, 2014 to exit certain market offerings that have competitive dynamics which are no longer consistent with our business objectives. For details, please refer to Note 8: "Goodwill and intangible assets" in our consolidated financial statements included in Part IV, Item 15(a) to this Annual Report.

Impairment of goodwill and intangible assets was \$2.6 million in fiscal year 2014 and \$2.8 million in fiscal year 2013. There were no significant fluctuations in any specific items making up the impairment of goodwill and intangible assets expenses.

### *Severance and Restructuring Expenses*

Severance and restructuring expenses were \$30.6 million in fiscal year 2015 and \$24.9 million in fiscal year 2014, which represented 1.3% and 1.0% of net revenues, respectively. The \$5.7 million increase was primarily due to restructuring activities which took place during fiscal 2015, primarily \$23.9 million associated with the major reorganization of the Company's business units as well as \$6.7 million associated with the decision to shut down our San Jose wafer fabrication facility. For details, please refer to Note 18: "Restructuring Activities" in our consolidated financial statements included in Part IV, Item 15(a) to this Annual Report.

During the fiscal year 2015, we commenced activities to close down the operations in our San Jose wafer fabrication facility, our Hillsboro, Oregon testing site, and our Batangas, the Philippines manufacturing site. Additionally, we announced the planned transfer of our wafer manufacturing facility in San Antonio, Texas to a foundry partner and to close our wafer level packaging manufacturing facility in Dallas, Texas during our fourth fiscal quarter of 2015 earnings call. As a result of these actions, we expect to incur additional severance and restructuring expenses throughout our fiscal year 2016.

Severance and restructuring expenses were \$24.9 million in fiscal year 2014 and \$2.8 million in fiscal year 2013, which represented 1.0% and 0.1% of net revenues, respectively. The \$22.1 million increase was primarily due to a \$10.8 million increase in severance and restructuring expenses associated with the reorganization of certain business units and an \$11.0 million increase in severance costs associated with restructuring plans arising from the Volterra acquisition. The reorganizations were driven by the desire to focus on specific investment areas, simplify business processes and eliminate redundant positions.

### *Acquisition-Related Costs*

Acquisition-related costs were \$7.0 million in fiscal year 2014, and included banker, legal, and other Volterra acquisition-related costs.

### *Other Operating Expenses (Income), Net*

Other operating expenses (income), net were \$(2.0) million and \$15.8 million in fiscal year 2015 and 2014, respectively, which represented (0.1)% and 0.6% of net revenues, respectively. The net decrease in other operating expenses of \$17.8 million was primarily driven by a change in estimate to an expected loss on rent expense for vacated office space of \$3.4 million as well as the absence of one-time expenses incurred in fiscal year 2014 such as the \$6.0 million intellectual property infringement legal settlement and the impairment of notes receivable of \$4.1 million related to a divestiture.

Other operating expenses (income), net were \$15.8 million and \$3.1 million in fiscal years 2014 and 2013, respectively, which represented 0.6% and 0.1% of net revenues, respectively. The net increase in other operating expenses (income) of \$12.7 million was primarily attributable to a \$6.0 million intellectual property infringement legal settlement and an impairment of notes receivable of \$4.1 million related to a divestiture.

### Interest and Other Income (Expense), Net

Interest and other income (expense), net were \$8.9 million in fiscal year 2015 and \$(13.1) million in fiscal year 2014, which represented 0.4% and (0.5)% of net revenues, respectively. The net decrease in expenses of \$22.0 million to an income position was primarily attributable to the gain of \$35.8 million on the sale of our Captive Touch business, which occurred in June 2015. This gain was partially offset by a \$14.0 million decrease in income from licensing intellectual property and \$5.5 million in additional interest expense resulting from the issuance of long-term notes.

Interest and other income (expense), net were \$(13.1) million in fiscal year 2014 and \$(18.0) million in fiscal year 2013, which represented (0.5)% and (0.7)% of net revenues, respectively. The net decrease in expenses of \$5.0 million was primarily driven by income from licensing intellectual property of \$17.1 million offset by \$10.6 million in additional interest expense resulting from the issuance of long-term notes.

### Provision for Income Taxes

Our annual income tax expense from continuing operations was \$40.1 million, \$54.4 million, and \$118.0 million, in fiscal years 2015, 2014 and 2013, respectively. The effective tax rate from continuing operations was 16.3%, 13.3% and 20.7% for fiscal years 2015, 2014 and 2013, respectively. Our federal statutory tax rate is 35%.

Our fiscal year 2015 effective tax rate was lower than the statutory tax rate primarily because earnings of foreign subsidiaries, generated primarily by our international operations managed in Ireland, were taxed at lower tax rates, a \$2.9 million tax benefit for fiscal year 2014 research tax credits that were generated by the retroactive extension of the federal research tax credit to January 1, 2014 by legislation that was signed into law on December 19, 2014, and a \$24.8 million tax benefit for the favorable settlement of a Singapore tax issue, partially offset by a \$84.1 million goodwill impairment charge that generated no tax benefit and stock-based compensation for which no tax benefit is expected.

Our fiscal year 2014 effective tax rate was lower than the statutory tax rate primarily because earnings of foreign subsidiaries, generated primarily by our international operations managed in Ireland, were taxed at lower tax rates and a \$35.6 million one-time benefit for fixed asset Federal tax basis adjustments generated by prior year depreciation expense that did not provide a tax benefit in prior years, partially offset by stock-based compensation for which no tax benefit is expected.

Our fiscal year 2013 effective tax rate was lower than the statutory tax rate primarily because earnings of foreign subsidiaries, generated primarily by our international operations managed in Ireland, were taxed at lower tax rates, partially offset by stock-based compensation for which no tax benefit is expected. The income tax provision for the fiscal year 2013 included a \$3.9 million discrete tax benefit for the retroactive extension of the U.S. federal research tax credit to January 1, 2012 by legislation that was signed into law on January 2, 2013 and a \$21.4 million discrete tax charge for research and development expenses of a foreign subsidiary for which no tax benefit is expected.

We have various entities domiciled within and outside the United States. The following is a breakout of our U.S. and Foreign income from continuing operations before income taxes:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands)		
Domestic pre-tax income	\$ 68,289	\$ 87,630	\$ 69,680
Foreign pre-tax income	<u>177,881</u>	<u>321,596</u>	<u>500,599</u>
Total	<u>\$246,170</u>	<u>\$409,226</u>	<u>\$570,279</u>

A relative increase in earnings in lower tax jurisdictions, such as Ireland, may lower our consolidated effective tax rate, while a relative increase in earnings in higher tax jurisdictions, such as the United States, may increase our consolidated effective tax rate.

In fiscal year 2015 the percentage of pre-tax income from our foreign operations declined, which was primarily due to goodwill and in-process research and development impairment charges realized by a foreign affiliate and accelerated depreciation generated by the San Jose wafer fabrication facility shutdown that was charged to a foreign affiliate. The impact of pre-tax income from foreign operations reduced our effective tax rate by 24.6 percentage points in fiscal year 2015 as compared to 19.1 percentage points in fiscal year 2014. The increased fiscal year 2015 tax rate benefit from foreign operations was primarily attributable to a \$24.8 million tax benefit in fiscal year 2015 for the favorable settlement of a Singapore tax issue, partially offset by the relative decrease in fiscal year 2015 pre-tax income from foreign operations.

In fiscal year 2014 the percentage of pre-tax income from our foreign operations declined, which was primarily due to higher cost of goods sold on foreign revenue. The impact of pre-tax income from foreign operations reduced our effective tax rate by 19.1 percentage points in fiscal year 2014 as compared to 16.5 percentage points in fiscal year 2013. The increased fiscal year 2014 tax rate benefit from foreign operations was primarily attributable to a \$21.4 million discrete tax charge in fiscal year 2013 for foreign research and development expenses for which no tax benefit was available, partially offset by the relative decrease in fiscal year 2014 pre-tax income from foreign operations.

## Recently Issued Accounting Pronouncements

### (i) New Accounting Updates Recently Adopted

In the first quarter of our fiscal year 2015, we adopted Accounting Standards Update (“ASU”) No. 2013-11, *Income Taxes (Topic 740)-Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which requires certain unrecognized tax benefits to be presented as reductions to deferred tax assets instead of liabilities on the Consolidated Balance Sheets. The adoption of this standard did not have a material impact on our Consolidated Balance Sheets.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU No. 2014-08 redefines discontinued operations as disposals representing a strategic shift in operations and having a major effect on the organization’s operations and financial results. We early adopted this accounting standard update in the fourth quarter of fiscal year 2015. During fiscal year 2015, we recognized a gain of \$35.8 million recorded in interest and other income (expense), net for the sale of our Captive Touch business which did not meet the criteria of discontinued operations under this accounting standard.

### (ii) Recent Accounting Updates Not Yet Effective

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 uses a five-step model to determine revenue recognition in contracts with customers. We are currently evaluating the potential impact of this standard on its financial statements. ASU No. 2014-09 is effective in our first quarter of fiscal year 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU No. 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU No. 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU No. 2014-09. Early adoption in the first quarter of fiscal year 2018 is permitted.

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest*. ASU No. 2015-03 changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. This guidance is effective beginning in the first quarter of our fiscal year 2017 and early adoption is permitted in an interim period with any adjustments reflected as of the beginning of the fiscal year that includes that interim period. The guidance is not expected to have a significant impact to our consolidated financial statements.

## Financial Condition, Liquidity and Capital Resources

### Financial Condition

Cash flows were as follows:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands)		
Net cash provided by (used in) operating activities	\$ 693,706	\$ 776,107	\$ 817,935
Net cash provided by (used in) investing activities	(36,073)	(609,439)	(139,372)
Net cash provided by (used in) financing activities	(429,140)	(19,182)	(384,637)
Net increase (decrease) in cash and cash equivalents	<u>\$ 228,493</u>	<u>\$ 147,486</u>	<u>\$ 293,926</u>

### Operating activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain assets and liabilities.

Cash provided by operating activities was \$693.7 million in fiscal year 2015, a decrease of \$82.4 million compared with fiscal year 2014. This decrease was primarily a result of \$206.0 million of net income, a \$148.8 million decrease from fiscal year 2014 and a net change in assets and liabilities of \$61.0 million, a \$50.0 million decrease in cash provided by operating activities from fiscal year 2014. These decreases were partially offset by non-cash adjustments to net income of \$426.7 million, which increased cash provided by operating activities by \$116.4 million compared with fiscal year 2014. The movement in non-cash adjustments primarily resulted from impairment of the Sensing Solutions reporting unit goodwill of \$84.1 million and increased depreciation of \$54.8 million, primarily associated with accelerated depreciation for the San Jose wafer fabrication facility shut down.

Cash from operations for fiscal year 2014 decreased by approximately \$41.8 million compared with fiscal year 2013. This decrease was due to lower net income of \$100.1 million and lower deferred taxes of \$57.5 million, which was partially offset by lower cash use of \$66.8 million and \$55.9 million relating to other current assets and inventory, respectively.

### *Investing activities*

Investing cash flows consist primarily of capital expenditures, net investment purchases and maturities and acquisitions.

Cash used in investing activities decreased by \$573.4 million for fiscal year 2015 compared with fiscal year 2014. The decrease was due primarily to relative decrease in cash used for acquisitions of \$451.5 million relating to the Volterra acquisition in fiscal year 2014, \$56.7 million of reduction in capital expenditures relating to property, plant and equipment due to spending control efforts and \$35.6 million in cash proceeds from the sale of our Captive Touch business.

Cash used in investing activities increased by \$470.1 million for fiscal year 2014 compared with fiscal year 2013. The increase was due primarily to relative increases in cash used for acquisitions of \$451.5 million relating to the Volterra acquisition, a \$50.0 million increase relating to purchase of U.S. treasury securities and lower proceeds from maturity of investments of \$23.0 million. These increases were offset by \$70.2 million of reduction in capital expenditures relating to property, plant and equipment.

### *Financing activities*

Financing cash flows consist primarily of repurchases of common stock, issuance and repayment of notes payables, payment of dividends to stockholders, proceeds from stock option exercises and employee stock purchase plan and withholding tax payments associated with net share settlements of equity awards.

Net cash used in financing activities increased by approximately \$410.0 million for fiscal year 2015 compared with fiscal year 2014. This increase was due primarily to the issuance of the \$500 million notes net of issuance cost and discount in fiscal year 2014, as offset by less repurchases of common stock of \$110.2 million.

Net cash used in financing activities decreased by approximately \$365.5 million for fiscal year 2014 compared with fiscal year 2013. This decrease was due primarily to lower required repayments of notes payable of \$298.8 million and less repurchases of common stock of \$69.8 million.

### **Liquidity and Capital Resources**

As of June 27, 2015, our available funds consisted of \$1.6 billion in cash, cash equivalents and short-term investments. We anticipate that the available funds and cash generated from operations will be sufficient to meet cash and working capital requirements, including the anticipated level of capital expenditures, common stock repurchases, debt repayments and dividend payments for at least the next twelve months.

### *Debt Levels*

On November 21, 2013, we completed a public offering of \$500 million aggregate principal amount of our 2.5% coupon senior unsecured and unsubordinated notes due in November 2018 ("2018 Notes").

On March 18, 2013, we completed a public offering of \$500 million aggregate principal amount of our 3.375% senior unsecured and unsubordinated notes due in March 2023 ("2023 Notes").

The debt indentures that govern the 2023 Notes and the 2018 Notes, respectively, include covenants that limit our ability to grant liens on our facilities and to enter into sale and leaseback transactions, which could limit our ability to secure additional debt funding in the future. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the 2023 Notes or the 2018 Notes, we would be required to make an offer to repurchase the affected notes at a purchase price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest.

### *Available borrowing resources*

We have access to a \$350 million senior unsecured revolving credit facility with certain institutional lenders that expires on June 27, 2019. The facility fee is at a rate per annum that varies based on the Company's index debt rating and any advances under the credit agreement will accrue interest at a base rate plus a margin based on the Company's index debt rating. The credit agreement requires us to comply with certain covenants, including a requirement that we maintain a ratio of debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) of not more than 3 to 1 and a minimum interest coverage ratio (EBITDA divided by interest expense) greater than 3.5 to 1. As of June 27, 2015, we had not borrowed any amounts from this credit facility and was in compliance with all debt covenants.

## Contractual Obligations

The following table summarizes our significant contractual obligations at June 27, 2015, and the effect such obligations are expected to have on the our liquidity and cash flows in future periods. This table excludes amounts already recorded on our Consolidated Balance Sheet as current liabilities at June 27, 2015:

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
<b>Contractual Obligations:</b>	<b>(in thousands)</b>				
Operating lease obligations <sup>(1)</sup>	\$ 34,460	\$10,270	\$14,133	\$ 3,943	\$ 6,114
Long-term debt obligations <sup>(2)</sup>	1,001,024	1,024	—	500,000	500,000
Interest payments associated with long-term debt obligations <sup>(3)</sup>	172,439	29,375	58,750	38,611	45,703
Inventory related purchase obligations <sup>(4)</sup>	45,260	12,969	20,229	6,173	5,889
Total	<u>\$1,253,183</u>	<u>\$53,638</u>	<u>\$93,112</u>	<u>\$548,727</u>	<u>\$557,706</u>

(1) We lease some facilities under non-cancelable operating lease agreements that expire at various dates through 2029.

(2) Long-term debt represents amounts primarily due for our long-term notes.

(3) Interest payments associated with our long-term notes.

(4) We order some materials and supplies in advance or with minimum purchase quantities. We are obligated to pay for the materials and supplies when received.

Purchase orders for the purchase of the majority of our raw materials and other goods and services are not included above. Our purchase orders generally allow for cancellation without significant penalties. We do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected short-term requirements.

As of June 27, 2015, our gross unrecognized income tax benefits were \$427.6 million which excludes \$34.4 million of accrued interest and penalties. At this time, we are unable to make a reasonably reliable estimate of the timing of payments of these amounts, if any, in individual years due to uncertainties in the timing or outcomes of either actual or anticipated tax audits. As a result, these amounts are not included in the table above.

## Off-Balance-Sheet Arrangements

As of June 27, 2015, we did not have any material off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents, short-term investments and notes payable. See Note 5: "Financial Instruments" in the Notes to Consolidated Financial Statements included in this Annual Report. We do not use derivative financial instruments to hedge the ongoing risk of interest rate volatility. At June 27, 2015, we maintained a significant portfolio of money market fund investments, which are included in cash and cash equivalents. These money market funds are generally invested only in U.S. government or agency securities and are all available on a daily basis. Our short term investments are in U.S. government securities and our long term notes are all fixed rate securities.

To assess the interest rate risk associated with our investment portfolio, we performed sensitivity analysis for our long term notes as of June 27, 2015, using a modeling technique that measures the change in the fair values arising from a hypothetical 100 basis points increase in the levels of interest rates across the entire yield curve, with all other variables held constant. The discount rates used were based on the market interest rates in effect at June 27, 2015. The sensitivity analysis indicated that a hypothetical 100 basis points increase in interest rates would result in a reduction in the fair values of our long term notes, of \$50.6 million.

### *Foreign Currency Risk*

We generate less than 1.0% of our revenues in various global markets based on orders obtained in currencies other than the U.S. Dollar. We incur expenditures denominated in non-U.S. currencies, primarily the Philippine Peso associated with our manufacturing activities in the Philippines, and expenditures for sales offices and research and development activities undertaken outside of the U.S. We are exposed to fluctuations in foreign currency exchange rates primarily on orders and accounts receivable from sales in these foreign currencies and cash flows for expenditures in these foreign currencies. We have established risk management strategies designed to reduce the impact of volatility of future cash flows caused by changes in the exchange rate for these currencies. These strategies reduce, but do not entirely eliminate, the impact of currency exchange rates movements. We do not use derivative financial instruments for speculative or trading purposes. We routinely hedge our exposure to certain foreign currencies with various financial institutions in an effort to minimize the impact of certain currency exchange rate fluctuations. If a financial counterparty to any of our hedging arrangements experiences financial difficulties or is otherwise unable to honor the terms of the foreign currency hedge, we may experience financial losses.

For derivative instruments that are designated and qualify as cash flow hedges under ASC No. 815-*Derivatives and Hedging* ("ASC 815"), the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income or loss and reclassified into earnings into the same financial statement line as the item being hedged, and in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized each period in interest and other income (expense), net.

For derivative instruments that are not designated as hedging instruments under ASC 815, gains and losses are recognized each period in interest and other income (expense), net. All derivatives are foreign currency forward contracts to hedge certain foreign currency denominated assets or liabilities. The gains and losses on these derivatives largely offset the changes in the fair value of the assets or liabilities being hedged.

As of June 27, 2015, we had outstanding foreign currency derivative contracts with a total notional amount of \$117.3 million. If overall foreign currency exchange rates appreciated (depreciated) uniformly by 10% against the U.S. dollar, our foreign currency derivative contracts outstanding as of June 27, 2015 would experience a loss (gain) of approximately \$5.3 million.

### *Foreign exchange contracts*

The net unrealized gain or loss, if any, is potentially subject to market and credit risk as it represents appreciation (decline) of the hedge position against the spot exchange rates. The net realized and unrealized gains or losses from hedging foreign currency denominated assets and liabilities were immaterial during the fiscal years ended June 27, 2015 and June 28, 2014.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and supplementary data required by this Item are set forth at the pages indicated in Part IV, Item 15(a) of this Annual Report and incorporated by reference herein.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our chief executive officer ("CEO") and our chief financial officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of June 27, 2015. The purpose of these controls and procedures is to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules, and that such information is accumulated and communicated to our management, including our CEO and our CFO, to allow timely decisions regarding required disclosures. Based on the evaluation, our management, including our CEO and our CFO, concluded that our disclosure controls and procedures were effective as of June 27, 2015.

### ***Management's Annual Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's CEO and CFO and effected by the Company's Board of Directors, management, and others to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our management, with the participation of our CEO and our CFO, assessed the effectiveness of our internal control over financial reporting as of June 27, 2015. Management's assessment of internal control over financial reporting was conducted using the criteria in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has concluded that, as of June 27, 2015, our internal control over financial reporting was effective, in all material respects, based on these criteria. Deloitte & Touche LLP, an Independent Registered Public Accounting Firm, audited the effectiveness of the Company's internal control over financial reporting, as stated within their report which is included herein.

### ***Changes in Internal Control over Financial Reporting***

There were no changes in our internal control over financial reporting during the quarter ended June 27, 2015 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

### ***Inherent Limitations on the Effectiveness of Internal Controls***

A system of internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP and no control system, no matter how well designed and operated, can provide absolute assurance. The design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of its inherent limitations, internal control over financial reporting may not prevent or detect financial statement errors and misstatements. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Maxim Integrated Products, Inc.  
San Jose, California

We have audited the internal control over financial reporting of Maxim Integrated Products, Inc. and subsidiaries (the "Company") as of June 27, 2015, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 27, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the fiscal year ended June 27, 2015 of the Company and our report dated August 17, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

DELOITTE & TOUCHE LLP

San Jose, California  
August 17, 2015

## ITEM 9B. OTHER INFORMATION

None.

### PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than as follows, the information required by this Item is incorporated by reference from the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders under the headings "Audit Committee and Audit Committee Financial Expert," "Proposal 1—Election of Directors" and Section 16(a) "Beneficial Ownership Reporting Compliance."

### Executive Officers of the Registrant

The following is information regarding our executive officers, including their positions and ages as of June 27, 2015.

Name	Age	Position
Tunc Doluca	57	President and Chief Executive Officer
Bruce E. Kiddoo	54	Senior Vice President and Chief Financial Officer
David A. Caron	55	Vice President and Chief Accounting Officer
Vivek Jain	55	Senior Vice President, Manufacturing Operations
Edwin Medlin	58	Senior Vice President, General Counsel
Matthew J. Murphy	42	Executive Vice President, Business Units, Sales, and Marketing
Christopher J. Neil	49	Senior Vice President, Maxim Ventures
Steven Yamasaki	60	Vice President, Human Resources

Mr. Doluca has served as a director of Maxim Integrated as well as the President and Chief Executive Officer since January 2007. He joined Maxim Integrated in October 1984 and served as Vice President from 1994 to 2004. He was promoted to Senior Vice President in 2004 and Group President in May 2005. Prior to 1994, he served in a number of integrated circuit development positions.

Mr. Kiddoo joined Maxim Integrated in September 2007 as Vice President of Finance. On October 1, 2008, Mr. Kiddoo was appointed Chief Financial Officer and Principal Accounting Officer of Maxim Integrated and was appointed Senior Vice President in September 2009. Prior to joining Maxim Integrated, Mr. Kiddoo held various positions at Broadcom Corporation, a global semiconductor company, beginning in December 1999. Mr. Kiddoo served as Broadcom's Corporate Controller and Principal Accounting Officer from July 2002 and served as Vice President from January 2003. He also served as Broadcom's Acting Chief Financial Officer from September 2006 to March 2007.

Mr. Caron has served as Maxim Integrated's Corporate Controller since July 2003 and, prior to that, served as Maxim Integrated's Director of Accounting from December 1998 to July 2003. Mr. Caron was appointed Vice President and Chief Accounting Officer in August 2010. Mr. Caron, who worked at Ernst & Young LLP from 1988 to 1995, is a Certified Public Accountant in the state of California (inactive).

Mr. Jain joined Maxim Integrated in April 2007 as Vice President responsible for our wafer fabrication operations. In June 2009 Mr. Jain was promoted to Senior Vice President with expanded responsibility for managing test and assembly operations in addition to wafer fabrication operations. Prior to joining Maxim Integrated, Mr. Jain was Plant Manager for several years at Intel Corporation's Technology Development and Manufacturing facility in Santa Clara, California responsible for 65nm flash manufacturing/transfer and development of 45nm flash technology. Mr. Jain has published over 30 papers and holds over 10 patents in the field of semiconductor technology.

Mr. Medlin joined Maxim Integrated in November 1999 as Director and Associate General Counsel. He was promoted to Vice President and Senior Counsel in April 2006, was appointed General Counsel in September 2010, and he was promoted to Senior Vice President, and General Counsel in May 2015. Prior to joining Maxim Integrated, he was with the law firm of Ropers, Majeski, Kohn and Bentley between 1987 and 1994 where he held various positions, including director. Between 1994 and 1997, he held the positions of General Counsel, and later, General Manager, at Fox Factory, Inc., a privately held manufacturing company. Between 1997 and 1999 he held the positions of General Counsel and later, Vice President of Global Sales and Marketing, at RockShox, Inc., a publicly traded corporation.

Mr. Murphy joined Maxim Integrated in July 1994 and was promoted to Vice President in November 2006 and to Senior Vice President in September 2011. In May 2015, Mr. Murphy was promoted to Executive Vice President of Business Units, Sales, and Marketing. Prior to November 2006, he served in a number of business unit and executive management positions.

Mr. Neil joined Maxim Integrated in September 1990, was promoted to Vice President in April 2006, was named Division Vice President in September 2009 and was promoted to Senior Vice President in September 2011. Prior to 2006, he held several engineering and executive management positions. From 2011 to 2015, Mr. Neil created and ran the Company's Industrial & Medical Solutions Group, focused on providing solutions for healthcare, factory productivity, energy, financial terminals, and security. In May 2015, Mr. Neil was appointed to create and lead the Maxim Ventures, the Company's venture arm

Mr. Yamasaki joined Maxim Integrated in April 2010 as Vice President of Human Resources. Prior to joining Maxim Integrated, he was Corporate Vice President of Human Resources of Applied Materials from 2008 to 2010, and was Executive Vice President of Human Resources of YRC Worldwide from 2004 to 2008. Before joining YRC Worldwide, Mr. Yamasaki was Vice President of Human Resources at ConAgra Foods Inc. and Honeywell International.

### **Code of Business Conduct and Ethics**

We have a Code of Business Conduct and Ethics (the "Code of Ethics"), which applies to all directors and employees, including, but not limited to, our principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics is designed to promote: (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest arising from personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in reports and documents that we are required to file with the SEC and in other public communications, (iii) compliance with applicable governmental laws, rules and regulations, (iv) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or group, and (v) accountability for adherence to the Code of Ethics. A copy of the Code of Ethics is available on our website at <http://www.maximintegrated.com/company/policy>. The contents of our website are not incorporated into this Annual Report.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders under the headings "Director Compensation," "Compensation Discussion and Analysis," "Report of Compensation Committee" and "Executive Compensation."

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

### **Equity Compensation Plan Information**

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders under the heading "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders under the headings "Corporate Governance" and "Certain Relationships and Related Transactions."

## **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is incorporated by reference from the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders under the headings "Report of the Audit Committee" and "Principal Accountant Fees and Services."

PART IV

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) The following are filed as part of this Report:

	<b>Page</b>
(1) <i>Financial Statements</i> . . . . .	34
Consolidated Balance Sheets at June 27, 2015 and June 28, 2014 . . . . .	35
Consolidated Statements of Income for each of the three years in the period ended June 27, 2015 . . . . .	36
Consolidated Statements of Comprehensive Income for each of the three years in the period ended June 27, 2015 . . . . .	37
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended June 27, 2015 . . . . .	38
Consolidated Statements of Cash Flows for each of the three years in the period ended June 27, 2015 . . . . .	39
Notes to Consolidated Financial Statements . . . . .	41
Report of Independent Registered Public Accounting Firm . . . . .	74
(2) <i>Financial Statement Schedule</i> . . . . .	
The following financial statement schedule is filed as part of this Annual Report on Form 10-K and should be read in conjunction with the financial statements.	
Schedule II — Valuation and Qualifying Accounts . . . . .	75
All other schedules are omitted because they are not applicable, or because the required information is included in the consolidated financial statements or notes thereto.	
(3) The Exhibits filed as a part of this Report are listed in the attached Index to Exhibits.	

(b) *Exhibits*.

See attached Index to Exhibits.

## MAXIM INTEGRATED PRODUCTS, INC. CONSOLIDATED BALANCE SHEETS

	<u>June 27, 2015</u>	<u>June 28, 2014</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$1,550,965	\$1,322,472
Short-term investments	75,154	49,953
Total cash, cash equivalents and short-term investments	1,626,119	1,372,425
Accounts receivable, net of allowances of \$18,286 in 2015 and \$17,750 in 2014	278,844	295,828
Inventories	288,474	289,292
Deferred tax assets	77,306	74,597
Other current assets	49,838	54,560
Total current assets	2,320,581	2,086,702
Property, plant and equipment, net	1,090,739	1,331,519
Intangible assets, net	261,652	360,994
Goodwill	511,647	596,637
Other assets	43,765	29,766
<b>TOTAL ASSETS</b>	<u>\$4,228,384</u>	<u>\$4,405,618</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 88,322	\$ 102,076
Income taxes payable	34,779	20,065
Accrued salary and related expenses	181,360	186,732
Accrued expenses	48,389	64,028
Deferred revenue on shipments to distributors	30,327	25,734
Total current liabilities	383,177	398,635
Long-term debt	1,000,000	1,001,026
Income taxes payable	410,378	362,802
Deferred tax liabilities	90,588	159,879
Other liabilities	54,221	53,365
Total liabilities	1,938,364	1,975,707
Commitments and contingencies (Note 13)		
<b>Stockholders' equity:</b>		
Preferred stock, \$0.001 par value		
Authorized: 2,000 shares, issued and outstanding: none	—	—
Common stock, \$0.001 par value		
Authorized: 960,000 shares		
Issued and outstanding: 284,823 in 2015 and 284,441 in 2014	283	285
Additional paid-in capital	27,859	23,005
Retained earnings	2,279,112	2,423,794
Accumulated other comprehensive loss	(17,234)	(17,173)
Total stockholders' equity	2,290,020	2,429,911
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<u>\$4,228,384</u>	<u>\$4,405,618</u>

See accompanying Notes to Consolidated Financial Statements.

## MAXIM INTEGRATED PRODUCTS, INC. CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands, except per share data)		
Net revenues	\$2,306,864	\$2,453,663	\$2,441,459
Cost of goods sold	1,034,997	1,068,898	944,892
Gross margin	1,271,867	1,384,765	1,496,567
Operating expenses:			
Research and development	521,772	558,168	534,819
Selling, general and administrative	308,065	324,734	324,282
Intangible asset amortization	16,077	17,690	15,525
Impairment of long-lived assets	67,042	11,644	24,929
Impairment of goodwill and intangible assets	93,010	2,580	2,800
Severance and restructuring expenses	30,642	24,902	2,829
Acquisition-related costs	—	6,983	—
Other operating expenses (income), net	(2,021)	15,773	3,064
Total operating expenses	1,034,587	962,474	908,248
Operating income	237,280	422,291	588,319
Interest and other income (expense), net	8,890	(13,065)	(18,040)
Income before provision for income taxes	246,170	409,226	570,279
Provision for income taxes	40,132	54,416	117,970
Income from continuing operations	206,038	354,810	452,309
Income from discontinued operations, net of tax	—	—	2,603
Net income	\$ 206,038	\$ 354,810	\$ 454,912
Earnings per share: Basic			
From continuing operations	\$ 0.73	\$ 1.25	\$ 1.55
From discontinued operations	—	—	0.01
Basic	\$ 0.73	\$ 1.25	\$ 1.56
Earnings per share: Diluted			
From continuing operations	\$ 0.71	\$ 1.23	\$ 1.51
From discontinued operations	—	—	0.01
Diluted	\$ 0.71	\$ 1.23	\$ 1.52
Shares used in the calculation of earnings per share:			
Basic	283,675	283,344	291,835
Diluted	288,949	289,108	298,596
Dividends declared and paid per share	\$ 1.12	\$ 1.04	\$ 0.96

See accompanying Notes to Consolidated Financial Statements.

**MAXIM INTEGRATED PRODUCTS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<u>For the Years Ended</u>		
	<u>June 27, 2015</u>	<u>June 28, 2014</u>	<u>June 29, 2013</u>
	(in thousands)		
Net income	\$206,038	\$354,810	\$454,912
<b>Other comprehensive income, net of tax:</b>			
Change in net unrealized gains and losses on available-for-sale securities, net of tax benefit (expense) of \$0 in 2015, \$13 in 2014, \$103 in 2013, respectively	33	77	(179)
Change in net unrealized gains and losses on cash flow hedges, net of tax benefit (expense) of \$(92) in 2015, \$(195) in 2014, \$98 in 2013, respectively	64	993	(808)
Change in net unrealized gains and losses on cumulative translation adjustment	—	391	—
Change in net unrealized gains and losses on post-retirement benefits, net of tax benefit (expense) of \$(458) in 2015, \$1,274 in 2014, \$(1,295) in 2013, respectively	369	(4,535)	1,606
Tax effect of the unrealized exchange gains and losses on long-term intercompany receivables	(527)	1,648	(932)
Other comprehensive income (loss), net	<u>(61)</u>	<u>(1,426)</u>	<u>(313)</u>
Total comprehensive income	<u>\$205,977</u>	<u>\$353,384</u>	<u>\$454,599</u>

See accompanying Notes to Consolidated Financial Statements.

**MAXIM INTEGRATED PRODUCTS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(in thousands)	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
<b>Balance, June 30, 2012</b>	292,732	\$293	\$ —	\$2,553,418	\$(15,434)	\$2,538,277
Net income	—	—	—	454,912	—	454,912
Other comprehensive income (loss), net	—	—	—	—	(313)	(313)
Repurchase of common stock	(12,761)	(13)	(170,464)	(204,658)	—	(375,135)
Net issuance of restricted stock units	2,127	2	(29,044)	—	—	(29,042)
Stock options exercised	3,922	4	71,338	—	—	71,342
Stock based compensation	—	—	83,678	—	—	83,678
Tax benefit on settlement of equity instruments	—	—	8,197	—	—	8,197
Common stock issued under Employee Stock Purchase Plan	1,600	2	36,295	—	—	36,297
Dividends declared and paid	—	—	—	(280,215)	—	(280,215)
<b>Balance, June 29, 2013</b>	287,620	\$288	\$ —	\$2,523,457	\$(15,747)	\$2,507,998
Net income	—	—	—	354,810	—	354,810
Other comprehensive income (loss), net	—	—	—	—	(1,426)	(1,426)
Repurchase of common stock	(10,424)	(10)	(145,006)	(160,298)	—	(305,314)
Net issuance of restricted stock units	1,992	2	(31,386)	—	—	(31,384)
Stock options exercised	3,569	3	69,636	—	—	69,639
Stock based compensation	—	—	85,324	—	—	85,324
Tax shortfall on settlement of equity instruments	—	—	(68)	—	—	(68)
Substitution of stock-based compensation awards in connection with acquisition	—	—	1,698	—	—	1,698
Common stock issued under Employee Stock Purchase Plan	1,684	2	42,807	—	—	42,809
Dividends declared and paid	—	—	—	(294,175)	—	(294,175)
<b>Balance, June 28, 2014</b>	284,441	\$285	\$ 23,005	\$2,423,794	\$(17,173)	\$2,429,911
Net income	—	—	—	206,038	—	206,038
Other comprehensive income (loss), net	—	—	—	—	(61)	(61)
Repurchase of common stock	(6,210)	(6)	(162,271)	(32,811)	—	(195,088)
Net issuance of restricted stock units	1,792	—	(27,793)	—	—	(27,793)
Stock options exercised	3,169	3	58,584	—	—	58,587
Stock based compensation	—	—	79,381	—	—	79,381
Tax benefit on settlement of equity instruments	—	—	8,155	—	—	8,155
Modification of liability to equity instruments	—	—	7,848	—	—	7,848
Common stock issued under Employee Stock Purchase Plan	1,631	1	40,950	—	—	40,951
Dividends declared and paid	—	—	—	(317,909)	—	(317,909)
<b>Balance, June 27, 2015</b>	284,823	\$283	\$ 27,859	\$2,279,112	\$(17,234)	\$2,290,020

See accompanying Notes to Consolidated Financial Statements.

## MAXIM INTEGRATED PRODUCTS, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands)		
<b>Cash flows from operating activities:</b>			
Net income	\$206,038	\$ 354,810	\$ 454,912
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Stock-based compensation	79,491	85,452	83,808
Depreciation and amortization	299,396	244,593	207,136
Deferred taxes	(72,507)	(32,159)	25,372
In process research and development written-off	8,900	2,580	2,800
Loss (gain) from sale of property, plant and equipment	419	2,187	(1,156)
Tax benefit (shortfall) on settlement of equity instruments	8,155	(68)	8,197
Excess tax benefit from stock-based compensation	(12,549)	(14,192)	(18,923)
Impairment of long-lived assets	67,010	11,644	24,929
Impairment of goodwill	84,110	—	—
Impairment of investments in privately-held companies	94	10,260	700
Loss (gain) on sale of business	(35,849)	—	(3,285)
Changes in assets and liabilities:			
Accounts receivable	16,984	13,340	32,023
Inventories	2,163	20,672	(35,245)
Other current assets	(8,783)	45,557	(21,233)
Accounts payable	(4,201)	(11,255)	(32,510)
Income taxes payable	62,350	54,492	70,156
Deferred revenue on shipments to distributors	4,593	(823)	277
All other accrued liabilities	(12,108)	(10,983)	19,977
Net cash provided by (used in) operating activities	<u>693,706</u>	<u>776,107</u>	<u>817,935</u>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(75,816)	(132,523)	(216,672)
Proceeds from sale of property, plant, and equipment	29,035	5,293	19,196
Proceeds from sale of property, plant and equipment through note receivable	—	—	10,786
Payments in connection with business acquisitions, net of cash acquired	—	(459,256)	(2,767)
Proceeds from sale of business	35,550	—	—
Purchases of available-for-sale securities	(25,142)	(49,953)	—
Purchases of privately-held companies securities	(200)	—	(500)
Proceeds from sale of investments in privately-held companies	500	—	585
Proceeds from maturity of available-for-sale securities	—	27,000	50,000
Net cash provided by (used in) investing activities	<u>(36,073)</u>	<u>(609,439)</u>	<u>(139,372)</u>

**MAXIM INTEGRATED PRODUCTS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

	For the Years Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands)		
<b>Cash flows from financing activities</b>			
Excess tax benefit from stock-based compensation	\$ 12,549	\$ 14,192	\$ 18,923
Contingent consideration paid	—	(4,705)	(13,781)
Repayment of notes payable	(437)	(4,708)	(303,500)
Issuance of debt	—	497,895	494,395
Debt issuance cost	—	(3,431)	(3,921)
Net issuance of restricted stock units	(27,793)	(31,384)	(29,042)
Proceeds from stock options exercised	58,587	69,639	71,342
Issuance of common stock under employee stock purchase program	40,951	42,809	36,297
Repurchase of common stock	(195,088)	(305,314)	(375,135)
Dividends paid	(317,909)	(294,175)	(280,215)
Net cash provided by (used in) financing activities	<u>(429,140)</u>	<u>(19,182)</u>	<u>(384,637)</u>
Net increase (decrease) in cash and cash equivalents	228,493	147,486	293,926
Cash and cash equivalents:			
Beginning of year	1,322,472	1,174,986	881,060
End of year	<u>\$1,550,965</u>	<u>\$1,322,472</u>	<u>\$1,174,986</u>
Supplemental disclosures of cash flow information:			
Cash paid (refunded), net during the year for income taxes	\$ 40,500	\$ (6,455)	\$ 19,080
Cash paid for interest	29,410	22,861	10,624
Noncash financing and investing activities:			
Accounts payable related to property, plant and equipment purchases	\$ 4,921	\$ 14,474	\$ 16,825
Modification of liability to equity instruments	\$ 7,848	\$ —	\$ —

See accompanying Notes to Consolidated Financial Statements.

# MAXIM INTEGRATED PRODUCTS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: NATURE OF OPERATIONS

Maxim Integrated Products, Inc. (“Maxim Integrated”, the “Company,” “we,” “us” or “our”), incorporated in Delaware, designs, develops, manufactures, and markets a broad range of linear and mixed-signal integrated circuits, commonly referred to as analog circuits, for a large number of customers in diverse geographical locations. The Company also provides a range of high-frequency process technologies and capabilities for use in custom designs. The analog market is fragmented and characterized by diverse applications and a great number of product variations with varying product life cycles. Maxim Integrated is a global company with manufacturing facilities in the United States, testing facilities in the Philippines and Thailand, and sales and circuit design offices throughout the world. Integrated circuit assembly is performed by foreign assembly subcontractors, located in countries throughout Asia, where wafers are separated into individual integrated circuits and assembled into a variety of packages. The major end-markets the Company’s products are sold in are the automotive, communications and data center, computing, consumer and industrial markets.

The Company has a 52-to-53-week fiscal year that ends on the last Saturday of June. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Fiscal year 2015, 2014, and 2013 were 52-week fiscal years (ended on June 27, 2015, June 28, 2014, and June 29, 2013, respectively).

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to the useful lives and fair value of fixed assets, valuation allowance for deferred tax assets, reserves relating to uncertain tax positions, allowances for doubtful accounts, customer returns and allowances, inventory valuation, reserves relating to litigation matters, assumptions about the fair value of reporting units, accrued liabilities and reserves, assumptions related to the calculation of stock-based compensation and the value of intangibles acquired and goodwill associated with business combinations. The Company bases its estimates and judgments on its historical experience, knowledge of current conditions and its beliefs of what could occur in the future, given available information. Actual results may differ from those estimates, and such differences may be material to the financial statements.

#### *Basis of Presentation*

The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

#### *Cash Equivalents and Short-term Investments*

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents consist of demand accounts and money market funds. Short-term investments consist primarily of U.S. treasury debt securities with original maturities beyond three months at the date of purchase.

The Company’s short-term investments are considered available-for-sale. Such securities are carried at fair market value based on market quotes and other observable inputs. Unrealized gains and losses, net of tax, on securities in this category are reported as equity in the Consolidated Statement of Comprehensive Income. Realized gains and losses on sales of investment securities are determined based on the specific identification method and are included in Interest and other income (expense), net in the Consolidated Statements of Income.

#### *Derivative Instruments*

The Company incurs expenditures denominated in non-U.S. currencies, primarily the Philippine Peso associated with the Company’s manufacturing activities in the Philippines, and expenditures for sales offices and research and development activities undertaken outside of the U.S. The Company is exposed to fluctuations in foreign currency exchange rates primarily on orders and accounts receivable from sales in these foreign currencies and cash flows for expenditures in these foreign currencies. The Company has established risk management strategies designed to reduce the impact of volatility of future cash flows caused by changes in the exchange rate for these currencies. These strategies reduce, but do not entirely eliminate, the impact of currency exchange rates movements.

Currency forward contracts are used to offset the currency risk of non-U.S. dollar-denominated assets and liabilities. The Company typically enters into currency forward contracts to hedge exposures associated with its expenditures denominated in Philippine Pesos and South Korean

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Won. The Company enters into contracts for its accounts receivable and backlog denominated in Japanese Yen, British Pound and Euro. Changes in fair value of the underlying assets and liabilities are generally offset by the changes in fair value of the related currency forward contract.

The Company uses currency forward contracts to hedge exposure to variability in anticipated non-U.S. dollar denominated cash flows. These contracts are designated as cash flow hedges and recorded on the Consolidated Balance Sheets at their fair market value. The maturities of these instruments are generally less than six months. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (loss) and reported within the Consolidated Statements of Comprehensive Income. These amounts have been reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments that are not designated as hedging instruments, gains and losses are recognized immediately in "Interest income (expense) and other, net" in the Consolidated Statements of Income.

### *Fair Value of Financial Instruments*

The Company measures certain financial assets and liabilities at fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. See Note 5: "Financial Instruments" of these Notes to Consolidated Financial Statements for a further discussion on fair value of financial instruments.

### *Inventories*

Inventories are stated at the lower of (i) standard cost, which approximates actual cost on a first-in-first-out basis, or (ii) market value. The Company's standard cost revision policy is to continuously monitor manufacturing variances and revise standard costs on a quarterly basis. Because of the cyclical nature of the market, inventory levels, obsolescence of technology, and product life cycles, the Company generally writes down inventories to net realizable value based on forecasted product demand.

### *Property, Plant and Equipment*

Property, plant and equipment are stated at cost. Depreciation is primarily computed on the straight-line method over the estimated useful lives of the assets, which range from 2 to 15 years for machinery and equipment and up to 40 years for buildings and building improvements. Leasehold improvements are amortized over the lesser of their useful lives or the remaining term of the related lease. When assets are retired or otherwise disposed of, the cost and accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in the Consolidated Statements of Income in the period recognized. The classification is based mainly on whether the asset is operating or not.

The Company evaluates the recoverability of property, plant and equipment in accordance with Accounting Standards Codification ("ASC") No. 360, *Accounting for the Property, Plant, and Equipment*. ("ASC 360"). The Company performs periodic reviews to determine whether facts and circumstances exist that would indicate that the carrying amounts of property, plant and equipment exceeds their fair values. If facts and circumstances indicate that the carrying amount of property, plant and equipment might not be fully recoverable, projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining useful lives are compared against their respective carrying amounts. In the event that the projected undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are written down to their estimated fair values based on their expected discounted future cash flows attributable to those assets. All long-lived assets classified as held for sale are reported at the lower of carrying amount or fair market value, less expected selling costs.

During the second quarter of fiscal year 2015, the Company tested the recoverability of the long-lived assets (other than goodwill) associated with the Sensing Solutions business unit and concluded that existing Property, plant and equipment, net was impaired by \$45.2 million. The Company reached its conclusion regarding the asset impairment after determining that the undiscounted cash flows fell below the net book value of the net assets of the Sensing Solutions reporting unit (the asset group). As a result, the Company reduced the assets to their fair value after conducting an evaluation of each asset's alternative use, the condition of the asset and the current market pricing and demand.

### *Intangible Assets and Goodwill*

The Company accounts for intangible assets in accordance with ASC No. 350, *Intangibles-Goodwill and Other*, ("ASC 350"). The Company reviews goodwill and purchased intangible assets with indefinite lives for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable, such as when reductions in demand or significant economic slowdowns in the semiconductor industry are present.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible asset reviews are performed when indicators exist that could indicate the carrying value may not be recoverable based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate consistent with the guidance provided in FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*. Impairment is based on the excess of the carrying amount over the fair value of those assets. During fiscal years 2015, 2014 and 2013, the Company recorded impairment of intangible assets of \$8.9 million, \$2.6 million and \$2.8 million, respectively, related to write-offs of acquired In-process research and development (“IPR&D”).

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. In accordance with ASC 350, the Company tests goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis or more frequently if the Company believes indicators of impairment exist. During the fourth quarter of fiscal year 2015, the Company changed its annual goodwill impairment testing date from the first quarter to the fourth quarter of each year. This change ensures the completion of the annual goodwill impairment test prior to the end of the annual reporting period, thereby aligning impairment testing procedures with year-end financial reporting and annual long-range plan and forecasting process. This change does not accelerate, delay, avoid, or cause an impairment charge, nor does this change result in adjustments to previously issued financial statements. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. The Company generally determines the fair value of the Company's reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as the market approach which includes the guideline company method. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

The Company performed the annual goodwill impairment analysis during the first quarter of fiscal year 2015 and concluded that goodwill was not impaired, as the fair value of each reporting unit exceeded its carrying value. During the second quarter of fiscal 2015, goodwill for the Sensing Solutions reporting unit was determined to be impaired and the Company recorded a charge of \$84.1 million. The impairment was the result of the Company's decision during the second quarter of fiscal 2015 to exit certain market offerings that have competitive dynamics which are no longer consistent with the Company's business objectives. The Company determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the Sensing Solutions reporting unit. The reporting unit's carrying value exceeded its estimated fair value and, accordingly, a second phase of the goodwill impairment test (“Step 2”) was performed. Under Step 2, the fair value of all Sensing Solution's assets and liabilities were estimated, including tangible assets and intangible assets (including existing and in-process technology) for the purpose of deriving an estimate of the implied fair value of goodwill. The implied fair value of the goodwill was then compared to the carrying value of the goodwill to determine the amount of the impairment. The Company estimated the fair value of the Sensing Solutions reporting unit using a weighting of fair values derived equally from the income and market approach. Under the income approach, the Company calculates the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to achieve the projected cash flows. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit.

No other indicators or instances of impairment were identified during fiscal year 2015. No impairment charges were recorded associated with the Company's goodwill during fiscal years 2014 and 2013.

### *Product Warranty*

The Company generally warrants its products for one year from the date of shipment against defects in materials, workmanship and material non-conformance to the Company's specifications. The general warranty policy provides for the repair or replacement of defective products or a credit to the customer's account. In addition, the Company may consider its relationship with the customer when reviewing product claims. In limited circumstances and for strategic customers in certain unique industries and applications, the Company's product warranty may extend for up to five years, and may also include financial responsibility, such as the payment of monetary compensation to reimburse a customer for its financial losses above and beyond repairing or replacing the product or crediting the customer's account should the product not meet the Company's specifications and losses and/or damages results from the defective product.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accruals are based on specifically identified claims and on the estimated, undiscounted cost of incurred-but-not-reported claims. If there is a material increase in the rate of customer claims compared with the Company's historical experience or if the Company's estimates of probable losses relating to specifically identified warranty exposures require revision, the Company may record a charge against future cost of sales. The short-term and long-term portions of the product warranty liability are included within the balance sheet captions Accrued expenses and Other liabilities, respectively, in the accompanying Consolidated Balance Sheets. For more details please refer to Note 13: "Commitments and Contingencies" of these Notes to the Consolidated Financial Statements.

### *Retirement Benefits*

The Company provides medical benefits to certain former and current employees pursuant to certain retirement agreements. The Company also provides retirement benefits to Philippines employees and to certain other employees in other countries. These benefits to individuals are accounted for pursuant to a documented plan under ASC No. 715, *Compensation- Retirement Benefits* ("ASC 715"). Unrecognized actuarial gains and losses and prior service cost are amortized on straight-line basis over the remaining estimated service period of participants. The measurement date for the plan is fiscal year end.

### *Income Taxes*

The Company accounts for income taxes using an asset and liability approach as prescribed in ASC 740-10, *Income Taxes* ("ASC 740-10"). The Company records the amount of taxes payable or refundable for the current and prior years and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

ASC 740-10 prescribes a recognition threshold and measurement framework for the financial statement reporting and disclosure of an income tax position taken or expected to be taken on a tax return. Under ASC 740-10, a tax position is recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination, including resolution of any related appeals or litigation processes. A tax position that meets the recognition threshold is then measured to determine the largest amount of the benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes in the Consolidated Statements of Income.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws across multiple tax jurisdictions. Although ASC 740-10 provides clarification on the accounting for uncertainty in income taxes recognized in the financial statements, the recognition threshold and measurement framework will continue to require significant judgment by management. Resolution of these uncertainties in a manner inconsistent with the Company's expectations could have a material impact on the Company's results of operations.

### *Revenue Recognition*

The Company recognizes revenue for sales to direct customers and sales to certain distributors upon shipment, provided that persuasive evidence of a sales arrangement exists, the price is fixed or determinable, title and risk of loss has transferred, collectability of the resulting receivable is reasonably assured, there are no customer acceptance requirements and the Company does not have any significant post-shipment obligations. Estimated returns for sales to direct customers and certain distributors are based on historical returns rates applied against current period gross revenues. Specific customer returns and allowances are considered within this estimate.

Sales to certain distributors are made pursuant to agreements allowing for the possibility of certain sales price rebates or price protection and for non-warranty product return privileges. The non-warranty product return privileges include allowing certain distributors to return a small portion of the Company's products in their inventory based on their previous purchases. Given the uncertainties associated with the levels of non-warranty product returns, sales price rebates and price protection that could be issued to certain distributors, the Company defers recognition of such revenue and related cost of goods sold until receipt of notification from these distributors that product has been sold to their end-customers.

Accounts receivable from direct customers and distributors (excluding those distributors discussed in the immediately preceding paragraph) are recognized and inventory is relieved upon shipment as title to inventories generally transfers upon shipment, at which point the Company has a legally enforceable right to collection under normal terms. Accounts receivable related to consigned inventory is recognized when the customer takes title to such inventory from its consigned location, at which point inventory is relieved, title transfers, and the Company has a legally enforceable right to collection under the terms of the Company's agreement with the related customers.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company estimates potential future returns and sales allowances related to current period product revenue. Management analyzes historical returns, changes in customer demand and acceptance of products when evaluating the adequacy of returns and sales allowances. Estimates made by the Company may differ from actual returns and sales allowances. These differences may materially impact reported revenue and amounts ultimately collected on accounts receivable. Historically, such differences have not been material. At June 27, 2015, June 28, 2014, and June 29, 2013 the Company had \$17.4 million, \$16.2 million, and \$12.4 million reserved for returns and allowances against accounts receivable, respectively. During fiscal years 2015, 2014 and 2013, the Company recorded \$81.5 million, \$75.3 million and \$65.7 million for estimated returns and allowances against revenues, respectively. These amounts were offset by \$80.2 million, \$71.6 million and \$64.6 million actual returns and allowances given during fiscal years 2015, 2014 and 2013, respectively.

### *Related Party Transactions*

A member of the Company's board of directors is also a member of the board of directors of Flextronics International Ltd. During the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, the Company sold approximately \$60.4 million, \$68.1 million, and \$57.7 million, respectively, in products to Flextronics International Ltd., a contract manufacturer, in the ordinary course of its business.

### *Research and Development Costs*

Research and development costs are expensed as incurred. Such costs consist primarily of expenditures for labor and benefits, masks, prototype wafers and depreciation.

### *Shipping Costs*

Shipping costs billed to customers are included in net revenues and the related shipping costs are included in cost of goods sold in the Consolidated Statements of Income.

### *Stock-Based Compensation*

Stock-based compensation cost is measured at the grant date, based on the fair value of the awards ultimately expected to vest and is recognized as an expense, on a straight-line basis, over the requisite service period. ASC 718 also requires forfeitures to be estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures or vesting differ from those estimates. Such revisions could have a material effect on the Company's operating results.

The Company uses the Black-Scholes valuation model to measure the fair value of its stock options utilizing various inputs with respect to expected holding period, risk-free interest rates, stock price volatility and dividend yield. The assumptions the Company uses in the valuation model are based on subjective future expectations combined with management judgment. If any of the assumptions used in the Black-Scholes model changes, stock-based compensation for future awards may differ materially compared to the awards granted previously.

The Company uses the Monte Carlo simulation model to measure the fair value of its market stock units on the date of grant. The Company also estimates forfeitures at the time of grant and makes revisions to forfeitures on a quarterly basis.

### *Restructuring*

Post-employment benefits accrued for workforce reductions related to restructuring activities in the United States are accounted for under ASC No. 712, *Compensation-Nonretirement Postemployment Benefits* ("ASC 712"). A liability for post-employment benefits is recorded when payment is probable, the amount is reasonably estimable, and the obligation relates to rights that have vested or accumulated. In accordance with ASC No. 420, *Exit or Disposal Cost Obligations*, generally costs associated with restructuring activities initiated outside the United States have been recognized when they are incurred.

The Company continually evaluates the adequacy of the remaining liabilities under its restructuring initiatives. Although the Company believes that these estimates accurately reflect the costs of its restructuring plans, actual results may differ, thereby requiring the Company to record additional provisions or reverse a portion of such provisions.

### *Foreign Currency Translation and Remeasurement*

The U.S. dollar is the functional currency for the Company's foreign operations. Using the U.S. dollar as the functional currency, monetary assets and liabilities are remeasured at the year-end exchange rates. Certain non-monetary assets and liabilities are remeasured using historical rates. Statements of Consolidated Income are remeasured at the average exchange rates during the year. Foreign exchange gains and losses as recorded in the Consolidated Statements of Income for all periods presented were not material.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### *Earnings Per Share*

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share incorporate the potentially dilutive incremental shares issuable upon the assumed exercise of stock options, the assumed vesting of outstanding restricted stock units and market stock units, and the assumed issuance of common stock under the stock purchase plan. The number of incremental shares from the assumed issuance of stock options is calculated by applying the treasury stock method. See Note 7: “Earnings Per Share” of these Notes to Consolidated Financial Statements.

### *Litigation and Contingencies*

From time to time, the Company receives notices that its products or manufacturing processes may be infringing the patent or other intellectual property rights of others, notices of stockholder litigation or other lawsuits or claims against the Company. The Company periodically assesses each matter in order to determine if a contingent liability in accordance with ASC 450 should be recorded. In making this determination, management may, depending on the nature of the matter, consult with internal and external legal counsel and technical experts. The Company expenses legal fees associated with consultations and defense of lawsuits as incurred. Based on the information obtained, combined with management’s judgment regarding all of the facts and circumstances of each matter, the Company determines whether a contingent loss is probable and whether the amount of such loss can be estimated. Should a loss be probable and estimable, the Company records a contingent loss in accordance with ASC 450. In determining the amount of a contingent loss, the Company takes into consideration advice received from experts in the specific matter, current status of legal proceedings, settlement negotiations which may be ongoing, prior case history and other factors. Should the judgments and estimates made by management be incorrect, the Company may need to record additional contingent losses that could materially adversely impact its results of operations. Alternatively, if the judgments and estimates made by management are incorrect and a particular contingent loss does not occur, the contingent loss recorded would be reversed thereby favorably impacting the Company’s results of operations.

Pursuant to the Company’s charter documents and separate written indemnification agreements, the Company has certain indemnification obligations to its current officers and directors, as well as certain former officers and directors. Pursuant to such obligations, the Company has incurred substantial expenses related to legal fees and expenses to certain former officers of the Company subject to civil charges by the SEC in connection with Maxim Integrated’s historical stock option granting practices. The Company has also incurred substantial expenses related to legal fees and expenses advanced to certain current and former officers and directors who were defendants in the civil actions described above. The Company expenses such amounts as incurred.

### *Concentration of Credit Risk*

Due to the Company’s credit evaluation and collection process, bad debt expenses have not been significant. Credit risk with respect to trade receivables is limited because a large number of geographically diverse customers make up the Company’s customer base, thus spreading the credit risk. The Company derived approximately 36% of its fiscal year 2015 revenue from sales made through distributors which includes distribution sales to Samsung and catalog distributors. The Company’s primary distributor is Avnet Electronics (“Avnet”). Avnet, like the Company’s other distributors, is not an end customer, but rather serves as a channel of sale to many end users of the Company’s products. Avnet accounted for 19%, 17% and 14% of revenues in fiscal years 2015, 2014 and 2013, respectively, and 18% and 15% of accounts receivable in fiscal years 2015 and 2014, respectively. Sales to Samsung, the Company’s largest single end customer (through direct sales and distributors), accounted for approximately 15%, 20% and 28% of net revenues in fiscal years 2015, 2014 and 2013, respectively, and 20% of accounts receivable as of June 27, 2015 and June 28, 2014. No other customer accounted for more than 10% of the Company’s revenues in the fiscal year ended 2015, 2014, and 2013, and no other customer accounted for more than 10% of the Company’s accounts receivable in fiscal years 2015 and 2014.

The Company maintains cash, cash equivalents, and short-term investments with various high credit quality financial institutions, limits the amount of credit exposure to any one financial institution or instrument, and is exposed to credit risk in the event of default by these institutions to the extent of amounts recorded at the balance sheet date. To date, the Company has not incurred losses related to these investments.

### *Concentration of Other Risks*

The semiconductor industry is characterized by rapid technological change, competitive pricing pressures, and cyclical market patterns. The Company’s results of operations are affected by a wide variety of factors, including general economic conditions, both in the United States and abroad; economic conditions specific to the semiconductor industry and to the analog and mixed signal portion of that industry; demand for the Company’s products; the timely introduction of new products; implementation of new manufacturing technologies; manufacturing capacity; the

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ability to manufacture efficiently; the availability of materials, supplies, machinery and equipment; competition; the ability to safeguard patents and other intellectual property in a rapidly evolving market; and reliance on assembly and, to a small extent, wafer fabrication subcontractors and on independent distributors and sales representatives. As a result, the Company may experience substantial period-to-period fluctuations in future operating results due to the factors mentioned above or other factors.

### Recently Issued Accounting Pronouncements

#### (i) New Accounting Updates Recently Adopted

In the first quarter of fiscal year 2015, the Company adopted Accounting Standards Update (“ASU”) No. 2013-11, *Income Taxes (Topic 740)- Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which requires certain unrecognized tax benefits to be presented as reductions to deferred tax assets instead of liabilities on the Consolidated Balance Sheets. The adoption of this standard did not have a material impact on the Company’s Consolidated Balance Sheets.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU No. 2014-08 redefines discontinued operations as disposals representing a strategic shift in operations and having a major effect on the organization’s operations and financial results. The Company early adopted this accounting standard update in the fourth quarter of fiscal year 2015. During fiscal year 2015, the Company recognized a gain of \$35.8 million recorded in interest and other expense (income), net, for the sale of the Company’s Touch business which did not meet the criteria of discontinued operations under this accounting standard.

#### (ii) Recent Accounting Updates Not Yet Effective

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 uses a five-step model to determine revenue recognition in contracts with customers. The Company is currently evaluating the potential impact of this standard on its financial statements. ASU No. 2014-09 is effective for the Company in the first quarter of fiscal year 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU No. 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU No. 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU No. 2014-09. Early adoption in the first quarter of fiscal year 2018 is permitted.

In April 2015, the FASB issued ASU No. 2015-03, *Interest — Imputation of Interest*. ASU No. 2015-03 changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. This guidance is effective for the Company beginning in the first quarter of fiscal year 2017 and early adoption is permitted in an interim period with any adjustments reflected as of the beginning of the fiscal year that includes that interim period. The guidance is not expected to have a significant impact to the Company’s consolidated financial statements.

### NOTE 3: BALANCE SHEET COMPONENTS

Inventories consist of:

	June 27, 2015	June 28, 2014
	(in thousands)	
<b>Inventories:</b>		
Raw materials	\$ 12,932	\$ 14,774
Work-in-process	199,716	188,198
Finished goods	75,826	86,320
	\$288,474	\$289,292

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property, plant and equipment, net, consist of:

	<u>June 27, 2015</u>	<u>June 28, 2014</u>
	(in thousands)	
<b>Property, plant and equipment:</b>		
Land	\$ 45,040	\$ 62,093
Buildings and building improvements	338,394	378,477
Machinery and equipment	1,970,819	2,134,813
	<u>2,354,253</u>	<u>2,575,383</u>
Less: accumulated depreciation and amortization	(1,263,514)	(1,243,864)
	<u>\$ 1,090,739</u>	<u>\$ 1,331,519</u>

The Company recorded \$209.0 million, \$160.7 million and \$156.2 million of depreciation expense in fiscal years 2015, 2014 and 2013, respectively. Fiscal year 2015 included \$51.5 million of accelerated depreciation relating to the San Jose wafer fabrication facility shut down which is estimated to be completed in the first quarter of the fiscal year ending June 25, 2016.

Accrued salary and related expenses consist of:

	<u>June 27, 2015</u>	<u>June 28, 2014</u>
	(in thousands)	
<b>Accrued salary and related expenses:</b>		
Accrued bonus	\$ 86,506	\$ 88,192
Accrued vacation	36,906	43,528
Accrued salaries	16,572	18,242
Accrued severance and post-employment benefits	25,136	12,192
Accrued fringe	6,007	6,895
Other	10,233	17,683
	<u>\$181,360</u>	<u>\$186,732</u>

Accrued expenses consist of:

	<u>June 27, 2015</u>	<u>June 28, 2014</u>
	(in thousands)	
<b>Accrued expenses:</b>		
Accrued warranty and self-insurance	\$10,882	\$14,125
Accrued contract settlement	10,691	10,691
Accrued interest	6,660	6,660
Other	20,156	32,552
	<u>\$48,389</u>	<u>\$64,028</u>

### NOTE 4: FAIR VALUE MEASUREMENTS

The FASB established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs that may be used to measure fair value are as follows:

*Level 1* - Quoted (unadjusted) prices in active markets for identical assets or liabilities.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's Level 1 assets consist of money market funds.

*Level 2* - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets and liabilities consist of U.S. treasury bills, and foreign currency forward contracts, that are valued using quoted market prices or are determined using a yield curve model based on current market rates. As a result, the Company has classified these investments as Level 2 in the fair value hierarchy.

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

The Company's Level 3 liabilities consist of contingent consideration liability related to certain prior years' acquisitions.

Assets and liabilities measured at fair value on a recurring basis were as follows:

	As of June 27, 2015				As of June 28, 2014			
	Fair Value Measurements Using			Total Balance	Fair Value Measurements Using			Total Balance
Level 1	Level 2	Level 3	Level 1		Level 2	Level 3		
	(in thousands)							
<b>Assets</b>								
Money market funds <sup>(1)</sup>	\$1,156,239	\$ —	\$—	\$1,156,239	\$971,868	\$ —	\$ —	\$ 971,868
U.S. treasury bills <sup>(2)</sup>	—	75,154	—	75,154	—	49,953	—	49,953
Foreign currency forward contracts <sup>(3)</sup>	—	679	—	679	—	316	—	316
Total Assets	<u>\$1,156,239</u>	<u>\$75,833</u>	<u>\$—</u>	<u>\$1,232,072</u>	<u>\$971,868</u>	<u>\$50,269</u>	<u>\$ —</u>	<u>\$1,022,137</u>
<b>Liabilities</b>								
Foreign currency forward contracts <sup>(4)</sup>	\$ —	\$ 613	\$—	\$ 613	\$ —	\$ 438	\$ —	\$ 438
Contingent Consideration <sup>(4)</sup>	—	—	—	—	—	—	3,215	3,215
Total Liabilities	<u>\$ —</u>	<u>\$ 613</u>	<u>\$—</u>	<u>\$ 613</u>	<u>\$ —</u>	<u>\$ 438</u>	<u>\$3,215</u>	<u>\$ 3,653</u>

(1) Included in Cash and cash equivalents in the accompanying Consolidated Balance Sheets.

(2) Included in Short-term investments in the accompanying Consolidated Balance Sheets.

(3) Included in Other current assets in the accompanying Consolidated Balance Sheets.

(4) Included in Accrued expenses in the accompanying Consolidated Balance Sheets.

The tables below present reconciliations for liabilities measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3) for the fiscal years ended June 27, 2015 and June 28, 2014:

### Fair Value Measured and Recorded Using Significant Unobservable Inputs (Level 3)

	June 27, 2015	June 28, 2014
	(in thousands)	
<b>Contingent Consideration</b>		
Beginning balance	\$ 3,215	\$ 8,577
Total gains or losses (realized and unrealized):		
Included in earnings	384	1,739
Payments	(3,599)	(7,101)
Ending balance	<u>\$ —</u>	<u>\$ 3,215</u>
Changes in unrealized losses (gains) included in earnings related to liabilities still held as of period end	\$ —	\$ 1,739

The balance of the contingent consideration from prior year acquisitions was paid out during the year ended June 27, 2015 reducing the balance of this Level 3 instrument to \$0 as of June 27, 2015.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In prior years, the valuation of contingent consideration was based on a probability weighted earnout model which relied primarily on estimates of milestone achievements and discount rates applicable for the period expected payout. The most significant unobservable input used in the determination of estimated fair value of contingent consideration was the estimates on the likelihood of milestone achievements, which directly correlated to the fair value recognized in the Consolidated Balance Sheets.

The fair value of this liability was estimated quarterly by management based on inputs received from the Company's engineering and finance personnel. The determination of the milestone achievement is performed by the Company's business units and reviewed by the accounting department. Potential valuation adjustments are made as the progress toward achieving milestones becomes determinable, with the impact of such adjustments being recorded to Other operating expenses (income), net in the Consolidated Statements of Income.

During the fiscal years ended June 27, 2015 and June 28, 2014, there were no transfers in or out of Level 3 from other levels in the fair value hierarchy.

There were no assets or liabilities measured at fair value on a non-recurring basis as of June 27, 2015 and June 28, 2014 other than impairments of Long-Lived assets. For details, please refer to Note 10: "Impairment of long-lived assets".

### NOTE 5: FINANCIAL INSTRUMENTS

#### Short-term investments

Fair values were as follows:

	June 27, 2015				June 28, 2014			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
	(in thousands)							
<b>Available-for-sale investments</b>								
U.S. treasury bills	\$75,022	\$132	\$—	\$75,154	\$49,853	\$100	\$—	\$49,953
Total available-for-sale investments	<u>\$75,022</u>	<u>\$132</u>	<u>\$—</u>	<u>\$75,154</u>	<u>\$49,853</u>	<u>\$100</u>	<u>\$—</u>	<u>\$49,953</u>

In the fiscal years ended June 27, 2015 and June 28, 2014, the Company did not recognize any impairment charges on short-term investments. The U.S. treasury bills have maturity dates between May 15, 2016 and September 15, 2016.

#### Derivative instruments and hedging activities

The Company incurs expenditures denominated in non-U.S. currencies, primarily the Philippine Peso associated with the Company's manufacturing activities in the Philippines, and expenditures for sales offices and research and development activities undertaken outside of the U.S.

The Company has established a program that primarily utilizes foreign currency forward contracts to offset the risks associated with the effects of certain foreign currency exposures. The Company does not use these foreign currency forward contracts for trading purposes.

#### Derivatives designated as cash flow hedging instruments

The Company designates certain forward contracts as hedging instruments pursuant to ASC 815 *Derivatives and Hedging*. As of June 27, 2015 and June 28, 2014, respectively, the notional amounts of the forward contracts the Company held to purchase other international currencies in exchange of U.S. Dollars were \$54.2 million and \$60.6 million, respectively, and the notional amounts of forward contracts the Company held to sell other international currencies in exchange of U.S. Dollars were \$3.7 million and \$0.8 million, respectively.

#### Derivatives not designated as hedging instruments

As of June 27, 2015 and June 28, 2014, respectively, the notional amounts of the forward contracts the Company held to purchase other international currencies in exchange of U.S. Dollars were \$31.1 million and \$31.4 million, respectively, and the notional amounts of forward contracts the Company held to sell other international currencies in exchange of U.S. Dollars were \$28.2 million and \$48.9 million, respectively. The fair values of outstanding foreign currency forward contracts and amounts included in the Consolidated Statements of Income were not material for the fiscal years ended June 27, 2015 and June 28, 2014.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Long-term debt

The following table summarizes the Company's long-term debt:

	<b>June 27, 2015</b>	<b>June 28, 2014</b>
	<b>(in thousands)</b>	
2.5% fixed rate notes due November 2018	\$ 500,000	\$ 500,000
3.375% fixed rate notes due March 2023	500,000	500,000
<b>Notes denominated in Euro</b>		
Amortizing floating rate notes (EURIBOR plus 1.5%) due up to June 30, 2014	—	372
Term fixed rate notes (2.0%) due up to September 30, 2015	1,024	1,026
Total	1,001,024	1,001,398
Less: Current portion	(1,024)	(372)
Total long-term debt	<b>\$1,000,000</b>	<b>\$1,001,026</b>

On November 21, 2013, the Company completed a public offering of \$500 million aggregate principal amount of the Company's 2.5% coupon senior unsecured and unsubordinated notes due in November 2018 ("2018 Notes"), with an effective interest rate of 2.6%. Interest on the 2018 Notes is payable semi-annually in arrears on May 15 and November 15 of each year. The net proceeds of this offering were approximately \$494.5 million, after issuing at a discount and deducting paid expenses, and are included in the financing activities in the Consolidated Statements of Cash Flows.

On March 18, 2013, the Company completed a public offering of \$500 million aggregate principal amount of the Company's 3.375% senior unsecured and unsubordinated notes due in March 2023 ("2023 Notes"), with an effective interest rate of 3.5%. Interest on the 2023 Notes is payable semi-annually in arrears on March 15 and September 15 of each year. The net proceeds of this offering were approximately \$490.0 million, after issuing at a discount and deducting paid expenses, and are included in the financing activities in the Consolidated Statement of Cash Flows.

The debt indentures that govern the 2023 Notes and the 2018 Notes, respectively, include covenants that limit the Company's ability to grant liens on its facilities and to enter into sale and leaseback transactions, which could limit the Company's ability to secure additional debt funding in the future. In circumstances involving a change of control of the Company followed by a downgrade of the rating of the 2023 Notes or the 2018 Notes, the Company would be required to make an offer to repurchase the affected notes at a purchase price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest.

The Company accounts for all the notes above based on their amortized cost. The discount and expenses (inclusive of interest expense) are being amortized to Interest and other income (expense), net in the Consolidated Statements of Income over the life of the notes. Interest expense associated with the notes was \$29.4 million and \$24.7 million during the years ended June 27, 2015 and June 28, 2014, respectively. Interest expense associated with the discount was \$2.0 million and \$1.1 million during the fiscal years ended June 27, 2015 and June 28, 2014, respectively.

The estimated fair value of the Company's debt was approximately \$992 million as of June 27, 2015. The estimated fair value of the debt is based primarily on observable market inputs and is a Level 2 measurement.

The Company recorded interest expense of \$32.5 million, \$27.0 million, and \$16.4 million during the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively.

### Credit Facility

The Company has access to a \$350 million senior unsecured revolving credit facility with certain institutional lenders that expires on June 27, 2019. The facility fee is at a rate per annum that varies based on the Company's index debt rating and any advances under the credit agreement will accrue interest at a base rate plus a margin based on the Company's index debt rating. The credit agreement requires the Company to comply with certain covenants, including a requirement that the Company maintain a ratio of debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) of not more than 3 to 1 and a minimum interest coverage ratio (EBITDA divided by interest expense) greater than 3.5 to 1. As of June 27, 2015, the Company had not borrowed any amounts from this credit facility and was in compliance with all debt covenants.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Other Financial Instruments

For the balance of the Company's financial instruments, cash equivalents, accounts receivable, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities.

### NOTE 6: STOCK-BASED COMPENSATION

At June 27, 2015, the Company had one stock incentive plan, the Company's 1996 Stock Incentive Plan (the "1996 Plan") and one employee stock purchase plan, the 2008 Employee Stock Purchase Plan (the "2008 ESPP"). The 1996 Plan was adopted by the Board of Directors to provide the grant of incentive stock options, nonstatutory stock options, restricted stock units ("RSUs"), and market stock units ("MSUs") to employees, directors, and consultants.

Pursuant to the 1996 Plan, the exercise price for incentive stock options and non-statutory stock options is determined to be the fair market value of the underlying shares on the date of grant. Options typically vest ratably over a four-year period measured from the date of grant. Options generally expire no later than ten years after the date of grant, subject to earlier termination upon an optionee's cessation of employment or service.

RSUs granted to employees typically vest ratably over a four-year period and are converted into shares of the Company's common stock upon vesting, subject to the employee's continued service to the Company over that period.

MSUs granted to employees typically vest ratably over a two to four-year period and are converted into shares of the Company's common stock upon vesting, subject to the employee's continued service to the Company over that period. The number of shares that are released at the end of the performance period can range from zero to a maximum cap depending on the Company's performance. The performance metrics of this program are based on relative performance of the Company's stock price as compared to the Semiconductor Exchange Traded Fund index, (the "SPDR S&P").

The following tables show total stock-based compensation expense by type of award, and the resulting tax effect, included in the Consolidated Statements of Income for fiscal years 2015, 2014 and 2013:

	For the Year Ended			
	June 27, 2015			
	Stock Options	Restricted Stock Units and Other Awards	Employee Stock Purchase Plan	Total
	(in thousands)			
Cost of goods sold	\$ 1,391	\$ 8,226	\$2,257	\$11,874
Research and development	4,783	31,899	5,375	42,057
Selling, general and administrative	3,863	19,414	2,283	25,560
Pre-tax stock-based compensation expense	<u>\$10,037</u>	<u>\$59,539</u>	<u>\$9,915</u>	\$79,491
Less: income tax effect				14,131
Net stock-based compensation expense				<u>\$65,360</u>

**MAXIM INTEGRATED PRODUCTS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	For the Year Ended			
	June 28, 2014			
	Stock Options	Restricted Stock Units and Other Awards	Employee Stock Purchase Plan	Total
	(in thousands)			
Cost of goods sold	\$ 1,650	\$ 8,466	\$2,132	\$12,248
Research and development	8,676	31,548	5,452	45,676
Selling, general and administrative	5,486	19,734	2,308	27,528
Pre-tax stock-based compensation expense	<u>\$15,812</u>	<u>\$59,748</u>	<u>\$9,892</u>	\$85,452
Less: income tax effect				15,245
Net stock-based compensation expense				<u>\$70,207</u>

	For the Year Ended			
	June 29, 2013			
	Stock Options	Restricted Stock Units and Other Awards	Employee Stock Purchase Plan	Total
	(in thousands)			
Cost of goods sold	\$ 1,532	\$ 8,862	\$2,210	\$12,604
Research and development	7,230	31,475	5,441	44,146
Selling, general and administrative	5,331	19,523	2,204	27,058
Pre-tax stock-based compensation expense	<u>\$14,093</u>	<u>\$59,860</u>	<u>\$9,855</u>	\$83,808
Less: income tax effect				14,745
Net stock-based compensation expense				<u>\$69,063</u>

The expenses included in the Consolidated Statements of Income related to Restricted Stock Units and Other Awards include expenses related to Market Stock Units of \$1.7 million, \$1.5 million and \$0.8 million for fiscal years 2015, 2014 and 2013, respectively.

**Stock Options**

The fair value of options granted to employees under the Company's Amended and Restated 1996 Stock Incentive Plan is estimated on the date of grant using the Black-Scholes option valuation model.

Expected volatilities are based on the historical volatilities from the Company's traded common stock over a period equal to the expected term. The Company is utilizing the simplified method to estimate expected holding periods. The risk-free interest rate is based on the U.S. Treasury yield. The Company determines the dividend yield by dividing the annualized dividends per share by the prior quarter's average stock price. The Company also estimates forfeitures at the time of grant and makes revisions to forfeitures on a quarterly basis.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of options granted to employees in fiscal years 2015, 2014 and 2013 has been estimated at the date of grant using the Black-Scholes option valuation model and the following weighted-average assumptions:

	Stock Options For the Year Ended <sup>(1)</sup>		
	June 27, 2015	June 28, 2014	June 29, 2013
Expected holding period (in years)	4.8	5.3	5.3
Risk-free interest rate	1.6%	1.4%	0.7%
Expected stock price volatility	26.7%	34.6%	37.7%
Dividend yield	3.2%	3.2%	3.3%

(1) Table excludes impact from assumptions used in valuing the Volterra substitute options granted on October 1, 2013 based on an expected holding period of 3.8 years, risk-free interest rate of 1.0%, expected stock price volatility of 27.5% and dividend yield of 3.4%.

The weighted-average fair value of stock options granted was \$5.56, \$7.36 and \$6.69 per share for fiscal years 2015, 2014 and 2013, respectively.

At June 27, 2015, the Company had 26.4 million shares of its common stock available for issuance to employees and other option recipients under its 1996 Stock Incentive Plan.

The following table summarizes outstanding, exercisable and vested and expected to vest stock options as of June 27, 2015 and their activity during fiscal years 2015, 2014 and 2013:

	Options		Weighted Average Remaining	Aggregate
	Number of Shares	Weighted Average Exercise Price	Contractual Term (In Years)	Intrinsic Value <sup>(1)</sup>
<b>Balance at June 30, 2012</b>	24,234,994	\$25.20		
Options Granted	2,788,088	27.47		
Options Exercised	(3,919,847)	18.17		
Options Cancelled	(3,021,896)	31.10		
<b>Balance at June 29, 2013</b>	20,081,339	26.00		
Options Granted	3,638,729	27.30		
Options Exercised	(3,568,775)	18.60		
Options Cancelled	(3,987,649)	34.86		
<b>Balance at June 28, 2014</b>	16,163,644	25.74		
Options Granted	63,584	32.22		
Options Exercised	(3,168,704)	18.39		
Options Cancelled	(2,885,508)	33.62		
<b>Balance at June 27, 2015</b>	<u>10,173,016</u>	<u>25.83</u>	<u>3.2</u>	<u>\$90,549,038</u>
<b>Exercisable at June 27, 2015</b>	<u>5,044,473</u>	<u>\$ 24.63</u>	<u>1.8</u>	<u>\$52,594,028</u>
<b>Vested and expected to vest, June 27, 2015</b>	<u>9,851,208</u>	<u>\$ 25.75</u>	<u>3.1</u>	<u>\$87,716,577</u>

(1) Aggregate intrinsic value represents the difference between the exercise price and the closing price per share of the Company's common stock on June 26, 2015, the last business day preceding the fiscal year end, multiplied by the number of option outstanding, exercisable or vested and expected to vest as of June 27, 2015.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes information about stock options that were outstanding and exercisable at June 27, 2015:

<u>Range of Exercise Prices</u>	<u>Outstanding Options</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding at June 27, 2015</u>	<u>Weighted Average Remaining Contractual Term (In years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable at June 27, 2015</u>	<u>Weighted Average Exercise Price</u>
\$12.00 - \$20.00	2,341,984	1.9	\$16.97	2,236,731	\$16.85
\$20.01 - \$30.00	6,206,889	4.2	\$26.37	1,349,151	\$24.14
\$30.01 - \$40.00	1,526,240	1.1	\$36.19	1,360,688	\$36.64
\$40.01 - \$51.00	97,903	0.2	\$42.05	97,903	\$42.05
	<u>10,173,016</u>			<u>5,044,473</u>	

During fiscal year 2015, the Company granted less than 0.1 million stock options from its 1996 Plan with an estimated total grant date fair value of \$0.4 million. The total intrinsic value of options exercised during fiscal years 2015, 2014 and 2013 were \$45.6 million, \$47.2 million and \$44.7 million, respectively. The grant date fair value of options that vested during fiscal years 2015, 2014 and 2013 were \$13.1 million, \$16.0 million and \$11.2 million, respectively. As of June 27, 2015, there was \$18.0 million of total unrecognized compensation costs related to 5.1 million unvested stock options expected to be recognized over a weighted average period of approximately 1.9 years.

### Restricted Stock Units and Other Awards

The fair value of Restricted Stock Units ("RSUs") and other awards under the Company's Amended and Restated 1996 Stock Incentive Plan is estimated using the value of the Company's common stock on the date of grant, reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting. The Company also estimates forfeitures at the time of grant and makes revisions to forfeitures on a quarterly basis.

The weighted-average fair value of RSUs and other awards granted was \$27.92, \$26.60 and \$25.30 per share for fiscal years 2015, 2014 and 2013, respectively.

The following table summarizes outstanding and expected to vest RSUs and other awards as of June 27, 2015 and their activity during fiscal years 2015, 2014 and 2013:

	<u>Number of Shares</u>	<u>Weighted Average Remaining Contractual Term (In years)</u>	<u>Aggregate Intrinsic Value <sup>(1)</sup></u>
<b>Balance at June 30, 2012</b>	8,923,454		
Restricted stock units and other awards granted	3,074,466		
Restricted stock units and other awards released	(3,097,369)		
Restricted stock units and other awards cancelled	(935,019)		
<b>Balance at June 29, 2013</b>	7,965,532		
Restricted stock units and other awards granted	3,916,111		
Restricted stock units and other awards released	(2,904,787)		
Restricted stock units and other awards cancelled	(1,095,859)		
<b>Balance at June 28, 2014</b>	7,880,997		
Restricted stock units and other awards granted	3,178,117		
Restricted stock units and other awards released	(2,589,639)		
Restricted stock units and other awards cancelled	(1,339,490)		
<b>Balance at June 27, 2015</b>	<u>7,129,985</u>	<u>2.6</u>	<u>\$248,348,305</u>
<b>Expected to vest at June 27, 2015</b>	<u>6,253,774</u>	<u>2.6</u>	<u>\$214,035,409</u>

(1) Aggregate intrinsic value for RSUs and other awards represents the closing price per share of the Company's common stock on June 26, 2015, the last business day preceding the fiscal year end, multiplied by the number of RSUs and other awards outstanding, or expected to vest as of June 27, 2015.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company withheld shares totaling \$27.8 million in value as a result of employee withholding taxes based on the value of the RSUs on their vesting date for the fiscal year ended June 27, 2015. The total payments for the employees' tax obligations to the taxing authorities are reflected as financing activities within the Consolidated Statements of Cash Flows.

As of June 27, 2015, there was \$134.2 million of unrecognized compensation cost related to 7.1 million unvested RSUs and other awards, which is expected to be recognized over a weighted average period of approximately 2.6 years.

### Market Stock Units

The Company began granting Market Stock Units ("MSUs") to senior members of management in September 2014 instead of stock options. MSUs are valued based on the relative performance of the Company's stock price as compared to the Semiconductor Exchange Traded Fund index, (the "SPDR S&P"). The fair value of MSUs is estimated using a Monte Carlo simulation model on the date of grant. The Company also estimates forfeitures at the time of grant and makes revisions to forfeitures on a quarterly basis. Compensation expense is recognized based on the initial valuation and is not subsequently adjusted as a result of the Company's performance relative to that of the SPDR S&P index. Vesting for MSUs is contingent upon both service and market conditions, which generally is over a two to four-year period.

The following table summarizes outstanding and expected to vest MSUs as of June 27, 2015 and their activity during fiscal years 2015, 2014 and 2013:

	Number of Shares	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value <sup>(1)</sup>
<b>Balance at June 30, 2012</b>	—		
Market stock units granted	60,000		
Market stock units released	—		
Market stock units cancelled	—		
<b>Balance at June 29, 2013<sup>(2)</sup></b>	60,000		
Market stock units granted	60,000		
Market stock units released	—		
Market stock units cancelled	—		
<b>Balance at June 28, 2014<sup>(2)</sup></b>	120,000		
Market stock units granted	423,044		
Market stock units released	(42,476)		
Market stock units cancelled	(85,728)		
<b>Balance at June 27, 2015</b>	414,840	3.1	\$14,199,973
<b>Expected to vest at June 27, 2015</b>	356,933	3.1	\$12,217,827

(1) Aggregate intrinsic value for MSUs represents the closing price per share of the Company's common stock on June 26, 2015, the last business day preceding the fiscal quarter-end, multiplied by the number of MSUs outstanding or expected to vest as of June 27, 2015.

(2) Reflects shares previously granted to the Company's Chief Executive Officer only.

As of June 27, 2015, there was \$4.7 million of unrecognized compensation cost related to 0.4 million unvested MSUs, which is expected to be recognized over a weighted average period of approximately 3.1 years.

### Employee Stock Purchase Plan

Employees are granted rights to acquire common stock under the Company's 2008 Employee Stock Purchase Plan (the "ESPP").

The Company issued 1.6 million shares of its common stock for total consideration of \$41.0 million related to the ESPP plan during the fiscal year ended June 27, 2015. As of June 27, 2015, the Company had 5.4 million shares of its common stock reserved and available for future issuance under the 2008 ESPP.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of ESPP granted to employees in fiscal years 2015, 2014 and 2013 has been estimated at the date of grant using the Black-Scholes option valuation model and the following weighted-average assumptions:

	ESPP For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
Expected holding period (in years)	0.5	0.5	0.5
Risk-free interest rate	0.1%	0.1%	0.1%
Expected stock price volatility	21.8%	20.7%	24.0%
Dividend yield	3.3%	3.4%	3.1%

As of June 27, 2015, there was \$5.6 million of unrecognized compensation expense related to the ESPP.

### Other Modifications

In September 2006, the Company suspended the issuance of shares to employees upon exercise of stock options, vesting of restricted stock units or pursuant to planned purchases of stock under the Employee Stock Participation Plan until the Company became current with all required SEC filings and its registration statements on Form S-8 were declared effective ("Blackout Period"). The Company instituted multiple programs in an attempt to compensate employees during this period.

In September 2007, the Company decided to cash-settle all options expiring during the Blackout Period ("goodwill payment") based on the price at which 10% of the daily close prices of the Company's common stock fall above this price for trading days from August 7, 2006 (the date on which the Company initiated a trading blackout on officers and other individuals) through the expiration date of the option. The cash payment is subject to the option holder executing a release of all claims relating to the option. The supplemental goodwill payment modification changed the classification of the associated awards from equity to liability instruments. The modification resulted in a reclassification from additional paid-in capital to accrued salaries and related expenses.

In the fourth quarter of fiscal 2015, \$7.8 million was reclassified from accrued salaries to additional paid-in capital due to the lapse of the statute of limitations of certain option holders to raise claims relating to the expired options.

### **NOTE 7: EARNINGS PER SHARE**

Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. For purposes of computing basic earnings per share, the weighted average number of outstanding shares of common stock excludes unvested stock options, RSUs and MSUs. Diluted earnings per share incorporates the incremental shares issuable upon the assumed exercise of stock options, assumed release of unvested RSUs and MSUs and assumed issuance of common stock under the employee stock purchase plans using the treasury stock method.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the computation of basic and diluted earnings per share:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands, except per share data)		
<b>Numerator for basic earnings per share and diluted earnings per share</b>			
Income from continuing operations	\$206,038	\$354,810	\$452,309
Income from discontinued operations, net of tax	—	—	2,603
Net income	<u>\$206,038</u>	<u>\$354,810</u>	<u>\$454,912</u>
<b>Denominator for basic earnings per share</b>	283,675	283,344	291,835
Effect of dilutive securities:			
Stock options, ESPP, RSUs and MSUs	5,274	5,764	6,761
<b>Denominator for diluted earnings per share</b>	<u>288,949</u>	<u>289,108</u>	<u>298,596</u>
<b>Earnings per share: Basic</b>			
From continuing operations	\$ 0.73	\$ 1.25	\$ 1.55
From discontinued operations	—	—	0.01
Basic	<u>\$ 0.73</u>	<u>\$ 1.25</u>	<u>\$ 1.56</u>
<b>Earnings per share: Diluted</b>			
From continuing operations	\$ 0.71	\$ 1.23	\$ 1.51
From discontinued operations	—	—	0.01
Diluted	<u>\$ 0.71</u>	<u>\$ 1.23</u>	<u>\$ 1.52</u>

Approximately 3.6 million, 9.4 million, and 10.3 million stock options were excluded from the calculation of diluted earnings per share for the fiscal years ended 2015, 2014 and 2013, respectively. These options were excluded because they were determined to be antidilutive. However, such options could be dilutive in the future and, under those circumstances, would be included in the calculation of diluted earnings per share.

### NOTE 8: GOODWILL AND INTANGIBLE ASSETS

#### *Goodwill*

The Company monitors the recoverability of goodwill recorded in connection with acquisitions, by reporting unit, annually, or more often if events or changes in circumstances indicate that the carrying amount may not be recoverable. During the fourth quarter of fiscal year 2015, the Company changed its annual goodwill impairment testing date from the first quarter to the fourth quarter of each year. This change ensures the completion of the annual goodwill impairment test prior to the end of the annual reporting period, thereby aligning impairment testing procedures with year-end financial reporting and annual long-range plan and forecasting process. This change does not accelerate, delay, avoid, or cause an impairment charge, nor does this change result in adjustments to previously issued financial statements. The Company performed the annual goodwill impairment analysis during the first and fourth quarter of fiscal year 2015 and concluded that goodwill was not impaired, as the fair value of each reporting unit exceeded its carrying value.

During the quarter ended December 27, 2014, goodwill for the Sensing Solutions reporting unit was determined to be impaired and the Company recorded a charge of \$84.1 million. The Sensing Solutions reporting unit develops integrated circuits which are primarily sold in the consumer and automotive end customer markets. The impairment was the result of the Company's decision within the quarter ended December 27, 2014 to exit certain consumer market offerings that have competitive dynamics which are no longer consistent with the Company's business objectives.

The Company determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the Sensing Solutions reporting unit. The reporting unit's carrying value exceeded its estimated fair value and, accordingly, a second phase of the goodwill impairment test ("Step 2") was performed. Under Step 2, the fair value of all Sensing Solution's assets and liabilities were estimated,

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

including tangible assets and intangible assets (including existing and in-process technology) for the purpose of deriving an estimate of the implied fair value of goodwill. The implied fair value of the goodwill was then compared to the carrying value of the goodwill to determine the amount of the impairment.

The Company estimated the fair value of the Sensing Solutions reporting unit using a weighting of fair values derived equally from the income and market approach. Under the income approach, the Company calculates the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit.

Prior to completing the goodwill impairment test, the Company tested the recoverability of the Sensing Solutions long-lived assets (other than goodwill) and concluded that existing Property, plant and equipment, net was impaired by \$45.2 million and IPR&D was impaired by \$8.9 million.

No other indicators or instances of impairment were identified during the fiscal year ended June 27, 2015.

Activity and goodwill balances for the fiscal years ended June 27, 2015 and June 28, 2014 were as follows:

	<b>Goodwill</b>
	<b>(in thousands)</b>
Balance at June 29, 2013	\$422,004
Acquisitions	175,443
Adjustments	(810)
Balance at June 28, 2014	596,637
Adjustments	(866)
Impairments	(84,124)
Balance at June 27, 2015	\$511,647

### **Intangible Assets**

The useful lives of amortizing intangible assets are as follows:

<b>Asset</b>	<b>Life</b>
Intellectual property	3 months-10 years
Customer relationships	5-10 years
Trade name	3-4 years
Patents	5 years

Intangible assets consisted of the following:

	June 27, 2015			June 28, 2014		
	Original Cost	Accumulated Amortization	Net	Original Cost	Accumulated Amortization	Net
	(in thousands)					
Intellectual property	\$435,962	\$276,175	\$159,787	\$435,962	\$201,581	\$234,381
Customer relationships	120,230	82,774	37,456	120,230	69,064	51,166
Trade name	8,500	4,886	3,614	8,500	3,269	5,231
Patent	2,500	907	1,593	2,500	386	2,114
Total amortizable purchased intangible assets	567,192	364,742	202,450	567,192	274,300	292,892
IPR&D	59,202	—	59,202	68,102	—	68,102
Total purchased intangible assets	\$626,394	\$364,742	\$261,652	\$635,294	\$274,300	\$360,994

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the amortization expense of intangible assets and its presentation in the Consolidated Statements of Income:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands)		
Cost of goods sold	\$74,366	\$64,483	\$33,994
Intangible asset amortization	16,077	17,690	15,525
Total intangible asset amortization expenses	<u>\$90,443</u>	<u>\$82,173</u>	<u>\$49,519</u>

The following table represents the estimated future amortization expense of intangible assets as of June 27, 2015:

<u>Fiscal Year</u>	<u>Amount</u> (in thousands)
2016	\$ 74,454
2017	61,782
2018	41,927
2019	13,278
2020	3,358
Thereafter	7,651
Total intangible assets	<u>\$202,450</u>

### NOTE 9: ACQUISITIONS

#### *Acquisitions completed in fiscal year 2015*

None.

#### *Acquisitions completed in fiscal year 2014*

The Company completed two acquisitions during fiscal year 2014.

#### **VOLTERRA**

On October 1, 2013, the Company completed its acquisition of Volterra, formerly a publicly traded company that develops power management solutions. The primary reason for this acquisition was to expand the Company's available market across a wide range of end markets, including enterprise server, cloud computing, communications and energy. The results of operations of Volterra are included in the Company's Consolidated Statements of Income, beginning in the second quarter of fiscal year 2014. Acquisition-related costs for the twelve months ended June 28, 2014 were \$7.0 million.

The total purchase price for Volterra was approximately \$615 million and was comprised of:

Cash consideration for 100% of outstanding common stock of Volterra at \$23 per share	(in thousands) \$593,250
Cash consideration for vested options settlement	21,756
Total preliminary purchase price	<u>\$615,006</u>

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The purchase price allocation as of the date of the acquisition is set forth in the table below and reflects various fair value estimates and analysis. These estimates were determined through established and generally accepted valuation techniques, including work performed by third-party valuation specialists.

	<b>Volterra</b>
	<b>(in thousands)</b>
Cash and cash equivalents and short-term investments	\$163,500
Accounts receivable	23,453
Inventories	33,339
Other tangible assets	17,151
Accrued expenses	(35,343)
Income taxes payable	(23,241)
Other liabilities assumed	(20,149)
Net tangible assets	158,710
Amortizable intangible assets	226,900
IPR&D	56,200
Goodwill	174,894
Substitution of stock-based compensation awards	(1,698)
Total purchase price	\$615,006

IPR&D assets relate to future technology, is capitalized until the technology is ready for its intended use and then amortized over the technology useful life. IPR&D costs incurred by the Company subsequent to the acquisition are expensed.

Goodwill was primarily attributable to the opportunities from the addition of Volterra's product portfolio which complements the Company's suite of products, including providing integrated process solutions to customers. The goodwill is not deductible for tax purposes.

The amortizable intangible assets are being amortized on a straight-line basis over their estimated useful lives as follows:

	<b>Volterra acquisition</b>	
	<b>Fair value (in thousands)</b>	<b>Weighted average useful life (in years)</b>
Intellectual property	\$192,500	4.9
Customer relationships	24,600	9.6
Trade name	6,400	4.0
Backlog	900	0.4
Patents	2,500	4.8
Total amortizable intangible assets	\$226,900	

Pro forma results of operations for this acquisition have not been presented because it is not material to the Company's Consolidated Statements of Income.

Refer to Note 18: "Restructuring Activities" of these Notes to Consolidated Financial Statements for a discussion on *Volterra Restructuring Plan*.

### **OTHER ACQUISITION**

The Company acquired another company during the fiscal year ended June 28, 2014, which develops low power high performance analog circuits. The total cash consideration in exchange for 100% of the outstanding shares, for this acquisition was approximately \$6.1 million for which the purchase price was largely attributable to the acquired developed intellectual property. Goodwill associated with this acquisition was \$0.5 million. Acquisition related costs were not material for this transaction.

# MAXIM INTEGRATED PRODUCTS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### *Acquisitions completed in fiscal year 2013*

None.

### **NOTE 10: IMPAIRMENT OF LONG-LIVED ASSETS**

#### **Fiscal year 2015 impairments:**

During the fiscal year ended June 27, 2015, the Company recorded \$67.0 million in impairment of long-lived assets in the Company's Consolidated Statements of Income.

The impairment was primarily related to the write down of equipment relating to the Sensing Solutions reporting unit of \$45.2 million. For background, please refer to Note 8: "Goodwill & intangible assets". The Company reached its conclusion regarding the asset impairment after determining that the undiscounted cash flows fell below the net book value of the net assets of the Sensing Solutions reporting unit (the asset group). As a result, the Company reduced the assets to their fair value after conducting an evaluation of each asset's alternative use, the condition of the asset and the current market pricing and demand.

The impairment was also related to the write down of used fabrication tools and software of \$21.8 million identified by the Company as obsolete. The Company reduced the fabrication tools to their fair value after conducting an evaluation of each asset's alternative use, the condition of the asset and the current market pricing and demand.

#### **Fiscal year 2014 impairments:**

During the fiscal year ended June 28, 2014, the Company recorded \$11.6 million in impairment of long-lived assets in the Company's Consolidated Statements of Income.

The impairment includes electronic design automation ("EDA") software identified as excess primarily due to EDA assets replaced with assets that are more cost efficient. It also includes certain U.S. test operation assets identified as excess and no longer needed. These assets included primarily test manufacturing equipment which was recorded in Property, plant, and equipment, net in the Consolidated Balance Sheet. The Company also impaired fabrication tools and a building classified as held for sale. The fabrication tools were fully impaired while the building was impaired down to fair value less cost to sell. The fair value of the building was determined mainly after consideration of evidence such as broker estimates, building condition, and offers received.

#### **Fiscal year 2013 impairments:**

During the second quarter of fiscal year 2013, the Company identified certain assets as excess primarily attributable to the transition to utilizing newer, more efficient manufacturing equipment. These assets included used fabrication tools and test manufacturing equipment. In connection with these circumstances, the Company recorded a charge for the write down of equipment to its estimated fair value. The total charge of \$22.2 million was included in impairment of long-lived assets in the Company's Consolidated Statements of Income. The Company reached its conclusion regarding the asset impairment after conducting an evaluation of assets fair values. The fair value of the equipment was determined mainly after consideration of quoted market prices of similar equipment adjusted for equipment specifications and condition in addition to the current market demand and size.

During the first quarter of fiscal year 2013, the Company identified certain idle facilities as held for sale. In connection with these circumstances, the Company recorded a charge for the write-down of land and buildings to their estimated fair value, less cost to sell. The total charge of \$2.7 million was included in Impairment of long-lived assets in the Company's Consolidated Statements of Income. The Company reached its conclusion regarding the asset impairment after conducting an evaluation of assets fair values. The fair value of the land and buildings was determined mainly after consideration of evidence such as appraisals and offers received.

### **NOTE 11: DISCONTINUED OPERATIONS**

#### **Fiscal year 2015 and 2014:**

None.

#### **Fiscal year 2013:**

On December 31, 2012, the Company sold its video processing product line to GEO Semiconductor, Inc. As a result of this transaction, the Company recognized a gain on sale of discontinued operations of \$2.6 million, net of income taxes.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 12: SEGMENT INFORMATION

The Company designs, develops, manufactures and markets a broad range of linear and mixed signal integrated circuits.

Prior to the Company's reorganization which occurred in the fourth quarter of fiscal 2015, the Company had three operating segments that the Company aggregated into one reportable segment as the Company concluded the three operating segments shared similar economic and qualitative characteristics. The Company's reorganization resulted in the consolidation of the management of the Research and Development ("R&D") and Sales functions under one executive who reports to the Company's Chief Executive Officer (the "CEO"). Previously R&D was managed by three executives who reported to the Company's CEO and Sales was managed by one executive who reported to the Company's CEO. As a result of this reorganization, all of the Company's products are designed through a centralized R&D function, and continue to be manufactured using centralized manufacturing (internal and external), and sold through a centralized sales force and shared wholesale distributors. Through the consolidation of management of the R&D and Sales functions this reorganization is intended to allow for faster investment decisions, improved R&D efficiency, and facilitate stronger collaborations between internal organizations to increase productivity, improve customer satisfaction, and drive revenue growth.

As of the fiscal year ended June 27, 2015, the Company has one operating segment. In accordance with ASC No. 280, *Segment Reporting* ("ASC 280"), the Company considers operating segments to be components of the Company's business for which separate financial information is available that is evaluated regularly by the Company's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Chief Operating Decision Maker for the Company was assessed and determined to be the CEO. The CEO reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it has a single operating and reportable segment.

Enterprise-wide information is provided in accordance with ASC 280. Geographical revenue information is based on customers' ship-to location. Long-lived assets consist of property, plant and equipment. Property, plant and equipment information is based on the physical location of the assets at the end of each fiscal year.

Net revenues from unaffiliated customers by geographic region were as follows:

	<b>For the Year Ended</b>		
	<b>June 27, 2015</b>	<b>June 28, 2014</b>	<b>June 29, 2013</b>
	(in thousands)		
United States	\$ 281,374	\$ 320,282	\$ 283,807
China	947,231	997,706	996,108
Rest of Asia	665,388	748,320	799,824
Europe	347,275	324,867	294,998
Rest of World	65,596	62,488	66,722
	<u>\$2,306,864</u>	<u>\$2,453,663</u>	<u>\$2,441,459</u>

Net long-lived assets by geographic region were as follows:

	<b>Fiscal Year Ended</b>	
	<b>June 27, 2015</b>	<b>June 28, 2014</b>
	(in thousands)	
United States	\$ 783,148	\$1,035,699
Philippines	166,405	172,823
Rest of World	141,186	122,997
	<u>\$1,090,739</u>	<u>\$1,331,519</u>

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 13: COMMITMENTS AND CONTINGENCIES

#### Legal Proceedings

The Company is party or subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including proceedings and claims that relate to intellectual property matters. While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized or reserved, if any.

#### Commitments

The Company leases certain of its facilities under various operating leases that expire at various dates through June 2036. The lease agreements generally include renewal provisions and require the Company to pay property taxes, insurance, and maintenance costs.

Future annual minimum payments for all commitments are as follows:

	Payment due by period						
	Total	Fiscal year 2016	Fiscal year 2017	Fiscal year 2018	Fiscal year 2019	Fiscal year 2020	Thereafter
Contractual Obligations	(in thousands)						
Operating lease obligations <sup>(1)</sup>	\$ 34,460	\$10,270	\$ 9,060	\$ 5,073	\$ 2,227	\$ 1,716	\$ 6,114
Long-term and short-term debt obligations <sup>(2)</sup>	1,001,024	1,024	—	—	500,000	—	500,000
Interest payments associated with long-term debt obligations <sup>(3)</sup>	172,439	29,375	29,375	29,375	21,736	16,875	45,703
Capital equipment and inventory related purchase obligations <sup>(4)</sup>	45,260	12,969	11,794	5,214	3,222	3,384	8,677
Total	<u>\$1,253,183</u>	<u>\$53,638</u>	<u>\$50,229</u>	<u>\$39,662</u>	<u>\$527,185</u>	<u>\$21,975</u>	<u>\$560,494</u>

(1) The Company leases some facilities under non-cancelable operating lease agreements that expire at various dates through 2029.

(2) Long-term debt represents amounts primarily due for the Company's long-term notes.

(3) Interest payments associated with the Company's long-term notes.

(4) The Company orders some materials and supplies in advance or with minimum purchase quantities. The Company is obligated to pay for the materials and supplies when received.

Purchase orders for the purchase of the majority of the Company's raw materials and other goods and services are not included in the table. The Company's purchase orders generally allow for cancellation without significant penalties. The Company does not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed its expected short-term requirements.

Rental expense amounted to approximately \$9.0 million, \$10.8 million, and \$9.5 million in fiscal years 2015, 2014 and 2013, respectively.

#### Indemnification

The Company indemnifies certain customers, distributors, suppliers and subcontractors for attorney fees and damages and costs awarded against such parties in certain circumstances in which the Company's products are alleged to infringe third party intellectual property rights, including patents, registered trademarks or copyrights. The terms of the Company's indemnification obligations are generally perpetual from the effective date of the agreement. In certain cases, there are limits on and exceptions to the Company's potential liability for indemnification relating to intellectual property infringement claims.

Pursuant to the Company's charter documents and separate written indemnification agreements, the Company has certain indemnification obligations to its current officers, employees and directors, as well as certain former officers and directors.

#### Product Warranty

The Company generally warrants its products for one year from the date of shipment against defects in materials, workmanship and material non-conformance to the Company's specifications. The general warranty policy provides for the repair or replacement of defective products or a credit to the customer's account. In addition, the Company may consider its relationship with the customer when reviewing product claims. In limited circumstances and for strategic customers in certain unique industries and applications, the Company's product warranty may extend

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for up to five years, and may also include financial responsibility, such as the payment of monetary compensation to reimburse a customer for its financial losses above and beyond repairing or replacing the product or crediting the customer's account should the product not meet the Company's specifications and losses and/or damages results from the defective product.

Accruals are based on specifically identified claims and on the estimated, undiscounted cost of incurred-but-not-reported claims. If there is a material increase in the rate of customer claims compared with the Company's historical experience or if the Company's estimates of probable losses relating to specifically identified warranty exposures require revision, the Company may record a charge against future cost of sales. Product warranty liability is included within the balance sheet captions "Accrued expenses" and "Other liabilities" in the accompanying Consolidated Balance Sheets.

The changes in the Company's aggregate product warranty liabilities for the fiscal years ended June 27, 2015 and June 28, 2014 were as follows:

	<u>June 27, 2015</u>	<u>June 28, 2014</u>
	(in thousands)	
Product warranty liability at beginning of the year	\$21,296	3,075
Accruals assumed from acquisition	—	15,443
Accruals	1,665	19,818
Payments	(8,686)	(16,189)
Changes in estimate	(839)	(851)
Product warranty liability at ending of the year	<u>\$13,436</u>	<u>21,296</u>
Current portion	9,136	12,696
Non-current portion	\$ 4,300	8,600

### NOTE 14: COMPREHENSIVE INCOME

The changes in accumulated other comprehensive loss by component and related tax effects in the fiscal year ended June 27, 2015 were as follows:

	<u>Unrealized gain (loss) on intercompany receivables</u>	<u>Unrealized gain (loss) on post- retirement benefits</u>	<u>Cumulative translation adjustment</u>	<u>Unrealized gain (loss) on cash flow hedges</u>	<u>Unrealized gain (loss) on available-for- sale securities</u>	<u>Total</u>
	(in thousands)					
<b>June 29, 2013</b>	\$(7,401)	\$ (5,838)	\$(1,527)	\$(1,004)	\$ 23	\$(15,747)
Other comprehensive income (loss) before reclassifications	—	(7,244)	—	(237)	64	(7,417)
Amounts reclassified out of accumulated other comprehensive income (loss)	—	1,435	391	1,425	—	3,251
Tax effects	<u>1,648</u>	<u>1,274</u>	<u>—</u>	<u>(195)</u>	<u>13</u>	<u>2,740</u>
Other comprehensive income (loss)	<u>1,648</u>	<u>(4,535)</u>	<u>391</u>	<u>993</u>	<u>77</u>	<u>(1,426)</u>
<b>June 28, 2014</b>	\$(5,753)	\$(10,373)	\$(1,136)	\$ (11)	\$100	\$(17,173)
Other comprehensive income (loss) before reclassifications	—	—	—	(6,272)	33	(6,239)
Amounts reclassified out of accumulated other comprehensive income (loss)	—	827	—	6,428	—	7,255
Tax effects	<u>(527)</u>	<u>(458)</u>	<u>—</u>	<u>(92)</u>	<u>—</u>	<u>(1,077)</u>
Other comprehensive income (loss)	<u>(527)</u>	<u>369</u>	<u>—</u>	<u>64</u>	<u>33</u>	<u>(61)</u>
<b>June 27, 2015</b>	<u>\$(6,280)</u>	<u>\$(10,004)</u>	<u>\$(1,136)</u>	<u>\$ 53</u>	<u>\$133</u>	<u>\$(17,234)</u>

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts reclassified out of Unrealized loss on post-retirement benefits were included in Selling, general and administrative in the Consolidated Statements of Income. Amounts reclassified out of Unrealized loss on cash flow hedges were included in Net revenues, Cost of goods sold and Other operating expenses (income), net in the Consolidated Statements of Income.

### NOTE 15: COMMON STOCK REPURCHASES

In July 2013, the Board of Directors authorized the Company to repurchase up to \$1.0 billion of the Company's common stock from time to time at the discretion of the Company's management. This stock repurchase authorization has no expiration date. All prior authorizations by the Company's Board of Directors for the repurchase of common stock were superseded by this authorization.

During fiscal years 2015, 2014 and 2013, the Company repurchased approximately 6.2 million, 10.4 million and 12.8 million shares of its common stock for \$195.1 million, \$305.3 million and \$375.1 million, respectively. As of June 27, 2015, the Company had a remaining authorization of \$566.8 million for future share repurchases. The number of shares to be repurchased and the timing of such repurchases will be based on several factors, including the price of the Company's common stock and general market and business conditions.

### NOTE 16: INTEREST AND OTHER INCOME (EXPENSE)

Interest and other income (expense) was as follows:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands)		
Interest and other income (expense):			
Interest income (expense), net	\$(31,545)	\$(26,428)	\$(14,731)
Other income (expense), net	40,435	13,363	(3,309)
Total	\$ 8,890	\$(13,065)	\$(18,040)

As discussed in Note 5, Interest income (expense), net consists primarily of interest expense associated with long term notes. Interest expense associated with the notes was \$29.4 million, \$24.7 million and \$15.1 million during the years ended June 27, 2015, June 28, 2014 and June 29, 2013, respectively. Interest expense associated with the discount was \$2.0 million, \$1.1 million and \$0.2 million during the fiscal years ended June 27, 2015, June 28, 2014 and June 29, 2013, respectively.

During the fiscal year ended June 27, 2015 included the \$35.8 million gain on the sale of the Captive Touch Business. As discussed in Note 2, the Company early adopted ASU No. 2014-08 in the fourth quarter of fiscal year 2015. The Company completed a sale of its Captive Touch business for approximately \$39.5 million resulting in a gain of \$35.8 million. As a result of the nature of the operations, the Company concluded that the sale would not qualify as a discontinued operation and has recorded the impact of the sale (gain) in interest and other income (expense), net.

### NOTE 17: INCOME TAXES

Pretax income from continuing operations is as follows:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands)		
Domestic pre-tax income	\$ 68,289	\$ 87,630	\$ 69,680
Foreign pre-tax income	177,881	321,596	500,599
Total	\$246,170	\$409,226	\$570,279

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The provision for income taxes from continuing operations consisted of the following:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
	(in thousands)		
Federal			
Current	\$108,736	\$ 93,012	\$ 84,996
Deferred	(74,190)	(42,875)	13,207
State			
Current	3,791	2,676	322
Deferred	(3,269)	(1,465)	3,574
Foreign			
Current	8,294	6,692	17,228
Deferred	(3,230)	(3,624)	(1,357)
Total provision for income taxes	<u>\$ 40,132</u>	<u>\$ 54,416</u>	<u>\$117,970</u>

In addition, the Company recorded income tax of \$0.7 million in the fiscal year ended June 29, 2013, related to discontinued operations that was netted against income from discontinued operations.

As of June 27, 2015, the Company's foreign subsidiaries have accumulated undistributed earnings of approximately \$688.0 million that are intended to be indefinitely reinvested outside the U.S. and, accordingly, no provision for U.S. federal and state tax has been made for the distribution of these earnings. At June 27, 2015 the amount of the unrecognized deferred tax liability on the indefinitely reinvested earnings was \$218.4 million.

The provision for income taxes for continuing operations differs from the amount computed by applying the statutory rate as follows:

	For the Year Ended		
	June 27, 2015	June 28, 2014	June 29, 2013
Federal statutory rate	35.0%	35.0%	35.0%
State tax, net of federal benefit	(0.4)	0.1	0.6
General business credits	(2.8)	(0.9)	(2.0)
Effect of foreign operations	(24.6)	(19.1)	(16.5)
Stock-based compensation	5.9	3.9	2.7
Fixed assets federal tax basis adjustments	—	(8.4)	—
Interest accrual for unrecognized tax benefits	2.6	1.1	0.8
Other	0.6	1.6	0.1
Income tax rate	<u>16.3%</u>	<u>13.3%</u>	<u>20.7%</u>

The income tax rate benefit of 8.4% in the fiscal year ended June 28, 2014 for fixed assets federal tax basis adjustments is a one-time benefit for fixed assets tax basis adjustments generated by prior year depreciation expense that did not provide a tax benefit in prior years.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's deferred tax assets and liabilities are as follows:

	For the Year Ended	
	June 27, 2015	June 28, 2014
	(in thousands)	
Deferred tax assets:		
Distributor related accruals and sales return and allowance accruals	\$ 15,966	\$ 14,246
Accrued compensation	44,961	42,300
Stock-based compensation	22,639	31,609
Net operating loss carryovers	47,305	48,318
Tax credit carryovers	54,501	51,458
Other reserves and accruals not currently deductible for tax purposes	29,420	22,019
Other	10,968	16,879
Total deferred tax assets	\$ 225,760	\$ 226,829
Deferred tax liabilities:		
Fixed assets and intangible assets cost recovery, net	(141,070)	(214,393)
Other	(5,349)	(11,424)
Net deferred tax assets /(liabilities) before valuation allowance	79,341	1,012
Valuation allowance	(91,175)	(84,673)
Liabilities	\$ (11,834)	\$ (83,661)

The valuation allowance as of June 27, 2015 and June 28, 2014 primarily relates to certain state and foreign net operating loss carryforwards and certain state tax credit carryforwards. The valuation allowance increased by \$6.5 million in fiscal year 2015. The increase was primarily due to valuation allowances that were established for net operating loss and credit carryforwards generated during the fiscal year 2015. Approximately \$37.3 million of the valuation allowance is attributable to the tax benefits of income tax deductions generated by the exercise of stock options that, when realized, will be recorded as a credit to additional paid-in-capital.

As of June 27, 2015, the Company has \$27.0 million of federal net operating loss carryforwards expiring at various dates between fiscal years 2021 and 2033, \$81.2 million of state net operating loss carryforwards expiring at various dates through the fiscal year 2033, \$128.5 million of foreign net operating losses with no expiration date, \$7.7 million of state tax credit carryforwards expiring at various dates between fiscal years 2016 and 2030 and \$89.7 million of state tax credit carryforwards with no expiration date.

The Company classifies unrecognized tax benefits as (i) a current liability to the extent that payment is anticipated within one year; (ii) a non-current liability to the extent that payment is not anticipated within one year; or (iii) as a reduction to deferred tax assets to the extent that the unrecognized tax benefit relates to deferred tax assets such as operating loss or tax credit carryforwards or to the extent that operating loss or tax credit carryforwards would be able to offset the additional tax liability generated by unrecognized tax benefits.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of the change in gross unrecognized tax benefits, excluding interest, penalties and the federal benefit for state unrecognized tax benefits, is as follows:

	For the Year Ended	
	June 27, 2015	June 28, 2014
	(in thousands)	
Balance as of beginning of year	\$396,765	\$302,904
Tax positions related to current year:		
Addition	55,343	58,035
Tax positions related to prior year:		
Addition	214	300
Current year acquisitions	—	39,566
Reduction	(2,433)	(586)
Settlements	(21,458)	(496)
Lapses in statutes of limitations	(802)	(2,958)
Balance as of end of year	\$427,629	\$396,765

The total amount of gross unrecognized tax benefits as of June 27, 2015 that, if recognized, would affect the effective tax rate and additional paid in capital is \$415.4 million and \$12.2 million, respectively.

Consistent with prior years, the Company reports interest and penalties related to unrecognized tax benefits as a component of income tax expense. The gross amount of interest and penalties recognized in income tax expense during the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013 was \$6.5 million, \$6.6 million and \$7.4 million, respectively, and the total amount of interest and penalties accrued as of June 27, 2015, June 28, 2014, and June 29, 2013 was \$34.4 million, \$27.9 million, and \$17.9 million, respectively.

The Company does not expect its unrecognized tax benefits to change significantly within the next 12 months.

During the fiscal year ended June 27, 2015, \$21.2 million of unrecognized tax benefits were recognized due the favorable settlement of a Singapore tax issue and \$3.6 million of related interest and penalty accruals were reversed.

The Company's federal corporate income tax returns are audited on a recurring basis by the Internal Revenue Service ("IRS"). In fiscal year 2012 the IRS commenced an audit of the Company's federal corporate income tax returns for fiscal years 2009 through 2011, which is still ongoing.

A summary of the fiscal tax years that remain subject to examination, as of June 27, 2015, for the Company's major tax jurisdictions are as follows:

United States - Federal	2009	-	Forward
United States - Various States	2009	-	Forward
Ireland	2011	-	Forward
Japan	2009	-	Forward
Philippines	2012	-	Forward
Singapore	2011	-	Forward
United Kingdom	2012	-	Forward

### NOTE 18: RESTRUCTURING ACTIVITIES

#### Fiscal year 2015:

##### *Summary of Restructuring Plans*

The Company has accruals for severance and restructuring payments as well as expected losses relating to lease terminations.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's restructuring activities during the fiscal year ending June 27, 2015 were as follows:

	Fiscal 2015				As of June 27, 2015		
	Balance, June 28, 2014	Charges	Cash Payments	Change in Estimates	Balance, June 27, 2015	Costs Incurred to Date	Expected Costs to be Incurred
(in thousands)							
<i>San Jose Fab Shutdown</i>							
Severance <sup>(1)</sup>	\$ —	\$ 6,725	\$ —	\$ —	\$ 6,725	\$ 6,725	\$ 857
Accelerated depreciation <sup>(2)</sup>	—	51,494	—	—	51,494	51,494	32,766
Total San Jose Fab Shutdown	—	58,219	—	—	58,219	58,219	33,623
<i>Other Plans</i>							
Severance <sup>(1)</sup>	5,782	24,505	(18,203)	(587)	11,497	29,699	—
Lease termination losses and other <sup>(3)</sup>	9,132	2,598	(4,604)	(3,373)	3,753	8,358	—
Total other plans	14,914	27,103	(22,807)	(3,960)	15,250	38,057	—
Total restructuring plans	<u>\$14,914</u>	<u>\$85,322</u>	<u>\$(22,807)</u>	<u>\$(3,960)</u>	<u>\$73,469</u>	<u>\$96,276</u>	<u>\$33,623</u>
In Balance Sheets:							
Accrued salary and related expenses	\$ 5,782				\$18,221		
Accrued expenses	\$ 4,276				\$ 2,004		
Other liabilities	\$ 4,856				\$ 1,750		

(1) Charges and change in estimates are included in Severance and restructuring expenses in the accompanying Consolidated Statements of Income.

(2) Charges and change in estimates are included in Cost of goods sold in the accompanying Consolidated Statements of Income.

(3) Charges and change in estimates are included in Severance and restructuring expenses and Other operating expenses (income), net in the accompanying Consolidated Statements of Income.

### *San Jose Fab Shutdown*

On October 23, 2014, the Company initiated a plan to shut down its San Jose wafer fabrication facility. The Company reached the decision that it was not economically feasible to maintain this facility, which is used primarily for fab process development and low volume manufacturing, as the Company intends to utilize other resources to complete such activities in the future. This plan includes cash charges related to employee severance and non-cash charges related to accelerated depreciation.

During the fiscal year ending June 27, 2015, the Company recorded accelerated depreciation charges of \$51.5 million in "Cost of goods sold" and \$6.7 million in "Severance and restructuring expenses" in the Consolidated Statements of Income. The Company expects to incur a total of approximately \$33.6 million of accelerated depreciation and severance charges related to this plan which it expects to complete during the first quarter of fiscal year 2016.

### *Other Plans*

During the fiscal year ending June 27, 2015, the Company recorded \$24.5 million in "Severance and restructuring expenses" included in the Consolidated Statements of Income, primarily related to employee severance costs, associated with a major reorganization of the Company's business units. Multiple job classifications and locations were impacted by this activity. This reorganization was intended to consolidate the Company's R&D and Sales functions to allow for faster investment decisions, improved R&D efficiency, and facilitate stronger collaborations between internal organizations to increase productivity, improve customer satisfaction, and fuel revenue growth.

The Company also accrued for expected losses relating to lease terminations as a result of plans to consolidate office space. The need for consolidation resulted from acquisition and relocation activities.

### **Fiscal year 2014:**

#### *Volterra Restructuring Plan*

The Company's management approved and initiated plans to restructure the operations of Volterra, including acceleration of certain stock-based compensation awards (\$2.5 million), costs to vacate duplicative facilities (\$2.6 million), severance for transitional and exiting employees

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(\$4.6 million), contract cancellation costs and other items (\$1.3 million). The total cost of the plan was \$11.0 million which was recorded in Severance and restructuring expenses in the Company's Consolidated Statements of Income based upon the anticipated timing of planned terminations and facility closure costs. Expected severance and retention costs for transitional employees are being accrued over the transitional period. Payments against this restructuring plan were largely paid out during the fiscal year ended June 28, 2014, and amounts accrued and future estimated costs to be incurred as of June 27, 2015 and June 28, 2014 are immaterial.

### *Business Unit Reorganization*

During the fiscal year ended June 28, 2014, the Company recorded \$10.8 million in Severance and restructuring expenses in the Company's Consolidated Statements of Income, primarily related to employee severance costs, associated with the reorganization of certain business units. Multiple job classifications and locations were impacted as this was a company-wide action. The reorganization was driven by the desire to focus on specific investment areas and simplify business processes. Payments against this restructuring plan were largely paid out during the fiscal year ended June 28, 2014, and amounts accrued and future estimated costs to be incurred as of June 27, 2015 and June 28, 2014 are immaterial.

### **NOTE 19: BENEFITS**

#### *Defined contribution plan:*

U.S. employees are automatically enrolled in the Maxim Integrated 401(k) plan when they meet eligibility requirements, unless they decline participation. Under the terms of the plan Maxim Integrated matches 100% of the employee contributions for the first 3% of employee eligible compensation and an additional 50% match for the next 2% of employee eligible compensation, up to the IRS Annual Compensation Limits. Total defined contribution expense was \$14.7 million, \$15.4 million and \$14.1 million in fiscal years 2015, 2014 and 2013, respectively.

#### *Non-U.S. Pension Benefits*

The Company provides defined-benefit pension plans in certain countries. Consistent with the requirements of local law, the Company deposits funds for certain plans with insurance companies, with third-party trustees, or into government-managed accounts, and/or accrue for the unfunded portion of the obligation.

Maxim Integrated is enrolled in a retirement plan for employees in the Philippines. This plan is a non-contributory and defined benefit type that provides retirement to employees equal to one month salary for every year of credited service. The benefits are paid in a lump sum amount upon retirement or separation from the Company. Total defined benefit liability was \$11.8 million and \$9.6 million in fiscal years 2015 and 2014, respectively. Total accumulated other comprehensive income benefit related to this retirement plan was \$0.5 million, \$3.3 million and \$0 million for the fiscal years 2015, 2014, and 2013, respectively.

## MAXIM INTEGRATED PRODUCTS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### U.S. Employees Medical Expense & Funded Status Reconciliation

	<u>June 27, 2015</u>	<u>Estimated Fiscal Year 2016 Expense</u>	<u>June 28, 2014</u>	<u>Fiscal Year 2015 Expense</u>
	(in thousands, except percentages)			
Accumulated Postretirement Benefit Obligation (APBO):				
Retirees and beneficiaries	\$(22,414)		\$(21,602)	
Active participants	(2,850)		(2,626)	
Funded status	<u>\$(25,264)</u>		<u>\$(24,228)</u>	
Actuarial gain (loss)	\$ 524		\$ (3,819)	
Prior service cost	—		—	
Amounts Recognized in Accumulated Other Comprehensive Income:				
Net actuarial loss	\$ 8,425		\$ 8,863	
Prior service cost	<u>2,031</u>		<u>2,387</u>	
Total	<u>\$ 10,456</u>		<u>\$ 11,250</u>	
Net Periodic Postretirement Benefit Cost/(Income):				
Interest cost		994		1,002
Amortization:				
Prior service cost		356		356
Net actuarial loss <sup>(1)</sup>		<u>1,035</u>		<u>961</u>
Total net periodic postretirement benefit cost		<u>\$2,385</u>		<u>\$2,319</u>
Employer contributions		<u>\$ 809</u>		<u>\$ 749</u>
Economic Assumptions:				
Discount rate	4.0%		4.2%	
Medical trend	7.5%-5%		8.0% -5%	

(1) Unrecognized losses are amortized over average remaining service period of active participants of 5.7 years at June 27, 2015.

The following benefit payments are expected to be paid:

	<u>Non-Pension Benefits</u> (in thousands)
2016	\$ 809
2017	858
2018	907
2019	961
2020	984
Thereafter	<u>20,745</u>
	<u>\$25,264</u>

### Dallas Semiconductor Split-Dollar Life Insurance

As a result of the Company's acquisition of Dallas Semiconductor in 2001, the Company assumed responsibility associated with a split-dollar life insurance policy held by a former Dallas Semiconductor officer. The policy is owned by the individual with the Company retaining a limited collateral assignment.

The Company had \$5.1 million and \$4.2 million included in Other Assets as of June 27, 2015 and June 28, 2014, respectively, associated with the limited collateral assignment to the policy. The Company had a \$6.5 million and \$5.7 million obligation included in Other Liabilities as of June 27, 2015 and June 28, 2014, respectively, related to the anticipated continued funding associated with the policy.

**MAXIM INTEGRATED PRODUCTS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 20: QUARTERLY FINANCIAL DATA (UNAUDITED)**

<u>Fiscal Year 2015</u>	<u>Quarter Ended</u>			
	<u>6/27/2015</u>	<u>3/28/2015</u>	<u>12/27/2014</u>	<u>9/27/2014</u>
	(in thousands, except percentages and per share data)			
Net revenues	\$582,517	\$577,263	\$566,809	\$580,275
Cost of goods sold	<u>278,816</u>	<u>261,995</u>	<u>252,732</u>	<u>241,454</u>
Gross margin	\$303,701	\$315,268	\$314,077	\$338,821
Gross margin %	52.1%	54.6%	55.4%	58.4%
Operating income	\$ 94,948	\$105,450	\$ (64,076)	\$100,958
% of net revenues	16.3%	18.3%	(11.3)%	17.4%
Net income	<u>\$ 98,659</u>	<u>\$ 79,433</u>	<u>\$ (72,034)</u>	<u>\$ 99,980</u>
Earnings per share:				
Basic	<u>\$ 0.35</u>	<u>\$ 0.28</u>	<u>\$ (0.25)</u>	<u>\$ 0.35</u>
Diluted	<u>\$ 0.34</u>	<u>\$ 0.28</u>	<u>\$ (0.25)</u>	<u>\$ 0.35</u>
Shares used in the calculation of earnings per share:				
Basic	<u>284,202</u>	<u>283,418</u>	<u>282,992</u>	<u>284,086</u>
Diluted	<u>289,346</u>	<u>288,840</u>	<u>282,992</u>	<u>289,430</u>
Dividends declared and paid per share	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>

<u>Fiscal Year 2014</u>	<u>Quarter Ended</u>			
	<u>6/28/2014</u>	<u>3/29/2014</u>	<u>12/28/2013</u>	<u>9/28/2013</u>
	(in thousands, except percentages and per share data)			
Net revenues	\$642,467	\$605,681	\$620,274	\$585,241
Cost of goods sold	<u>273,507</u>	<u>265,744</u>	<u>291,602</u>	<u>238,045</u>
Gross margin	\$368,960	\$339,937	\$328,672	\$347,196
Gross margin %	57.4%	56.1%	53.0%	59.3%
Operating income	\$116,550	\$106,738	\$ 70,394	\$128,609
% of net revenues	18.1%	17.6%	11.3%	22.0%
Net income	<u>\$ 84,793</u>	<u>\$122,544</u>	<u>\$ 44,353</u>	<u>\$103,120</u>
Earnings per share:				
Basic	<u>\$ 0.30</u>	<u>\$ 0.43</u>	<u>\$ 0.16</u>	<u>\$ 0.36</u>
Diluted	<u>\$ 0.29</u>	<u>\$ 0.42</u>	<u>\$ 0.15</u>	<u>\$ 0.36</u>
Shares used in the calculation of earnings per share:				
Basic	<u>283,431</u>	<u>282,627</u>	<u>282,664</u>	<u>284,654</u>
Diluted	<u>289,487</u>	<u>288,575</u>	<u>288,565</u>	<u>290,260</u>
Dividends declared and paid per share	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Maxim Integrated Products, Inc.  
San Jose, California

We have audited the accompanying consolidated balance sheets of Maxim Integrated Products, Inc. and subsidiaries (the "Company") as of June 27, 2015 and June 28, 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended June 27, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Maxim Integrated Products, Inc. and subsidiaries as of June 27, 2015 and June 28, 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 27, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 27, 2015, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 17, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

San Jose, California

August 17, 2015

**MAXIM INTEGRATED PRODUCTS, INC.**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**

	<u>Balance at Beginning of Period</u>	<u>Additions (Deductions) Charged (Credited) to Costs and Expenses</u>	<u>Deductions <sup>(1)</sup></u>	<u>Balance at End of Period</u>
	(in thousands)			
Doubtful accounts				
Year ended June 27, 2015	\$ 1,581	\$ (283)	\$ (424)	\$ 874
Year ended June 28, 2014	\$ 1,227	\$ 693	\$ (339)	\$ 1,581
Year ended June 29, 2013	\$ 1,155	\$ 126	\$ (54)	\$ 1,227
	<u>Balance at Beginning of Period</u>	<u>Additions (Deductions) Charged (Credited) to Costs and Expenses</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
	(in thousands)			
Returns and Allowances				
Year ended June 27, 2015	\$16,169	\$81,476	\$(80,233)	\$17,412
Year ended June 28, 2014	\$12,418	\$75,346	\$(71,595)	\$16,169
Year ended June 29, 2013	\$11,374	\$65,651	\$(64,607)	\$12,418

(1) Uncollectible accounts written off.

## SIGNATURE

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

August 17, 2015

MAXIM INTEGRATED PRODUCTS, INC.

By: /s/ Bruce E. Kiddoo

Bruce E. Kiddoo  
Senior Vice President, Chief Financial Officer  
(Principal Financial Officer)

August 17, 2015

MAXIM INTEGRATED PRODUCTS, INC.

By: /s/ David A. Caron

David A. Caron  
Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Tunc Doluca and Bruce Kiddoo as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Tunc Doluca</u> Tunc Doluca	President, Director and Chief Executive Officer (Principal Executive Officer)	August 17, 2015
<u>/s/ Bruce E. Kiddoo</u> Bruce E. Kiddoo	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	August 17, 2015
<u>/s/ David A. Caron</u> David A. Caron	Vice President and Chief Accounting Officer (Principal Accounting Officer)	August 17, 2015
<u>/s/ James R. Bergman</u> James R. Bergman	Director	August 17, 2015
<u>/s/ Joseph R. Bronson</u> Joseph R. Bronson	Director	August 17, 2015
<u>/s/ Robert E. Grady</u> Robert E. Grady	Director	August 17, 2015
<u>/s/ B. Kipling Hagopian</u> B. Kipling Hagopian	Director and Chairman of the Board	August 17, 2015
<u>/s/ William D. Watkins</u> William D. Watkins	Director	August 17, 2015
<u>/s/ A.R. Wazzan</u> A.R. Wazzan	Director	August 17, 2015

## **CORPORATE DATA AND STOCKHOLDER INFORMATION**

### **Independent Registered Public Accounting Firm**

Deloitte & Touche LLP  
San Jose, California

### **Registrar/Transfer Agent**

Computershare  
Canton, Massachusetts

### **Corporate Headquarters**

160 Rio Robles  
San Jose, California 95134  
(408) 601-1000

### **Stock Listing**

At August 7, 2015, there were approximately 750 stockholders of record of the Company's common stock as reported by Computershare. Maxim Integrated common stock is traded on the Nasdaq Global Select Market under the symbol "MXIM".

Exhibit Number	Description
1.1 (1)	Underwriting Agreement, dated November 14, 2013, between Maxim Integrated Products, Inc. and Merrill Lynch.
3.1 (2)	Restated Certificate of Incorporation of the Company
3.2 (3)	Amendments to Restated Certificate of Incorporation of the Company
3.3 (4)	Amended and Restated Bylaws of the Company, as amended
4.1	Reference is made to Exhibits 3.1, 3.2, and 3.3
10.1 (5)	The Company's Forms of Indemnity Agreement <sup>(A)</sup>
10.2 (6)	The Company's 1996 Stock Incentive Plan, as amended and restated <sup>(A)</sup>
10.3 (7)	Assumption Agreement, dated April 11, 2001, relating to Dallas Semiconductor Corporation Executives Retiree Medical Plan <sup>(A)</sup>
10.4 (7)	Dallas Semiconductor Corporation Executives Retiree Medical Plan <sup>(A)</sup>
10.5 (8)	Form of Non-Statutory Option Agreement, as amended and restated, under the Company's 1996 Stock Incentive Plan, for U.S. Option Optionees
10.6 (8)	Form of Restricted Stock Unit Agreement under the Company's 1996 Stock Incentive Plan, for U.S. Holders
10.7 (9)	Employment Agreement between the Company and Tunc Doluca dated as of September 30, 1993 <sup>(A)</sup>
10.8 (10)	Employment Letter Agreement between the Company and Bruce Kiddoo dated as of August 6, 2007 <sup>(A)</sup>
10.9 (11)	Form of Non-Statutory Option Agreement, as amended and restated, under the Company's 1996 Stock Incentive Plan, for Non-U.S. Option Optionees
10.10 (11)	Form of Restricted Stock Unit Agreement under the Company's 1996 Stock Incentive Plan, for Non-U.S. Holders
10.11 (12)	The Company's 2008 Employee Stock Purchase Plan, as amended <sup>(A)</sup>
10.12 (13)	Amendment to Dallas Semiconductor Corporation Executives Retiree Medical Plan <sup>(A)</sup>
10.13 (14)	Change In Control Employee Severance Plan for U.S. Based Employees <sup>(A)</sup>
10.14 (14)	Change In Control Employee Severance Plan for Non-U.S. Based Employees <sup>(A)</sup>
10.15 (14)	Equity Award Policy Acceleration Of Vesting In The Event of A Change In Control For Employees Based Outside The U.S. <sup>(A)</sup>
10.16 (15)	Credit Agreement, dated October 13, 2011, and amended on June 27, 2014, by and among the Company, as borrower, JPMorgan Chase Bank, N.A. as Administrative Agent, Bank of America, N.A., Wells Fargo Bank, National Association and Morgan Stanley MUFG Loan Partners, LLC, as Co-Documentation Agents, and the lenders party thereto
10.17 (16)	Underwriting Agreement, dated March 11, 2013, between the Company and J.P. Morgan Securities LLC
10.18 (17)	Second Supplemental Indenture, dated as of March 18, 2013, between the Company and Wells Fargo Bank, National Association, as trustee
10.19 (18)	Third Supplemental Indenture, dated as of November 21, 2013, between the Company and Wells Fargo Bank, National Association, as trustee
10.20 (19)	Indenture, dated June 10, 2010, between the Company and Wells Fargo Bank, National Association, as trustee
10.21 (20)	Form of Performance Share Agreement
10.21	Form of Global Restricted Stock Unit Agreement
10.22	Form of Global Employee Stock Purchase Plan Agreement
10.23	Second Amendment, dated July 21, 2015, to the Credit Agreement, dated October 13, 2011, by and among the Company, as borrower, Wells Fargo Bank, National, as Administrative Agent, and the lenders party thereto
12.1	Statement of Ratio of Income to Fixed Charges PDF provided as a courtesy

Exhibit Number	Description
21.1	Subsidiaries of the Company PDF provided as a courtesy
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm PDF provided as a courtesy
24.1	Power of Attorney (see page 86)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 PDF provided as a courtesy
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 PDF provided as a courtesy
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 PDF provided as a courtesy
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 PDF provided as a courtesy

(A) Management contract or compensatory plan or arrangement.

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2013.

(2) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 30, 1995.

(3) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 30, 1997, to the Company's Annual Report on Form 10-K for the year ended June 30, 1998, to the Company's Quarterly Report on Form 10-Q for the quarter ended December 25, 1999, and to the Company's Quarterly Report on Form 10-Q for the quarter ended December 30, 2000.

(4) Incorporated by reference to the Company's Current Report on Form 8-K filed on September 12, 2014.

(5) Incorporated by reference to the Company's Registration Statement on Form S-1 No. 33-19561 and to the Company's Annual Report on Form 10-K for the year ended June 25, 2005.

(6) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended December 28, 2014.

(7) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 30, 2001.

(8) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 2009.

(9) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 24, 2006.

(10) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 29, 2007.

(11) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2008.

(12) Incorporated by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A filed on October 1, 2014.

(13) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 27, 2009.

(14) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended June 26, 2010.

(15) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 24, 2011.

(16) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 14, 2013.

(17) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 18, 2013.

(18) Incorporated by reference to the Company's Current Report on Form 8-K filed on November 21, 2013.

(19) Incorporated by reference to the Company's Registration Statement on Form S-3 filed on June 10, 2010.

(20) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2014.

**CERTIFICATION**

I, Tunc Doluca, certify that:

1. I have reviewed this Annual Report on Form 10-K of Maxim Integrated Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 17, 2015

/s/ Tunc Doluca

Tunc Doluca  
*President and Chief Executive Officer*

**CERTIFICATION**

I, Bruce E Kiddoo, certify that:

1. I have reviewed this Annual Report on Form 10-K of Maxim Integrated Products, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 17, 2015

/s/ Bruce E. Kiddoo

Bruce E. Kiddoo

*Senior Vice President and Chief Financial Officer*

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER**

In connection with the periodic report of Maxim Integrated Products, Inc. (the "Company") on Form 10-K for the period ended June 27, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Tunc Doluca, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: August 17, 2015

By: /s/ Tunc Doluca  
Tunc Doluca  
*President and Chief Executive Officer*

This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.

**CERTIFICATE OF CHIEF FINANCIAL OFFICER**

In connection with the periodic report of Maxim Integrated Products, Inc. (the "Company") on Form 10-K for the period ended June 27, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Bruce E. Kiddoo, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: August 17, 2015

By: /s/ Bruce E. Kiddoo  
Bruce E. Kiddoo  
*Senior Vice President and Chief Financial Officer*

This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.



