

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

**FORM 10-Q**

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended May 1, 2011

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6395

**SEMTECH CORPORATION**

(Exact name of registrant as specified in its charter)

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

**95-2119684**  
(I.R.S. Employer  
Identification No.)

**200 Flynn Road, Camarillo, California, 93012-8790**  
(Address of principal executive offices, Zip Code)

**Registrant's telephone number, including area code: (805) 498-2111**

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

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

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

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

Number of shares of Common Stock, \$0.01 par value per share, outstanding at June 1, 2011: 65,369,461

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**PART I - FINANCIAL INFORMATION****ITEM 1. Financial Statements**

SEMTECH CORPORATION AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(in thousands, except per share data)

	Three Months Ended	
	May 1, 2011	May 2, 2010
<b>Net sales</b>	<b>\$122,371</b>	<b>\$101,880</b>
Cost of sales	<u>48,517</u>	<u>44,833</u>
<b>Gross profit</b>	<b>73,854</b>	<b>57,047</b>
<b>Operating costs and expenses:</b>		
Selling, general and administrative	26,705	26,351
Product development and engineering	18,525	15,303
Intangible amortization	<u>2,102</u>	<u>2,405</u>
Total operating costs and expenses	<u>47,332</u>	<u>44,059</u>
<b>Operating income</b>	<b>26,522</b>	<b>12,988</b>
Interest and other (expense) income, net	<u>(440)</u>	<u>197</u>
Income before taxes	26,082	13,185
Provision for taxes	<u>3,500</u>	<u>2,383</u>
<b>Net Income</b>	<b><u>\$ 22,582</u></b>	<b><u>\$ 10,802</u></b>
<b>Earnings per share:</b>		
Basic	\$ 0.35	\$ 0.18
Diluted	\$ 0.34	\$ 0.17
<b>Weighted average number of shares used in computing earnings per share:</b>		
Basic	64,552	61,420
Diluted	67,123	63,181

See accompanying notes. The accompanying notes are an integral part of these statements.

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SEMTECH CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(in thousands, except share data)

	May 1, 2011 (unaudited)	January 30, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 134,605	\$ 119,019
Temporary investments	129,820	112,237
Receivables, less allowances of \$4,427 at May 1, 2011 and \$4,597 at January 30, 2011	50,402	50,610
Inventories	50,084	47,719
Deferred income taxes	13,369	13,369
Other current assets	12,022	10,744
Total current assets	390,302	353,698
Non-current assets:		
Property, plant and equipment, net of accumulated depreciation of \$79,313 at May 1, 2011 and \$77,243 at January 30, 2011	62,175	56,778
Investments, maturities in excess of 1 year	11,874	27,086
Goodwill	129,651	129,651
Other intangibles, net	72,721	74,823
Other assets	18,222	17,907
Total non-current assets	294,643	306,245
<b>TOTAL ASSETS</b>	<b>\$ 684,945</b>	<b>\$ 659,943</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 33,488	\$ 29,629
Accrued liabilities	21,431	48,723
Income taxes payable	2,683	2,928
Deferred revenue	4,912	5,020
Accrued taxes	4,191	4,191
Deferred income taxes	3,334	3,334
Total current liabilities	70,039	93,825
Non-current liabilities:		
Deferred income taxes	13,897	11,120
Accrued taxes	10,548	10,548
Other long-term liabilities	15,600	15,835
Stockholders' equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 78,136,144 issued and 65,202,985 outstanding on May 1, 2011 and 78,136,144 issued and 63,927,740 outstanding on January 30, 2011	785	785
Treasury stock, at cost, 12,933,159 shares as of May 1, 2011 and 14,208,404 shares as of January 30, 2011	(210,432)	(232,267)
Additional paid-in capital	353,944	352,078
Retained earnings	429,858	407,276
Accumulated other comprehensive income	706	743
Total stockholders' equity	574,861	528,615
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 684,945</b>	<b>\$ 659,943</b>

See accompanying notes. The accompanying notes are an integral part of these statements.

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SEMTECH CORPORATION AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(in thousands)

	Three Months Ended	
	May 1, 2011	May 2, 2010
Cash flows from operating activities:		
Net income	\$ 22,582	\$ 10,802
<i>Adjustments to reconcile net income to net cash provided by operations:</i>		
Depreciation and amortization	4,271	3,870
Deferred income taxes	2,786	760
Stock-based compensation	7,487	8,300
Excess tax benefits on stock based compensation	(1,075)	(257)
Loss on disposition of property, plant and equipment	7	75
<i>Changes in assets and liabilities:</i>		
Receivables, net	208	(8,681)
Inventories	(2,449)	466
Prepaid expenses and other assets	(1,182)	(2,387)
Accounts payable	3,859	5,434
Accrued liabilities	(29,041)	(3,789)
Deferred revenue	(108)	177
Income taxes payable and prepaid taxes	(1,320)	(7,907)
Other liabilities	316	1,337
Net cash provided by operations	6,341	8,200
Cash flows from investing activities:		
Purchase of available-for-sale investments	(25,000)	(59,732)
Proceeds from sales and maturities of available-for-sale investments	22,583	24,835
Proceeds from sale of property, plant and equipment	5	2
Purchases of property, plant and equipment	(7,469)	(4,486)
Net cash used in investing activities	(9,881)	(39,381)
Cash flows from financing activities:		
Excess tax benefits on stock based compensation	1,075	257
Exercise of stock options	18,501	5,069
Repurchase of outstanding common stock	(450)	(376)
Net cash provided by financing activities	19,126	4,950
Net increase (decrease) in cash and cash equivalents	15,586	(26,231)
Cash and cash equivalents at beginning of period	119,019	80,598
Cash and cash equivalents at end of period	<u>\$134,605</u>	<u>\$ 54,367</u>

See accompanying notes. The accompanying notes are an integral part of these statements.

SEMTECH CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

***Note 1: Organization and Basis of Presentation***

Semtech Corporation (together with its subsidiaries, the “Company”) is a global supplier of analog and mixed-signal semiconductor products. The end-customers for the Company’s products are primarily original equipment manufacturers (“OEM’s”) that produce and sell electronics.

The Company designs, develops and markets a wide range of products for commercial applications, the majority of which are sold into the computing, communications, high-end consumer and industrial end-markets.

Computing: desktops, notebooks, servers, graphic boards, printers, and other computer peripherals

Communications: base stations, optical networks, switches and routers, wireless LAN, and other communication infrastructure equipment

High-end consumer: handheld products, tablet computers, set-top boxes, digital televisions, digital video recorders and other consumer equipment

Industrial: automated meter reading, military and aerospace, medical, security systems, automotive, industrial and home automation, and other industrial equipment

**Principles of Consolidation**

The accompanying interim consolidated condensed financial statements of Semtech Corporation and its subsidiaries (the “Company”) have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of the Company, these unaudited statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the financial position of Semtech Corporation and its subsidiaries for the interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the included disclosures are adequate to make the information presented not misleading.

These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K. The results reported in these consolidated condensed financial statements should not be regarded as necessarily indicative of results that may be expected for any subsequent period or for the entire year.

**Fiscal Year**

The Company reports on the basis of 52 and 53 week periods and ends its fiscal year on the last Sunday in January. The other quarters generally end on the last Sunday of April, July and October. All quarters consist of 13 weeks except for one 14-week period in 53-week years. The first quarter of fiscal years 2012 and 2011 each consisted of 13 weeks.

**Segment Information**

The Company operates and accounts for its results in one reportable segment. The Company designs, develops, manufactures and markets high performance analog and mixed signal integrated circuits. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by guidance regarding segment disclosures.

**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 and 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. Actual results could differ from those estimates.

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### Reclassification

Certain amounts disclosed in the notes to the consolidated financial statements for the three months ended May 2, 2010, were reclassified to conform to the presentation used for the three months ended May 1, 2011.

Subsequent to the issuance of its October 31, 2010 unaudited consolidated financial statements, the Company determined that certain time deposits with original maturities ranging from six, nine, and twelve months should have been classified as Temporary Investments instead of Cash and Cash Equivalent on the Company's Balance Sheets. As of May 2, 2010, the reclassification between these two current balance sheet captions totaled \$28 million.

As reported in the Company's Form 10-K for the year ended January 30, 2010, the Company did not include the cash flows from the purchase and maturities of these time deposits under "cash flows from investing activities" section of the statement of cash flows. Reporting purchases and maturities on a gross basis, after reclassification, the Company's purchases of available-for-sale investments increased from \$32 million to \$60 million for the three-months ended May 2, 2010. There were no maturities during this interim period. Overall, the reclassification caused net cash used in investing activities to increase from \$11 million to \$39 million for the three-month period ended May 2, 2010.

The reclassification did not have any impact on the Company's income for the interim periods within fiscal year 2011 or the trend of earnings. Cash flows from operating activities and cash flows used by financing activities for the three-months ended May 2, 2010 are unaffected by the reclassification. Also, the reclassification has no effect on balance sheet subtotals such as current assets and total assets at May 2, 2010. Taking into consideration both quantitative and qualitative factors, the Company determined that the reclassification is not material to the Company's balance sheet and statement of cash flows for the respective prior interim periods and therefore the Company has not restated previously issued interim financial statements.

### **Note 2: Comprehensive Income**

The components of comprehensive income, net of tax, were as follows:

(in thousands)	May 1, 2011	May 2, 2010
Net income	\$ 22,582	\$ 10,802
Change in net unrealized holding gain on available-for-sale investments	(37)	(68)
Total comprehensive income	\$ 22,545	\$ 10,734
Gain (loss) realized upon reclassification from Comprehensive Income	\$ —	\$ —

### **Note 3: Earnings per Share**

The computation of basic and diluted earnings per common share was as follows:

(in thousands, except per share amounts)	Three Months Ended	
	May 1, 2011	May 2, 2010
Net income	\$22,582	\$10,802
Weighted average common shares outstanding - basic	64,552	61,420
Dilutive effect of employee equity incentive plans	2,571	1,761
Weighted average common shares outstanding - diluted	67,123	63,181
Basic earnings per common share	\$ 0.35	\$ 0.18
Diluted earnings per common share	\$ 0.34	\$ 0.17

Basic earnings per common share is computed using the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share incorporates the incremental shares issuable, calculated using the treasury stock method, upon the assumed exercise of stock options and the vesting of restricted stock.

Options to purchase 136,250 shares and 5.2 million shares for the first quarter of fiscal years 2012 and 2011, respectively, were not included in the computation of diluted net income per share because the options were considered anti-dilutive.

### **Note 4: Revenue Recognition**

The Company recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. Product design and engineering revenue is recognized during the period in which services are performed.

The Company defers revenue recognition on shipment of products to certain customers, principally distributors, under agreements which provide for limited pricing credits or return privileges, until these products are sold through to end-users or the return privileges lapse. For sales subject to certain pricing credits or return privileges, the amount of future pricing credits or inventory returns cannot be reasonably

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estimated given the relatively long period in which a particular product may be held by the customer. Therefore, the Company has concluded that sales to customers under these agreements are not fixed and determinable at the date of the sale and revenue recognition has been deferred.

The estimated deferred gross margins on these sales, where there are no outstanding receivables, are recorded on the consolidated condensed balance sheets under the heading of “Deferred revenue.” The Company records a provision for estimated sales returns in the same period as the related revenues are recorded. The Company bases these estimates on historical sales returns and other known factors. Actual returns could be different from Company estimates and current provisions for sales returns and allowances, resulting in future charges to earnings.

### **Note 5: Stock-Based Compensation**

**Financial Statement Effects and Presentation.** The following table shows total pre-tax, stock-based compensation expense included in the consolidated condensed statements of operations for the three month periods ended May 1, 2011 and May 2, 2010, respectively.

#### Allocation of Stock-based Compensation

(in thousands)	Three Months Ended	
	May 1, 2011	May 2, 2010
Cost of sales	\$ 279	\$ 526
Selling, general and administrative	5,618	5,604
Product development and engineering	1,590	2,170
Stock-based compensation, pre-tax	\$7,487	\$8,300
Net change in stock-based compensation capitalized into inventory	\$ (84)	\$ (150)

**Share-based Payment Arrangements.** The Company has various equity award plans (the “Plans”) that provide for granting stock-based awards to employees and non-employee directors of the Company. The Plans provide for the granting of several forms of stock-based compensation. As of May 1, 2011, the Company has granted stock options (“Options”) and restricted stock under the Plans and has also issued stock-based compensation outside of the Plans, including Options and restricted stock issued as inducements to join the Company.

**Grant Date Fair Values and Underlying Assumptions: Contractual Terms.** The Company uses the Black-Scholes pricing model to value Options. For awards classified as equity, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee’s or director’s requisite service period. For awards classified as liabilities, stock-based compensation cost is measured at fair value at each reporting date until the date of settlement, and is recognized as an expense over the employee or director’s requisite service period. Expected volatilities are based on historical volatility using daily and monthly stock price observations.

	Three Months Ended	
	May 1, 2011	May 2, 2010
Expected lives, in years	4.4	5.0
Estimated volatility	40%	40%
Dividend yield	—	—
Risk-free interest rate	1.8%	2.3%

The estimated fair value of restricted stock was calculated based on the market price of the Company’s common stock on the date of grant. Some of the restricted stock awarded in fiscal year 2012 and prior years are classified as liabilities rather than equity. For awards classified as liabilities, the value of these awards was re-measured on May 1, 2011.



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**Stock Option Awards.** The Company has historically granted stock option awards to both employees and non-employee directors. The grant date for these awards is equal to the measurement date. These awards were valued as of the measurement date and are amortized over the requisite vesting period (typically 3-4 years). A summary of the activity for stock option awards during the first quarter of fiscal year 2012 is presented below:

### Information regarding outstanding stock option awards

(in thousands, except per share amounts)

	Shares	Weighted average exercise price (per share)	Weighted average grant date fair value (per share)	Aggregate intrinsic value	Aggregate unrecognized compensation	Number of shares exercisable	Weighted average contractual term (years)
Outstanding as of January 30, 2011	6,622	\$16.84		\$35,492	\$ 7,067	5,160	
Granted	212	23.33	\$ 8.21				
Exercised	(1,108)	17.05					
Cancelled/forfeited	(55)	23.51					
Outstanding as of May 1, 2011	5,671	\$16.98		\$63,189	\$ 7,729	4,293	
Exercisable as of May 1, 2011	4,293	\$17.09		\$47,452			2.76

**Restricted Stock.** The Company has not granted any restricted stock to employees since fiscal year 2009. The grant date for these awards is equal to the measurement date. These awards are valued as of the measurement date and recognized as compensation expense over the requisite vesting period (typically 3-4 years). A summary of the activity for restricted stock awards for the first quarter of fiscal year 2012 is presented below:

(in thousands, except for per share amounts)

	Number of Shares	Weighted Average Grant Date Fair Value (per share)	Aggregate Intrinsic Value (1)	Aggregate Unrecognized Compensation	Weighted Average Period Over Which Expected to be Recognized (in years)
January 30, 2011	135	\$ 14.44		\$ 984	0.8
Granted	—				
Vested	(60)	13.15	\$ 1,426		
Forfeited	(5)	15.78			
May 1, 2011	70	\$ 15.45		\$ 671	0.6

(1) Represents the value of Semtech stock on the date that the restricted stock vested.

**Performance Unit Awards.** The Company grants performance vested RSU's to select employees. These awards have a performance condition in addition to a service condition. The performance condition generally relates to the Company's revenue and operating income measured against internal goals. Under the terms of these awards, assuming the highest level of performance with no cancellations due to forfeitures, the maximum number of shares that can be earned in the aggregate is 960,400. In this scenario, the maximum number of shares that could be issued thereunder would be 527,700 and the Company would have a liability accrued in the Consolidated Balance Sheet equal to the value of 432,700 shares on the settlement date, which would be settled in cash. At May 1, 2011, the performance metrics associated with the awards issued in fiscal years 2012, 2011 and 2010 are expected to be met at a level which would result in a grant at 100%, 200% and 200% of target, respectfully. The following table summarizes performance unit award activity during the first quarter of fiscal year 2012:

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(in thousands, except for per share amount)

	Total Units	Subject to Share Settlement Units	Subject to Cash Settlement Units	Recorded Liability	Weighted Average Grant Date Fair Value (per share)	Aggregate Unrecognized Compensation	Weighted Average Period Over Which Expected to be Recognized (in years)
January 30, 2011	556	326	230	\$3,924.9	\$ 14.26	\$ 7,971	1.0
Granted	117	59	58		23.33		
Vested	(123)	(62)	(61)		13.15		
Cancelled/forfeited	(22)	(11)	(11)		13.15		
Change in liability				286.9			
May 1, 2011	528	312	216	\$4,211.8	\$ 16.57	\$ 10,695	1.5

**Stock Unit Awards, Employees.** The Company issues stock unit awards to employees which are expected to be settled with stock. The grant date for these awards is equal to the measurement date. These awards are valued as of the measurement date and amortized over the requisite vesting period (typically 4 years). The following table summarizes stock unit award activity for the first quarter of fiscal year 2012:

(in thousands, except per share price)

	Number of Units	Weighted Average Grant Date Fair Value (per unit)	Aggregate Intrinsic Value (1)	Aggregate Unrecognized Compensation	Weighted Average Period Over Which Expected to be Recognized (in years)
January 30, 2011	2,058	\$ 16.70		\$ 29,763	2.7
Granted	259	23.33			
Vested	(150)	15.03	\$ 3,506		
Forfeited	(29)	17.59			
May 1, 2011	2,138	\$ 17.61		\$ 33,229	2.6

(1) Reflects the value of Semtech stock on the date that the stock unit vested.

**Stock Unit Awards, Non-Employee Directors.** The Company grants stock unit awards to non-employee directors. These RSUs are accounted for as liabilities and accrued in the consolidated balance sheets because they are cash settled. The value of these awards is re-measured at each reporting period until settlement, which typically occurs upon the director's separation from service. Vested awards and the pro-rata vested portion of unvested awards are recognized as a liability. These awards vest after one year of service. The following table summarizes stock unit award activity for the first quarter of fiscal year 2012:

(in thousands, except per share price)

	Number of Units	Recorded Liability	Weighted Average Grant Date Fair Value (per unit)	Aggregate Unrecognized Compensation	Period Over Which Expected to be Recognized (in years)
January 30, 2011	30	\$2,413.5	\$ 16.43	\$ 269	0.4
Granted	—				
Vested	—				
Forfeited	—				
Change in Liability		910.9			
May 1, 2011	30	\$3,324.4	\$ 16.43	\$ 140	0.2

## Note 6: Investments

Certain investments that have original maturities of three months or less are accounted for as cash equivalents. This includes money market funds, time deposits and U.S. government obligations. Temporary and long-term investments consist of government, bank and corporate obligations, and bank time deposits with original maturity dates in excess of 90 days. Temporary investments have original maturities in excess of three months, but mature within twelve months of the balance sheet date.

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Long-term investments mature in excess of one year from the balance sheet date. The Company determines the cost of securities sold based on the specific identification method. Realized gains or losses are reported in “Interest and other income, net” on the consolidated condensed statements of operations.

The Company classifies its investments as “available for sale” because it may sell some securities prior to maturity. The Company’s investments are subject to market risk, primarily interest rate and credit risks. The Company’s investments are managed by a limited number of outside professional managers that operate within investment guidelines set by the Company. These guidelines include specified permissible investments, minimum credit quality ratings and maximum average duration restrictions and are intended to limit market risk by restricting the Company’s investments to high quality debt instruments with relatively short-term maturities.

The following table summarizes the Company’s investments as of May 1, 2011 and January 30, 2011:

### Investments

(in thousands)	May 1, 2011			January 30, 2011		
	Market Value	Cost Basis	Unrealized Gain	Market Value	Cost Basis	Unrealized Gain
U.S. government issues	\$ 49,947	\$ 49,859	\$ 88	\$ 54,747	\$ 54,658	\$ 89
Corporate issues	15,747	15,570	177	16,576	16,354	222
Bank time deposits	76,000	76,000	—	68,000	68,000	—
Total investments	<u>\$ 141,694</u>	<u>\$ 141,429</u>	<u>\$ 265</u>	<u>\$ 139,323</u>	<u>\$ 139,012</u>	<u>\$ 311</u>

The following table summarizes the maturities of the Company’s investments at May 1, 2011 and January 30, 2011:

### Investment maturities

(in thousands)	May 1, 2011		January 30, 2011	
	Market Value	Cost Basis	Market Value	Cost Basis
Within 1 year	\$ 129,820	\$ 129,603	\$ 112,237	\$ 112,077
After 1 year through 5 years	11,874	11,826	27,086	26,935
Total investments	<u>\$ 141,694</u>	<u>\$ 141,429</u>	<u>\$ 139,323</u>	<u>\$ 139,012</u>

In the first quarter of fiscal years 2012 and 2011, the Company recognized \$37,000 and \$68,000, respectively, of unrealized loss (net of tax) on investments. These unrealized losses are the result of fluctuations in the market value of the Company’s investments and are included in “Accumulated other comprehensive income” on the consolidated condensed balance sheets. The tax associated with these comprehensive income items for the first quarter of fiscal years 2012 and 2011 was a decrease to the deferred tax liability of \$9,000 and \$26,000, respectively.

Investments and cash and cash equivalents generated interest income of \$304,000 and \$224,000 in the first quarter of fiscal years 2012 and 2011, respectively.

### **Note 7: Fair Value**

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

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

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

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

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

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

	Fair Value as of May 1, 2011			Fair Value as of January 30, 2011		
	Total	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Observable Inputs Other than Level 1 Prices (Level 2)	Total	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Observable Inputs Other than Level 1 Prices (Level 2)
(in thousands)						
<b>Assets</b>						
U.S. government issues	\$ 49,947	\$ 49,947	\$ —	\$ 54,747	\$ 54,747	\$ —
Corporate issues	15,747	15,747	—	16,576	16,576	—
Bank time deposits	76,000	—	76,000	68,000	—	68,000
	<u>\$141,694</u>	<u>\$ 65,694</u>	<u>\$76,000</u>	<u>\$139,323</u>	<u>\$ 71,323</u>	<u>\$68,000</u>

The investment in bank time deposits during the first quarter of fiscal year 2012 resulted in \$76.0 million in financial assets measured at fair value on a recurring basis using Level 2 inputs.

### **Note 8: Inventories**

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

#### Inventories:

(in thousands)	May 1, 2011	January 30, 2011
Raw materials	\$ 5,602	\$ 5,070
Work in process	27,148	27,763
Finished goods	17,334	14,886
	<u>\$50,084</u>	<u>\$47,719</u>

### **Note 9: Intangible Assets**

**Goodwill** - Goodwill is not amortized, but is tested for impairment using a two-step method on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair market value of the reporting unit.

The fair value of goodwill is tested for impairment on a non-recurring basis in the accompanying consolidated financial statements using Level 3 inputs. The Company concluded that there were no indicators of impairment as of May 1, 2011.

There were no changes to goodwill during the first three months of fiscal year 2012.

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**Purchased Intangibles** – Purchased intangibles are amortized on a straight-line basis over their estimated useful lives. In-process research and development is recorded at fair value as an indefinite-lived intangible asset until the completion or abandonment of the associated research and development efforts. Upon completion of development, acquired in-process research and development assets are transferred to finite-lived assets and amortized over their useful lives.

Intangible assets consisted of the following:

(in thousands)	Estimated Useful Life	Gross Carrying Amount		Accumulated Amortization		Net Book Value	
		May 1, 2011	January 30, 2011	May 1, 2011	January 30, 2011	May 1, 2011	January 30, 2011
Core technologies	2-10 years	\$65,900	\$65,900	\$(15,769)	\$(14,006)	\$50,131	\$51,894
In-process research and development	Indefinite	12,370	12,370	—	—	12,370	12,370
Customer relationships	8-10 years	12,130	12,130	(1,910)	(1,571)	10,220	10,559
Total other intangibles		<u>\$90,400</u>	<u>\$90,400</u>	<u>\$(17,679)</u>	<u>\$(15,577)</u>	<u>\$72,721</u>	<u>\$74,823</u>

Core technologies include \$59.9 million of definite lived intangible assets from the December 9, 2009 acquisition of Sierra Monolithics, Inc. (“SMI”). These developed technology intangibles include current optical products, wireless products and microwave products. The Company concluded that the intangibles classified as core technologies were identifiable intangible assets, separate from goodwill, since they were capable of being separated from SMI and sold, transferred or licensed, regardless of whether the Company intended to do so. The fair value of these core technologies was determined using the multi-period excess earnings method. Each product technology was valued separately since each was determined to have a different remaining useful life.

For the three-month periods ended May 1, 2011 and May 2, 2010, amortization expense related to intangible assets was \$2.1 million and \$2.4 million, respectively.

### **Note 10: Taxes**

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

The gross unrecognized tax benefits (before federal impact of state items) were \$17.0 million at May 1, 2011 and January 30, 2011. Included in the balances of unrecognized tax benefits at May 1, 2011 and January 30, 2011, are \$14.7 million of net tax benefits (after federal impact of state items) that, if recognized, would impact the effective tax rate. The liability for uncertain tax positions was \$14.7 million as of May 1, 2011 and January 30, 2011. This liability is reflected on the consolidated condensed balance sheets as “Accrued taxes.” The Company’s policy is to include net interest and penalties related to unrecognized tax benefits within the provision for taxes. The Company had approximately \$293,000 of net interest and penalties accrued at May 1, 2011 and January 30, 2011.

In the first quarter of fiscal year 2012, the Internal Revenue Service initiated an examination of the Company’s 2009 Federal tax return (fiscal year 2010). Tax years prior to 2007 (fiscal year 2008) are generally not subject to examination by the Internal Revenue Service except for items with tax attributes that could impact open tax years. For state returns, the Company is generally not subject to income tax examinations for years prior to 2006 (fiscal year 2007).

The Company’s significant foreign tax presence is in Switzerland. The Company’s material Swiss tax filings have been examined through fiscal year 2009. The Company is also subject to routine examinations by various foreign tax jurisdictions in which it operates.

As a global organization, the Company may be subject to a variety of transfer pricing or permanent establishment challenges by taxing authorities in various jurisdictions. In May 2011, the Company was informed that the taxation authorities in Korea were auditing the Company’s branch activities in Korea for tax years 2006 through 2010. While no audit positions have been formally communicated to the Company at this time, the taxation authorities in Korea may take the position that the Company’s Korean branch carried on business in Korea from a “permanent establishment” during the years in question and should therefore be taxed on the income attributable to the permanent establishment. The Company is of the view that no permanent establishment is at hand in Korea and no reserve for an uncertain tax position has been recorded for this matter.

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As of May 1, 2011, it was reasonably possible that the total amounts of unrecognized tax benefits would decrease by up to \$3.7 million within twelve months as a result of expiring statutes. If recognized, this decrease will impact the effective tax rate.

### ***Note 11: Commitments and Contingencies***

#### ***Legal Matters***

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

The Company records any amounts recovered in these matters when collection is certain. Liabilities for claims against the Company are accrued when it is probable that a liability has been incurred and the amount can reasonably be estimated. Any amounts recorded are based on periodic reviews by outside counsel, in-house counsel and management and are adjusted as additional information becomes available or assessments change.

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

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

Refer to the discussion in Note 12 to the consolidated financial statements in Item 8 of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011. Except as discussed below, all proceedings discussed in the Form 10-K remains outstanding.

**Class Action Lawsuit.** In Re: Semtech Corporation Securities Litigation, United States District Court, Central District of California, Case No. 2:07-CV-07114-CAS. Two separate purported class action lawsuits were filed against the Company and certain current and former officers in August and October 2007, on behalf of persons who purchased or acquired Company securities from dates in 2002 to July 2006. The cases alleged violations of Federal securities laws in connection with the Company's past stock option practices. In February 2008, the Mississippi Public Employees' Retirement System ("MPERS") filed a motion in the United States District Court for the Central District of California for consolidation of the cases described above, appointment of MPERS as lead plaintiff, and approval of selection of counsel. The MPERS motion was granted in late March 2008, and a Consolidated Amended Class Action Complaint was filed in May 2008, initiating the consolidated action with MPERS as the lead plaintiff. In December 2008, per motions filed by the defendants, the Court granted motions to dismiss in favor of defendants Jason Carlson (former Chief Executive Officer of the Company) and Mohan Maheswaran (current Chief Executive Officer of the Company) regarding claims under Section 10(b) of the Securities Exchange Act of 1934, as amended. The Court denied all other motions of all defendants, including other motions to dismiss brought in relation to alternate allegations raised against Messrs. Carlson and Maheswaran, who remain pending as defendants in the matter. In August, 2010, the Court issued its class certification order, certifying the plaintiff class as persons who acquired common stock of the Company between August 27, 2002 and July 19, 2006 (inclusive).

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At a mediation meeting held on December 5, 2010, an agreement in principle to settle the class action litigation was reached. The Company agreed to pay \$20 million to settle all claims in the litigation. As a result of this agreement, the Company recorded an additional charge of \$10.0 million in fiscal year 2011 to increase our total accrued liability for this matter to \$20.0 million. Payment in full of the \$20 million settlement amount was made on April 14, 2011 into the applicable escrow account associated with the proposed settlement and preliminary Court approval of same.

The proposed settlement will fully resolve all claims against the Company, all current officers and directors of the Company named in the lawsuit, and certain former officers and directors of the Company named in the lawsuit. No parties admit any wrongdoing as part of the proposed settlement. Preliminary approval of the proposed settlement was issued by the Court on April 11, 2011. Final approval is scheduled for June 27, 2011, contingent upon any objections, or material elections to opt out of the settlement, being filed timely on or before June 6, 2011. The Company does not expect any objections or material elections to opt out of the settlement being filed before the applicable deadline, and expects final approval of the settlement by the Court following the hearing on June 27, 2011.

### Indemnification

The Company has entered into agreements with its current executive officers and directors indemnifying them against certain liabilities incurred in connection with the performance of their duties. The Company's Certificate of Incorporation and Bylaws contain comparable indemnification obligations with respect to the Company's current directors and employees. Additionally, comparable indemnification agreements and obligations under the Certificate of Incorporation and Bylaws remain in effect for certain former executive officers and directors of the Company, rights under which are being claimed by certain former executives and former directors in relation to the Government Inquiries discussed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 and the Class Action Lawsuit discussed above. Settlement of the Class Action Lawsuit, and dismissal of the lawsuit upon final approval of settlement by the Court if same is given by the Court, will end the Company's indemnification obligations and expenses in relation to the Class Action Lawsuit. Obligations in relation to the government Inquiries will remain pending.

### Product Warranties

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

(in thousands)	
Balance at January 30, 2011	\$ 607
Current accruals	4
Accrual reversals	(244)
Settlements made (in cash or in kind) during period	—
Balance at May 1, 2011	<u>\$ 367</u>

### ***Note 12: Geographic Information and Concentration of Risk***

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

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Net sales activity by geographic region is as follows:

### Sales by Region

(percentage of net sales)	Three Months Ended	
	May 1, 2011	May 2, 2010
North America	27%	26%
Asia-Pacific	60%	58%
Europe	13%	16%
	<u>100%</u>	<u>100%</u>

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

(percentage of total sales)	Three Months Ended	
	May 1, 2011	May 2, 2010
United States	23%	23%
China (including Hong Kong)	35%	31%
South Korea	<10%	15%

Income (loss) from continuing operations before income taxes is as follows:

(in thousands)	Three Months Ended	
	May 1, 2011	May 2, 2010
Domestic	\$ 5,549	\$ (3,890)
Foreign	20,533	17,075
Total	<u>\$26,082</u>	<u>\$13,185</u>

Domestic income (loss) from continuing operations include amortization of acquired intangible assets, litigation expenses and higher levels of stock-based compensation compared to foreign operations.

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

(percentage of net sales)	Three Months Ended	
	May 1, 2011	May 2, 2010
Samsung Electronics (and affiliates)	12%	13%
Frontek Technology Corp	11%	12%

### Concentration of Accounts Receivable - Significant Customers

(percentage of accounts receivable)	Balance as of	
	May 1, 2011	January 30 2011
Samsung Electronics (and affiliates)	<10%	15%
Frontek Technology Corp	<10%	12%
Huawei Technologies (and affiliates)	11%	<10%

### Outside Subcontractors and Suppliers

The Company relies on a limited number of outside subcontractors and suppliers for the production of silicon wafers, packaging and certain other tasks. Disruption or termination of supply sources or subcontractors, due to natural disasters such as the recent earthquake and Tsunami in Japan or other causes,



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

### ***Note 13: Matters Related to Historical Stock Option Practices***

Since May 2006, the Company has incurred substantial expenses for legal, accounting, tax and other professional services in connection with matters associated with or stemming from its historical stock option practices. In the first quarter of fiscal years 2012 and 2011, respectively, approximately \$131,000 and \$1.6 million of legal expenses and liability accruals were recorded in relation to these matters. These expenses include claims for advancement of legal expenses to current and former directors, officers and executives under pre-existing indemnification agreements and to other current and former employees under the California Labor Code and a resolution of the Board of Directors authorizing such advances. See Note 11 for additional information regarding indemnification.

### ***Note 14: Stock Repurchase Program; Treasury Shares***

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

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

### **Summary of Repurchase and Withholding Activity**

(in thousands, except share data)

	Three Months Ended			
	May 1, 2011		May 2, 2010	
	Shares	Value	Shares	Value
Repurchases under the 2008 Program	—	\$ —	—	\$ —
Shares withheld from vested restricted shares	18,930	450	23,378	376
Total activity	18,930	\$450	23,378	\$376

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

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

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

### **Forward Looking Statements**

*This Quarterly Report contains forward-looking statements. Forward-looking statements are statements other than historical information or statements of current condition and relate to matters such as our future financial performance, future operational performance and our plans, objectives and expectations. Some forward-looking statements may be identified by use of terms such as "expects," "anticipates," "intends," "estimates," "believes," "projects," "should," "will," "plans" and similar words. In light of the risks and uncertainties inherent in all such projected matters, forward-looking statements should not be regarded as a representation by us or any other person that our objectives or plans will be achieved or that any of our operating expectations or financial forecasts will be realized. Results could differ materially from those projected in forward-looking statements, due to factors including, but not limited to, those set forth in the "Risk Factors" and "Quantitative and Qualitative Disclosures About Market Risk" sections of this Quarterly Report and the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the Securities and Exchange Commission (the "SEC") on March 31, 2011. We undertake no duty to update any forward-looking statements, whether as a result of new information, future events or otherwise.*

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

### **Overview**

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

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

**Advanced Communication and Sensing Products.** We design, develop and market a portfolio of proprietary advanced wired communication, wireless communication, sensing integrated circuits ("ICs") and ultra-high speed Serializer/Deserializer ("SerDes") products for transport communication. These ICs perform specialized timing and synchronization functions used in high-speed networks, specialized radio frequency ("RF") functions used in a wide variety of industrial, medical and networking applications, and specialized sensing functions used in industrial and consumer applications and 40Gbps and 100Gbps chips and transceivers for short reach, metro and long haul applications and high performance transceivers for datacenter applications. Our advanced communications products feature a leading integrated timing solution for packet based communications networks. Our wireless and sensing products feature industry leading and longest range industrial, scientific and medical ("ISM") radio, enabling low cost of ownership and increased reliability in all environments. Our unique sensing interface platforms can interface to any sensor and output digital data in any form. Our advanced communications and sensing products can be found in a broad range of applications including communications, industrial, medical and consumer applications.

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

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

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Most of our sales to customers are made on the basis of individual customer purchase orders. Many customers include liberal cancellation provisions in their purchase orders. Trends within the industry toward shorter lead-times and “just-in-time” deliveries have resulted in our reduced ability to predict future shipments. As a result, we rely on orders received and shipped within the same quarter for a significant portion of our sales. Orders received and shipped in the first quarter of fiscal years 2012 and 2011 represented 36% and 43% of net sales, respectively. Sales made directly to customers during the first quarter of fiscal years 2012 and 2011 were 58% and 53% of net sales, respectively. The remaining sales were made through independent distributors.

Our business involves reliance on foreign-based entities. Most of our outside subcontractors and suppliers, including third-party foundries that supply silicon wafers, are located in foreign countries, including China, Taiwan, United Kingdom, Hong Kong, Malaysia, Germany, Israel and Canada. For the first quarter of fiscal year 2012, approximately 57% of our silicon, in terms of cost of wafers purchased, was manufactured in China.

Foreign sales during the first quarter of fiscal year 2012 constituted approximately 77% of our net sales. Approximately 60% of sales during the first quarter of fiscal year 2012 were to customers located in the Asia-Pacific region. The remaining foreign sales were primarily to customers in Europe, Canada, and Mexico.

### ***Critical Accounting Policies and Estimates***

In addition to the discussion below, you should refer to the disclosures regarding our critical accounting policies in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011.

### ***Revenue and Cost of Sales***

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

We defer revenue recognition on shipment of products to certain customers, principally distributors, under agreements which provide for limited pricing credits or product return privileges, until these products are sold through to end-users or the return privileges lapse. For sales subject to certain pricing credits or return privileges, the amount of future pricing credits or inventory returns cannot be reasonably estimated given the relatively long period in which a particular product may be held by the customer. Therefore, we have concluded that sales to customers under these agreements are not fixed and determinable at the date of the sale and revenue recognition has been deferred. We estimate the deferred gross margin on these sales by applying an average gross profit margin to the actual gross sales. The average gross profit margin is calculated for each category of products using current standard costs. The deferred gross margin does not include any adjustments for sales returns. The estimated deferred gross margin on these sales, where there are no outstanding receivables, is recorded on the balance sheet under the heading of “Deferred revenue.” There were no significant impairments of deferred cost of sales in fiscal year 2011 or the first three months of fiscal year 2012.

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The following table summarizes the deferred net revenue balance:

<u>Deferred net revenue</u>	May 1, 2011	January 30, 2011
(in thousands)		
Deferred revenues	\$ 5,748	\$ 6,369
Less: Deferred cost of revenues	(1,364)	(1,560)
Deferred revenues, net	\$ 4,384	\$ 4,809
Deferred product design and engineering revenue	528	211
Total deferred revenue	<u>\$ 4,912</u>	<u>\$ 5,020</u>

### *Gross Profit*

Gross profit is equal to our net sales less our cost of sales. Our cost of sales includes materials, depreciation on fixed assets used in the manufacturing process, shipping costs, direct labor and overhead. We determine the cost of inventory by the first-in, first-out method.

### *Operating Costs*

Our operating costs and expenses generally consist of selling, general and administrative, product development and engineering costs, costs associated with acquisitions, and other operating related charges.

### *Results of Operations*

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

	<u>Three Months Ended</u>	
	<u>May 1, 2011</u>	<u>May 2, 2010</u>
Net Sales	100.0%	100.0%
Cost of Sales	39.6%	44.0%
Gross Profit	60.4%	56.0%
Operating costs and expenses:		
Selling, general & administrative	21.8%	25.9%
Product development & engineering	15.1%	15.0%
Intangible amortization	1.7%	2.4%
Total operating costs and expenses	38.7%	43.2%
Operating income	21.7%	12.7%
Interest and other income, net	-0.4%	0.2%
Income before taxes	21.3%	12.9%
Provision for taxes	2.9%	2.3%
Net income	<u>18.5%</u>	<u>10.6%</u>

Percentages may not add precisely due to rounding.

Our regional mix of income (loss) from continuing operations before income taxes is as follows:

	<u>Three Months Ended</u>	
	<u>May 1, 2011</u>	<u>May 2, 2010</u>
(in thousands)		
Domestic	\$ 5,549	\$ (3,890)
Foreign	20,533	17,075
Total	<u>\$26,082</u>	<u>\$13,185</u>

Domestic income (loss) from continuing operations include amortization of acquired intangible assets, litigation expenses and higher levels of stock-based compensation compared to foreign operations.

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**Comparison of the Three Months Ended May 1, 2011 and May 2, 2010**

We report on the basis of 52 and 53 week periods and end our fiscal year on the last Sunday in January. All quarters consist of 13 weeks, except for one 14-week quarter in 53-week years. The first quarter of fiscal years 2012 and 2011 were both 13-week periods.

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

(dollars in thousands; % of net sales)

	Three Months Ended			
	May 1, 2011		May 2, 2010	
Computing	\$ 9,600	7%	\$ 11,233	11%
Communications	49,892	41%	34,496	34%
High-end Consumer (1)	41,053	34%	34,580	34%
Industrial	21,826	18%	21,571	21%
Total	<u>\$122,371</u>	<u>100%</u>	<u>\$101,880</u>	<u>100%</u>

- (1) Approximately \$3.4 million and \$5.0 million of our total sales to Samsung Electronics (and affiliates), one of our significant customers, in the first quarter of fiscal years 2012 and 2011, respectively, were for products that target the handheld market (which includes mobile phones). This activity is included in the high-end consumer end-market category.

**Net Sales.** Net sales for the first quarter of fiscal year 2012 were \$122.4 million, an increase of 20% compared to \$101.9 million for the first quarter of fiscal year 2011. The higher revenue in the current quarter resulted primarily from higher demand for products in the communications and high-end consumer end-markets.

**Gross Profit.** During the first quarter of fiscal year 2012, gross profit increased to \$73.9 million from \$57.0 million in the first quarter of fiscal year 2011. Gross profit margins increased to 60.4% in the first quarter of fiscal year 2012 from 56.0% in the first quarter of fiscal year 2011. This increase in gross profit reflects the impact of substantially higher sales, and specifically a more favorable end-market product mix, and the benefit of higher manufacturing volumes. Also contributing to the higher margins was the impact of the transition away from lower margin Computing products within Power Management and the impact of lower stock-based compensation expense. Additionally, gross profit in the first quarter of fiscal year 2011 was negatively impacted by the sale of inventory acquired as part of the acquisition of Sierra Monolithics Inc. ("SMI").

**Operating Costs and Expenses.**

(dollars in thousands)

(dollars in thousands)	Three Months Ended				Change
	May 1, 2011		May 2, 2010		
Selling, general and administrative	\$26,705	56%	\$26,351	60%	1%
Product development and engineering	18,525	39%	15,303	35%	21%
Intangible amortization	2,102	5%	2,405	5%	-13%
Total operating costs and expenses	\$47,332	100%	\$44,059	100%	7%

**Selling, General and Administrative Expenses.**

Selling, general and administrative ("SG&A") expenses in the first quarter of fiscal year 2012 were impacted by higher selling costs attributable to higher sales volumes and higher salary costs associated with an overall increase in personnel.

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SG&A expenses for the first quarter of fiscal years 2012 and 2011 include approximately \$131,000 and \$1.6 million, respectively, for legal and other professional services incurred in connection with matters related to our historical stock option practices, including the related litigation, and other associated matters. These expenses also include claims for advancement of legal expenses to current and former directors, officers and employees. See Note 13 to our consolidated condensed financial statements included in Item 1 of this Quarterly Report for additional information regarding expenses related to the class action lawsuit and historical stock option matters.

### ***Product Development and Engineering Expenses***

The increase in product development and engineering expenses was principally driven by investments in new product and process development expenses across a majority of our product lines.

The levels of product development and engineering expenses reported in a fiscal period can be significantly impacted, and therefore experience period over period volatility, by the number of new product tape-outs and by the timing of revenue from non-recurring engineering services which are typically milestone based and recorded as an off-set to product development and engineering expense.

### ***Intangible Amortization***

Intangible amortization reflects amortization costs associated with acquired intangibles. The decrease reflects the impact of certain intangibles that have been fully amortized.

### ***Interest and Other, Net***

Interest and other netted to an expense of \$440,000 in the first quarter of fiscal year 2012 compared to income of \$197,000 in the first quarter of fiscal year 2011. The net expense resulted from higher losses related to foreign currency transactions due to the weakening of the U.S. dollar, partially offset by a modest increase in interest income due to higher investment balances.

### ***Provision for Taxes***

Provision for income taxes was \$3.5 million for the first quarter of fiscal year 2012, compared to \$2.4 million in the first quarter of fiscal year 2011. The effective tax rates for the first quarter of fiscal years 2012 and 2011 were 13% and 18%, respectively.

As a global organization, we are subject to audit by taxing authorities in various jurisdictions. To the extent that an audit, or the closure of a statute of limitations, results in our adjusting our reserves for uncertain tax positions, our effective tax rate could experience extreme volatility since any adjustment would be recorded as a discrete item in the period of adjustment.

### ***Business Outlook***

On May 25, 2011, we announced our outlook for the second quarter of fiscal year 2012. At that time, we expected sequential revenue to be up approximately 4% to 7% from the first quarter in line with normal seasonality and we expected earnings per diluted share of approximately \$0.38 to \$0.40. Refer to Exhibit 99.1 of our Current Report on Form 8-K filed with the SEC on May 25, 2011 for the complete announcement.

### ***Liquidity and Capital Resources***

Our capital requirements depend on a variety of factors, including but not limited to, the rate of increase or decrease in our existing business base; the success, timing and amount of investment required to bring new products to market; revenue growth or decline; and potential acquisitions. We believe that we have the financial resources necessary to meet business requirements for the next 12 months, including funds needed for working capital requirements.

As of May 1, 2011, our total shareholders' equity was \$574.9 million. At that date we also had approximately \$264.4 million in cash and short-term investments, as well as \$11.9 million in long-term investments. We have no outstanding debt.

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Our primary sources and uses of cash during the comparative three month periods are presented below:

(in millions)	Three Months Ended	
	May 1, 2011	May 2, 2010
<b>Sources of Cash</b>		
Operating activities, including changes in working capital	\$ 6.3	\$ 8.2
Proceeds from exercise of compensatory stock plans, including tax benefits	19.6	5.3
	<b>\$ 25.9</b>	<b>\$ 13.5</b>
<b>Uses of Cash</b>		
Capital expenditures, net of sale proceeds	\$ (7.5)	\$ (4.5)
Net increase in investments	(2.4)	(34.8)
Repurchase of outstanding common stock	(0.4)	(0.4)
	<b>\$ (10.3)</b>	<b>\$ (39.7)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 15.6</b>	<b>\$ (26.2)</b>

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

A meaningful portion of our capital resources, and the liquidity they represent, are held by our foreign subsidiaries. As of May 1, 2011, our foreign subsidiaries held approximately \$210.2 million of cash, cash equivalents, and short-term investments compared to \$165.7 million at January 30, 2011. If we needed these funds for investment in domestic operations, any repatriation could result in increased tax liabilities.

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

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

### Operating Activities

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

Depreciation and amortization expense was \$4.3 million and \$3.9 million for the first quarter of fiscal years 2012 and 2011, respectively. The increase is primarily attributable to the increase in capital expenditures in fiscal year 2011 to support the growth of the business.

Changes in operating assets and liabilities used cash on a net basis in the first quarter of fiscal year 2012, driven primarily by the following:

- Inventory increased by \$2.4 million to support higher levels of product demand.
- Prepaid expenses and other assets increased by \$1.2 million primarily due to the payment of annual insurance premiums.
- Accrued liabilities decreased by \$29.0 million primarily due to the \$20 million payment related to the stock option litigation settlement and the payment of annual bonuses earned in fiscal year 2011.
- Accounts payable increased by \$3.9 million due to higher operating expenses and capital expenditures required to support the overall increase in revenue and related business activities.

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### Investing Activities

Cash used for investing activities is primarily attributable to capital expenditures and purchases of investments net of proceeds from the sales/maturities of investments.

Capital expenditures, net of sales proceeds were \$7.5 million for the first three months of fiscal year 2012 compared to \$4.5 million for the first three months of fiscal year 2011. The increase in capital expenditures was primarily to maintain and expand our test capacity, to support engineering and manufacturing functions and to improve our various facilities.

### Financing Activities

Cash provided by financing activities is primarily attributable to the proceeds from the exercise of stock options. These proceeds were offset by the payment of statutory tax withholding obligations resulting from the vesting of restricted stock settled by withholding shares.

In the first quarter of fiscal year 2012, cash proceeds from the exercise of stock options were \$18.5 million compared to \$5.1 million in the first quarter of fiscal year 2011.

We do not directly control the timing of the exercise of stock options. Such exercises are independent decisions made by grantees and are influenced most directly by the stock price and the expiration dates of stock awards. Such proceeds are difficult to forecast since they are influenced by several factors which are outside our control. We believe that such proceeds will remain an important secondary source of cash after cash flow from operating activities. However, our business plans do not include estimates of cash receipts upon exercise of stock options.

We currently have in effect a stock repurchase program. This program represents one of our principal efforts to return value to our shareholders. No shares were repurchased in the first quarter of fiscal years 2012 or 2011.

In addition to the stock repurchase program, shares valued at \$450,000 and \$376,000 were withheld in connection with the vesting of restricted stock to cover statutory tax withholding obligations in the first quarter of fiscal years 2012 and 2011, respectively.

### ***Off-Balance Sheet Arrangements***

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

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

Certain contractual obligations, representing various commitments we have associated with our business, such as lease commitments and open purchase obligations, are not recorded as liabilities on our balance sheet because we have not yet received the related goods or services as of May 1, 2011.

### ***Contractual Obligations***

There were no material changes in our contractual obligations during the first three months of fiscal year 2012 from those disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011.

### ***Inflation***

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



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***Available Information***

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

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

***ITEM 3. Quantitative and Qualitative Disclosures About Market Risk***

We are subject to a variety of market risks, including commodity risk and the risks related to foreign currency, interest rates and market performance that are discussed in Item 7A of our Annual Report on Form 10-K for fiscal year 2011 that ended on January 30, 2011 filed with the SEC on March 31, 2011. Many of the factors that can have an impact on our market risk are external to us, and so we are unable to fully predict them.

***ITEM 4. Controls and Procedures***

***Disclosure Controls***

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

***Changes in Internal Controls***

There was no change in our internal control over financial reporting during the fiscal quarter ended May 1, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

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

### **ITEM 1A. Risk Factors**

*You should carefully consider and evaluate all of the information in this Quarterly Report and the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011. The risks set forth in our Annual Report on Form 10-K are not the only ones we face. Additional risks not now known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business could be materially harmed. If our business is harmed, the trading price of our common stock could decline.*

*Other than the addition of the risk factor below, the risk factors associated with our business have not materially changed, as compared to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011. Also see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report for a discussion of certain factors that may affect our future performance.*

#### **We may be subject to taxation in other jurisdictions which could negatively affect our operations**

As a global organization, we may be subject to a variety of transfer pricing or permanent establishment challenges by taxing authorities in various jurisdictions. In May 2011, we were informed that the taxation authorities in Korea were auditing our branch activities in Korea for tax years 2006 through 2010. While no specific audit issues have been formally communicated to us at this time, the taxation authorities in Korea may take the position that we carried on business in Korea from a “permanent establishment” during the years in question and should therefore be taxed on the income attributable to the permanent establishment. We are of the view that no permanent establishment is at hand in Korea and no reserve for an uncertain tax position has been recorded for this matter. If our Korean branch or any of our non-U.S. activities were treated as carrying on business as a permanent establishment, our results of operations could be materially adversely affected.

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[Table of Contents](#)**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds****Recent Sales of Unregistered Securities**

We did not make any sales of unregistered securities during the first quarter of fiscal year 2012.

**Issuer Purchase of Equity Securities**

This table provides information with respect to purchases by us of shares of our common stock during the first quarter of fiscal year 2012.

Fiscal Month/Year	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Program (1)
February 2011 (01/31/11-02/27/11)	—	\$ —	—	\$ 13.7 million
March 2011 (02/28/11-03/27/11)	—	\$ —	—	\$ 13.7 million
April 2011 (03/28/11-05/01/11)	—	\$ —	—	\$ 13.7 million
Total activity	—		—	

- (1) On March 4, 2008, we announced that our Board of Directors authorized the repurchase of up to \$50 million of our common stock from time to time through negotiated or open market transactions. This stock repurchase program does not have an expiration date.
- (2) The table does not include shares surrendered to us in connection with the cashless exercise of stock options by employees and directors or shares surrendered to us to cover tax liabilities upon vesting of restricted stock.

**ITEM 3. Defaults Upon Senior Securities**

None.

**ITEM 4. (Removed and Reserved)****ITEM 5. Other Information**

None.

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**ITEM 6. Exhibits**

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

Exhibit No.	Description	Location
3.1	Restated Certificate of Incorporation of Semtech Corporation	Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarterly period ended October 26, 2003
3.2	Bylaws of Semtech Corporation	Exhibit 3.2 to our Annual Report on Form 10-K for the year ended January 27, 2008
10.1	Amended and Restated Semtech Corporation Executive Change in Control Retention Plan	Filed herewith
10.2	Form of Semtech Corporation 2008 Long-Term Equity Incentive Plan Option Award Agreement for Non-Employee Directors	Exhibit 10.3 to our Current Report on Form 8-K filed on July 1, 2008
10.3	Form of Semtech Corporation 2008 Long-Term Equity Incentive Plan Stock Unit Award Agreement for Non-Employee Directors	Exhibit 10.4 to our Current Report on Form 8-K filed on July 1, 2008
10.4	Form of Semtech Corporation 2008 Long-Term Equity Incentive Plan Stock Unit Award Agreement for Employees	Exhibit 10.5 to our Current Report on Form 8-K filed on July 1, 2008
10.5	Form of Semtech Corporation 2008 Long-Term Equity Incentive Plan Option Award Agreement for Employees	Filed herewith
10.6	Semtech Corporation Director Stock Ownership Guidelines	Exhibit 10.7 to our Current Report on Form 8-K filed on July 1, 2008
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended	Filed herewith
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended	Filed herewith
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Exhibit 32.1 is being furnished and shall not be deemed “filed”)	Filed herewith
32.2	Certification of the Chief Financial Officer Pursuant 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Exhibit 32.2 is being furnished and shall not be deemed “filed”)	Filed herewith
101.INS	XBRL Instance Document*	

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101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

\* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

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

SEMTECH CORPORATION  
Registrant

Date: June 10, 2011

/s/ Mohan R. Maheswaran

Mohan R. Maheswaran  
Chief Executive Officer

Date: June 10, 2011

/s/ Emeka N. Chukwu

Emeka N. Chukwu  
Vice President Finance, Chief  
Financial Officer

## SEMTECH CORPORATION

## AMENDED AND RESTATED

## EXECUTIVE CHANGE IN CONTROL RETENTION PLAN

Semtech Corporation (“**Semtech**”) has established this Semtech Corporation Executive Change in Control Retention Plan (the “**Plan**”) for certain of its executive officers (collectively, the “**Executives**”) to provide incentives for Plan Participants to exert maximum efforts for Semtech’s success even in the face of a potential Change in Control (as defined in Section 1). The Plan provides for cash payments, certain accelerated vesting of equity rights, and other benefits. The Plan took effect on September 28, 2010 (the “**Effective Date**”) and will remain in effect until terminated in accordance with Section 12. This document constitutes both the formal plan document and the summary plan description of the Plan. This Plan will control in case of conflict with any other document, unless the Plan states otherwise. The Plan is an employee welfare benefit plan within the meaning of section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”). Participant’s ERISA rights are described at the end of the document. Except as defined elsewhere in this Plan, capitalized terms used herein shall have the meanings set forth in Section 1.

1. **DEFINITIONS.** For purposes of this Plan only, capitalized terms used herein shall have the following meanings:

(a) “**Administrative Committee**” means, with respect to all periods of time prior to a Change in Control, the Compensation Committee of Semtech’s Board of Directors (“**Compensation Committee**”) as constituted from time to time and means, with respect to all periods of time on or after a Change in Control, the Compensation Committee as it was constituted immediately prior to a Change in Control.

(b) “**Affiliate**” means any parent corporation of Semtech or other subsidiary corporation, whether now or hereafter existing, as those terms are defined in Section 422(e) and (f) respectively, of the Code.

(c) “**Base Salary**” means the highest base salary (expressed as an annual amount) paid to a Participant by Semtech or an Affiliate during the six months prior to a Change in Control (calculated before any deductions or deferrals).

(d) “**Board**” means Semtech’s Board of Directors or any subcommittee thereof.

(e) “**Cause**” means that a Participant (i) has engaged in an act of personal dishonesty in connection with the Participant’s responsibilities as a Semtech or Affiliate employee which is intended to result in a substantial personal benefit to the Participant, the Participant’s family, or any entity in which any of them have a substantial beneficial interest; (ii) was convicted of or entered a plea of guilty or *nolo contendere* to a crime that constitutes a felony (other than traffic related offenses not involving serious bodily injury); (iii) has committed an act or engaged in an omission which constitutes willful misconduct or gross negligence and is materially injurious, or reasonably expected to result in material injury, to

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Semtech or an Affiliate; (iv) willfully failed to follow the lawful directives of the Board, the Chief Executive Officer, or Participant's immediate direct supervisor that are consistent with such Participant's position or duties; or (v) materially breached any Central Agreement or written policy of Semtech or any of its Affiliates.

(f) **"Central Agreements"** means the Semtech Code of Conduct, the Semtech Policy Regarding Confidential Information and Insider Trading for All Employees, the Semtech Invention Agreement & Secrecy Agreement, the Semtech Employee Confidentiality Agreement and Proprietary Rights Assignment, and any other written agreement between a Participant and Semtech (regardless of when such agreements become effective).

(g) **"Change in Control"** means: (i) a sale of all or substantially all of the assets of Semtech or (ii) the acquisition of more than 50% of the voting power of the outstanding securities of Semtech by another entity by means of any transaction or series of related transactions (including, without limitation, reorganization, merger or consolidation) unless the Semtech stockholders of record, as applicable, as constituted immediately prior to such acquisition will, immediately after such acquisition (by virtue of their continuing to hold such stock and/or their receipt in exchange therefor of securities issued as consideration for the outstanding stock of Semtech, as applicable) hold at least 50% of the voting power of the surviving or acquiring entity.

(h) **"Change in Control Window"** means the period (i) beginning 90 days prior to the earlier of (a) the execution of a letter of intent relating to a Change in Control transaction, if any, or (b) the execution of a definitive agreement with respect to a Change in Control transaction; in either case, provided that the Change in Control with the party to the letter of intent or definitive agreement is consummated within one year following such execution, and (ii) ending on the second anniversary of such Change in Control; provided, however, that the application of the Change in Control Window pursuant to this Plan shall not cause any Stock Awards which have lapsed to become exercisable.

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

(j) **"Common Stock"** means the common stock of Semtech.

(k) **"Competitor"** means any individual, party, firm, company, or other entity, including, but not limited to, governmental, commercial, and academic entities, which conducts or intends to conduct activities relating to any business performed or contemplated to be performed by Semtech including, but not limited to, the business of supplying analog or mixed-signal semiconductor products or the design, production, or sales of integrated circuits for end market applications in which Semtech's products are used including, but not limited to, Intersil Corporation, International Rectifier Corporation, Maxim Integrated Products, Analog Devices, Inc., Linear Technology Corporation, National Semiconductor Corporation, Micrel, Inc., Microsemi Corporation, Texas Instruments, Inc. and any company in the peer group of competitors used from time to time in conjunction with the issuance of performance-based stock options by Semtech.



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(l) “**Good Reason**” means the occurrence without the written consent of a Participant of any one of the following acts by Semtech or an Affiliate:

(i) A Participant’s Base Salary or annual bonus potential is materially diminished;

(ii) A material breach of a Participant’s written employment agreement with Semtech or an Affiliate (unless the individual’s Letter Agreement provides otherwise);

(iii) A Participant’s authority, duties, or responsibilities are materially diminished; or

(iv) Semtech or an Affiliate reassigns a Participant’s primary place of employment to a location that is more than seventy-five (75) miles from such Participant’s primary place of employment as of immediately prior to the date such reassignment is announced and that reassignment materially and adversely affects a Participant’s commute based on such Participant’s principal place of employment immediately prior to the time such reassignment is announced;

provided, however, that (a) a Participant must provide Semtech with written notice of the Participant’s intent to terminate his or her employment and a description of the event the Participant believes constitutes Good Reason within 60 days after the initial existence of the event and (b) Semtech or an Affiliate (as applicable) shall have 60 days after a Participant provides the notice described above to cure the default that constitutes Good Reason (the “**Cure Period**”). A Participant will have 30 days following the end of the Cure Period (if Semtech or an Affiliate has not cured the event that otherwise constituted Good Reason) to terminate Participant’s employment, after which Good Reason will no longer exist.

(m) “**Letter Agreement**” means a letter signed by a duly authorized Semtech officer in the form approved by the Administrative Committee confirming an Executive’s eligibility for the Plan.

(n) “**Participant**” means an eligible Executive participating in the Plan.

(o) “**Performance Unit**” means a restricted stock unit that is subject to performance-based, rather than time-based, vesting.

(p) “**Required Accounting Restatement**” shall mean an accounting restatement that is required due to Semtech’s material noncompliance with any financial reporting requirement under applicable securities laws.

(q) “**Stock Awards**” means any stock option, restricted stock unit, restricted stock, or other equity-based compensation with respect to Common Stock (whether settled in Common Stock or cash) granted to a Participant prior to a Change in Control, but excluding Performance Units.

2. **PLAN ELIGIBILITY.** An Executive is eligible for this Plan only if (a) the Administrative Committee has approved in writing such Executive’s participation in the Plan and (b) Semtech has provided such Executive with a Letter Agreement. If such Executive executes the Letter Agreement and returns it to Semtech within 30 days (or such shorter period as determined by the Administrative Committee) after receiving it, such Executive will become a Participant on the date Semtech receives the properly executed Letter Agreement.

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### 3. PARACHUTE PAYMENTS.

(a) Notwithstanding the other provisions of this Plan (other than subsection (b) below), in the event that any payment or benefit received or to be received by a Participant pursuant to this Plan or otherwise (collectively, the “**Payments**”) would result in a “parachute payment” as described in Section 280G of the Internal Revenue Code of 1986, as amended (the “**Code**”), such Payments shall be reduced by the minimum amount necessary to ensure that they do not, in the aggregate, exceed the maximum amount that may be paid to such Participant without triggering golden parachute penalties under Section 280G and related provisions of the Code, such as Section 4999 (the “**Cut-Back Payment**”).

(b) If, instead of receiving the Cut Back Payment, a Participant would realize increased net Payments (after (i) taking into account payment of federal, state and local income, payroll, and excise taxes on such Payments and (ii) reducing the Payments by the cost of any lost deduction to Semtech by virtue of application of Section 4999 of the Code), Section 3(a) shall not apply and such Participant shall instead receive the Payments, less the cost of any lost deduction to Semtech by virtue of application of Section 4999 of the Code.

(c) If any Payments must be reduced or forfeited under subsection (a) or (b), they shall be cut back in the following order (unless cutting Payments back in such order would result in the imposition on the Participant of an additional tax under Section 409A of the Code (or similar state or local law) and cutting the Payments back in another order would not, in which case benefits shall instead be cut back in such other order): First, all Payments that do not constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (in the order designated by the Participant). Second, all Payments that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code that were granted to the Participant in the 12-month period of time preceding the applicable Change in Control, in the order such benefits were granted to the Participant. Third, all remaining Payments shall be reduced prorata.

(d) If a Participant receives an amount in excess of the limit set forth in this Section 3, the Participant shall repay the excess amount to Semtech on demand, with interest at the rate provided for in Internal Revenue Code Section 1274(b)(2)(B) (or any successor provision). Semtech and each Participant agree to cooperate with each other in connection with any administrative or judicial proceedings concerning the existence or amount of golden parachute penalties.

(e) All calculations required under this Section 3 shall be performed by the accounting firm engaged by Semtech for general audit purposes as of the day prior to the effective date of the Change in Control described in Code Section 280G(b)(2)(a)(i). All determinations required to be made under this Section 3 (other than determinations pursuant to Section 3(c)) shall be made by such independent accountants. If the accounting firm so engaged by Semtech is serving as accountant or auditor for the individual, entity or group effecting the Change in Control or otherwise has a conflict of interest or is unwilling to perform such calculations, Semtech shall appoint a nationally recognized accounting firm to make the determinations required hereunder. Semtech shall bear all expenses with respect to the determinations by such accounting firm.

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(f) The accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Participant and Semtech within 15 calendar days following the Change in Control and at such other time as may be reasonably requested by the Participant or Semtech. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive on the Participant and Semtech.

4. **ACCELERATION OF STOCK AWARDS IN THE EVENT OF A CHANGE IN CONTROL.** Unless a Participant's Letter Agreement provides otherwise, the terms of this Section 4 shall apply in the event of a Change of Control.

(a) Stock Awards. The vesting and (if applicable) exercisability of each Stock Award that is outstanding as of a Change in Control shall be accelerated in full with respect to each Participant who is employed with Semtech or an Affiliate on the day immediately prior to the effective date of such Change in Control. In addition, if (i) a Change in Control occurs and (ii) a Participant's employment was involuntarily terminated by Semtech or an Affiliate without Cause or by the Participant for Good Reason (in either case, during a Change in Control Window, but prior to the occurrence of a Change in Control), then the vesting and (if applicable) exercisability of each Stock Award that had not expired or terminated prior to the Change in Control shall be accelerated in full immediately prior to the Change in Control.

(b) Performance Units. The "Performance Period" (as defined in the relevant plan and grant documents) for each Performance Unit award held by a Participant as of a Change in Control shall terminate effective as of the most-recently completed Semtech fiscal year and the number of Performance Units that shall vest immediately with respect to such award shall be determined based on actual Semtech performance during the shortened Performance Period. In determining such vesting, any relevant performance goals shall be prorated based on the percentage of the Performance Period that had elapsed as of the end of the most-recent Semtech fiscal year. Any Performance Unit that does not vest after giving effect to the prior two sentences shall terminate as of the Change in Control. In addition, if (i) a Change in Control occurs and (ii) a Participant's employment was involuntarily terminated by Semtech or an Affiliate without Cause or by the Participant for Good Reason (in either case, during a Change in Control Window, but prior to the occurrence of a Change in Control), then the vesting of each Performance Unit award that had not expired or terminated prior to the Change in Control shall be determined as described above.

Example:

The following example demonstrates the effect of proration on the cumulative operating income (COI) and cumulative net revenue (NR) targets with respect to a hypothetical Performance Unit award that has a 2012-2014 fiscal year performance period, assuming that a change in control occurred on July 30, 2013 (i.e., after completion of the first fiscal year) and July 30, 2014 (i.e., after completion of the second fiscal year):

	COI/NR Targets Before Change in Control	COI/NR Targets After Change in Control in Year 1	COI/NR Targets After Change in Control in Year 2
90% Vesting	\$300,000/\$600,000	\$100,000/\$200,000	\$200,000/\$400,000
100% Vesting (i.e., target)	\$600,000/\$900,000	\$200,000/\$300,000	\$400,000/\$600,000
110% Vesting	\$900,000/\$1,200,000	\$300,000/\$400,000	\$600,000/\$800,000
Relevant Performance Period	Fiscal years 2012- 2014	Fiscal year 2012	Fiscal years 2012- 2013

Thus, assuming that the Performance Unit award had a target of 12,000 Performance Units, if a change in control occurred on July 30, 2014 and Semtech's COI for fiscal years 2012 and 2013 was exactly \$200,000,000 and (b) Semtech's NR for fiscal years 2012 and 2013 was exactly \$400,000,000, then (according to the chart above) 90% of the target Performance Units (i.e., 10,800) would vest immediately prior to the Change in Control.

Any reacquisition or repurchase rights held by Semtech with respect to the shares of Common Stock for which vesting is accelerated pursuant to this Section 4 shall lapse in full as appropriate.

**5. SEVERANCE.**

(a) Unless a Participant's Letter Agreement provides otherwise, if Semtech or an Affiliate terminates a Participant's employment without Cause during a Change in Control Window, or if Executive terminates his or her employment for Good Reason during a Change in Control Window, then, in either case, subject to the terms and conditions of this Section 5, the Participant will be entitled to the following benefits:

(i) payment of an amount equal to one times the greater of the Participant's target bonus (as determined by the Compensation Committee of Semtech's Board of Directors during the relevant fiscal years) for (A) the fiscal year in which such termination of employment occurred or (B) the fiscal year prior to the fiscal year in which such termination of employment occurred, which will be paid in a lump sum at the time the bonus for the fiscal year in which such termination of employment occurs otherwise would have been paid;

(ii) payment of an amount equal to 12 months of the Participant's Base Salary, paid in a single lump sum (15 days following the seven-month anniversary of such termination of employment if employment was terminated on or after a Change in Control, but during a Change in Control Window or 15 days following the seven-month anniversary of the applicable Change in Control if employment was terminated prior to a Change in Control, but during a Change in Control Window);

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(iii) reimbursement of the Participant's COBRA coverage premiums (if applicable) under Semtech's fully-insured group health plans for the Participant and his or her dependents who are then covered by such plans until the earlier of (A) 12 months following such termination of employment; (B) such other date on which the Participant is eligible to enroll for coverage under another group health plan; or (C) the date on which the Participant no longer qualifies for COBRA continuation coverage under the normal COBRA rules; provided, however, that no such reimbursement shall be made if it would result in adverse tax consequences, as determined by the Administrative Committee.

Any reimbursement request under this Section 5(a) must be made within 60 days of incurring the expense and must be accompanied with proof of payment and any such reimbursement will be made within 60 days after receipt of a properly submitted request. Any reimbursement under this Section 5(a) in one taxable year will not affect the amount available for reimbursement in any other taxable year.

(b) In order to receive any benefits or payments under Section 5(a), a Participant must execute and deliver to Semtech a valid waiver and release of claims against Semtech, all current and former, direct and indirect parents, subsidiaries, and all other affiliates and related partnerships, joint ventures, or other related entities, and, with respect to each of them, their predecessors and successors and, with respect to each such entity, all of its past, present, and future employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and any other persons acting by, through, under or in concert with any of the persons or entities listed in this Section 5(b), and their successors, all in their respective capacities as such, in a form tendered by Semtech (the "**Release Agreement**") no later than 45 days after a Participant's termination of employment or, if later, no later than 45 days from the commencement of the Applicable Change in Control Window and the period within which such Participant may revoke his or her Release Agreement has expired without revocation (which period shall not be longer than 15 days, unless a longer period is required by applicable law which, in any event, shall not extend beyond the date the first payment is due to a Participant under this Section 5). The Release Agreement shall be substantially in the form attached hereto as Appendix 1. The Administrative Committee has the authority to amend or adopt a new form of Appendix 1 at any time prior to the commencement of a Change in Control Window. If the Administrative Committee has not amended or adopted a new form of Appendix 1 prior to the commencement of a Change in Control Window, the Release Agreement shall be substantially in the form attached hereto as Appendix 1; provided, however, that the Administrative Committee shall, after the commencement of a Change in Control Window, continue to have the authority to make changes to Appendix 1 that it reasonably determines are required to (i) comply with applicable law or (ii) address changes in the law that have occurred after the effective date of this Plan. Any amendment or adoption of a new form of Appendix 1 permitted by this Section 5(b) shall not be considered an amendment of this Plan.

(c) If a Participant timely revokes his or her Release Agreement, such Participant shall not be eligible to receive any benefits or payments under Section 5(a).

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6. **ADJUSTMENTS UPON CHANGES IN COMMON STOCK.** All references to the Stock Awards referenced in this Plan shall include and shall be appropriately adjusted by Semtech to reflect any stock split, stock dividend, stock combination or other change in the Common Stock which may be made by Semtech after the date this Plan is adopted.

7. **FORFEITURE OF PLAN BENEFITS.**

(a) **Competition.** In the event that a Participant directly or indirectly, whether as an employee, independent contractor, or consultant, or otherwise (whether for pay or otherwise) provides any services to a Competitor (without first obtaining written approval from the Administrative Committee) prior to the one-year anniversary of such Participant's termination of employment, the Participant shall irrevocably forfeit all unpaid Plan benefits as of the date that such Participant first provided services to a Competitor. To the extent that any Participant received any Plan benefits prior to engaging in such activity (without first obtaining written approval from the Administrative Committee), the Participant shall return to Semtech all such Plan benefits within 15 days of receiving written demand therefor. Notwithstanding the foregoing, this Section 7 shall not apply to a Participant to the extent that his or her Letter Agreement expressly provides that this Section 7 does not apply to such Participant.

(b) **Breach of Certain Other Agreements.** In the event that a Participant materially breaches any Central Agreement prior to receipt of all Plan benefits, the Participant shall irrevocably forfeit all unpaid Plan benefits as of the date that such Participant first materially breached any such Central Agreement. To the extent that any Participant inadvertently receives Plan benefits after materially breaching any Central Agreement, the Participant shall return to Semtech all such Plan benefits within 15 days of receiving written demand therefor.

(c) **Accounting Restatement.** In the event that Semtech prepares a Required Accounting Restatement, each Participant or former Participant shall pay to Semtech on demand any amounts required to be returned to Semtech by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or the rules and/or the applicable listing standards promulgated thereunder or in connection therewith (collectively, the "2010 CPA").

8. **NOTICES.** Any notices provided for in this Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by Semtech to a Participant, five days after deposit in the United States mail, postage prepaid, addressed to such Participant at the address specified in Semtech's corporate records or at such other address as such Participant designates by written notice to Semtech.

9. **CLAIMS PROCEDURES.**

(a) **Claims Normally Not Required.**

Normally, a Participant does not need to present a formal claim to receive benefits payable under this Plan.

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(b) Disputes.

If any person (claimant) believes that benefits are being denied improperly, that the Plan is not being operated properly, that fiduciaries of the Plan have breached their duties, or that the claimant's legal rights are being violated with respect to the Plan, the claimant must file a formal claim with the Administrative Committee. This requirement applies to all claims that any claimant has with respect to the Plan, including claims against fiduciaries and former fiduciaries, except to the extent the Administrative Committee determines, in its sole discretion, that it does not have the power to grant all relief reasonably being sought by the claimant.

(c) Time for Filing Claims.

A formal claim must be filed no later than 90 days after any payment pursuant to Section 5(a) should have been made, unless the Administrative Committee in writing consents otherwise. The Administrative Committee will provide a claimant, on request, with a copy of the claims procedures established under subsection 9(d).

(d) Procedures.

The Administrative Committee will adopt procedures for considering claims, which it may amend from time to time, as it sees fit. A claimant must file a claim for benefits on a form prescribed by the Administrative Committee. If the claimant's claim for a benefit is wholly or partially denied, the Administrative Committee will furnish the claimant with a written notice of the denial. This written notice must be provided to the claimant within a reasonable period of time (generally within 90 days, unless special circumstances require an extension of time for processing the claim, in which case a period not to exceed 180 days) after the receipt of the claimant's claim by the Administrative Committee. (If such an extension of time is required, written notice of the extension will be furnished to the claimant prior to the termination of the initial 90-day period, and will indicate the special circumstances requiring the extension.) Written notice of denial of the claimant's claim must contain the following information:

(i) the specific reason or reasons for the denial;

(ii) a specific reference to those provisions of the Plan on which such denial is based;

(iii) a description of any additional information or material necessary to perfect the claimant's claim, and an explanation of why such material or information is necessary; and

(iv) a copy of the appeals procedures under the Plan and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination of the claimant's claim.

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If the claimant's claim has been denied, and the claimant wishes to submit his or her request for a review of his or her claim, the claimant must follow the following Claims Review Procedure:

(i) Upon the denial of his or her claim for benefits, the claimant may file his or her request for review of his or her claim, in writing, with the Administrative Committee;

(ii) The claimant must file the claim for review not later than 60 days after he or she has received written notification of the denial of his or her claim for benefits;

(iii) The claimant has the right to review and obtain copies of all relevant documents relating to the denial of his or her claim and to submit any issues and comments, in writing, to the Administrative Committee;

(iv) If the claimant's claim is denied, the Administrative Committee must provide the claimant with written notice of this denial within 60 days after the Administrative Committee's receipt of the claimant's written claim for review. There may be times when this 60-day period may be extended. This extension may only be made, however, where there are special circumstances which are communicated to the claimant in writing within the 60-day period. If there is an extension, a decision will be made as soon as possible, but not later than 120 days after receipt by the Administrative Committee of the claimant's claim for review; and

(v) The Administrative Committee's decision on the claimant's claim for review will be communicated to the claimant in writing, and if the claimant's claim for review is denied in whole or part, the decision will include:

(A) the specific reason or reasons for the denial;

(B) specific references to the pertinent provisions of the Plan on which the decision was based;

(C) a statement that the claimant may receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant to the claimant's claim for benefits; and

(D) a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA.

#### **10. PLAN ADMINISTRATION.**

##### **(a) Discretion.**

The Administrative Committee is responsible for the general administration and management of the Plan and shall have all powers and duties necessary to fulfill its responsibilities, including, but not limited to, the discretion to interpret and apply the Plan and to determine all questions relating to eligibility for benefits. The Administrative Committee and all Plan fiduciaries shall have the discretion to interpret or construe ambiguous, unclear, or implied (but omitted) terms in any fashion they deem to be appropriate in their sole and absolute discretion, and to make any findings of fact needed in the administration of the Plan. The validity of any such interpretation, construction, decision, or finding of fact shall not be given de novo review if challenged in court, by arbitration, or in any other forum, and shall be upheld unless clearly arbitrary or capricious.



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(b) Finality of Determinations.

Unless arbitrary and capricious, all actions taken and all determinations by the Administrative Committee or by Plan fiduciaries will be final and binding on all persons claiming any interest in or under the Plan. To the extent the Administrative Committee or any Plan fiduciary has been granted discretionary authority under the Plan, the Administrative Committee's or Plan fiduciary's prior exercise of such authority shall not obligate it to exercise its authority in a like fashion thereafter.

(c) Drafting Errors.

If, due to errors in drafting, any Plan provision does not accurately reflect its intended meaning, as demonstrated by consistent interpretations or other evidence of intent (by Semtech or the Administrative Committee, as the case may be), or as determined by the Administrative Committee in its sole and absolute discretion, the provision shall be considered ambiguous and shall be interpreted by the Administrative Committee and all Plan fiduciaries in a fashion consistent with its intent, as determined in the sole and absolute discretion of the Administrative Committee (but with regard to the intent of Semtech as settlor).

(d) Scope.

This Section may not be invoked by any person to require the Plan to be interpreted in a manner inconsistent with its interpretation by the Administrative Committee or other Plan fiduciaries.

**11. COSTS, INDEMNIFICATION, AND REIMBURSEMENT FOR LITIGATION EXPENSES.**

(a) All costs of administering the Plan and providing Plan benefits will be paid by Semtech.

(b) To the extent permitted by applicable law and in addition to any other indemnities or insurance provided by Semtech, Semtech shall indemnify and hold harmless its (and its affiliates') current and former officers, directors, and employees against all expenses, liabilities, and claims (including legal fees incurred to defend against such liabilities and claims) arising out of their discharge in good faith of their administrative and fiduciary responsibilities with respect to the Plan. Expenses and liabilities arising out of willful misconduct will not be covered under this indemnity.

**12. PLAN AMENDMENT AND TERMINATION; LIMITATION ON EMPLOYEE RIGHTS.**

(a) Semtech, acting through its Board of Directors or its delegate, has the right in its sole and absolute discretion to amend or terminate the Plan prospectively. The Plan shall automatically terminate on the fifth anniversary of the Effective Date, unless (i) extended by Semtech's Board of Directors or (ii) sooner terminated pursuant to the preceding sentence.

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(b) Notwithstanding anything to the contrary contained herein, the Administrative Committee shall have the authority, in its sole discretion, to amend the provisions of Section 7(c) to the extent that it determines in its sole discretion that such modification is required by or in connection with implementation of Section 954 of the 2010 CPA. The Administrative Committee need not seek Participant consent with respect to any such amendment; however, to the extent that the Administrative Committee does seek written consent any Participant who does not consent in writing to the amendment within a reasonable timeframe required by the Administrative Committee shall immediately cease to be a Participant and shall permanently forfeit all Plan benefits.

(c) Notwithstanding the provisions of Section 12(a), any amendment or termination of the Plan (other than pursuant to Section 12(b)) that occurs within a Change in Control Window (including on account of the fifth anniversary of the Effective Date), shall not apply to any Participant until the later of (i) the expiration of such Change in Control Window or (ii) three months after the Administrative Committee provides the Participant with written notice of such amendment or termination; provided, however, an amendment or termination of the Plan that occurs within a Change in Control Window may take immediate effect with respect to each Participant who (a) consents individually and in writing to the amendment or termination or (b) is not adversely affected by such amendment or termination.

Notwithstanding anything to the contrary contained in this Plan, any decision or interpretation that is made either during a Change in Control Window or pursuant to this subparagraph (c) shall be subject to judicial review under a de novo standard, and not under the arbitrary and capricious standard that is generally intended to apply (and shall apply) to all other Plan determinations and interpretations.

(d) This Plan shall not give any employee the right to be retained in the service of Semtech or an Affiliate, and shall not interfere with or restrict the right of Semtech or an Affiliate to discharge or retire an employee for any lawful reason.

**13. COMPLIANCE WITH CODE SECTION 409A.** To the extent applicable, it is intended that this Plan comply with the provisions of Section 409A. The Plan will be administered and interpreted in a manner consistent with this intent and any provision of this Plan that would cause any payment to be made to a Participant that would be subject to the additional taxes imposed by Section 409A (the “**Additional Taxes**”) will have no force and effect until amended such that the payment will not be subject to the Additional Taxes, if such an amendment is possible (which amendment may be retroactive to the extent permitted by Section 409A). In the event any payment under this Plan is not made by application of the previous sentence, Semtech shall use commercially reasonable efforts to pay an equivalent amount to such Participant in a manner that will not subject such payment to the Additional Taxes. Notwithstanding anything contained herein to the contrary, a Participant shall not be considered to have terminated employment with Semtech or an Affiliate for purposes of this Plan and no payments shall be due to a Participant under this Plan which are payable upon such Participant’s termination of employment unless such Participant would be considered to have incurred a “separation from service” from Semtech or an Affiliate (as applicable) within the meaning of

Section 409A. To the extent required in order to avoid accelerated taxation or the imposition of additional taxes under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Plan during the six-month period immediately following a Participant's separation from service shall instead be paid on the first business day after the date that is six months following such Participant's separation from service (or upon such Participant's death, if earlier). In addition, each amount to be paid or benefit to be provided to a Participant pursuant to this Plan shall be construed as a separate identified payment for purposes of Section 409A.

#### **14. GOVERNING LAW.**

(a) This Plan is a welfare plan subject to ERISA, and it shall be interpreted, administered, and enforced in accordance with that law. To the extent that state law is applicable, this Plan shall be governed by, and construed in accordance with, the laws of the State of California, regardless of the law that might be applied under applicable principles of conflicts of law.

(b) Although this Plan is a welfare plan, if it is ever determined to be a pension plan within the meaning of ERISA, it shall be an unfunded arrangement maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated executive officers, which is exempt from Parts 2, 3, and 4 of Title I of ERISA (*i.e.*, a "top hat plan"). If, notwithstanding the foregoing, this Plan ever is determined to be a pension plan that is not a non-top hat pension plan, this Plan shall be invalid and of no force and effect, retroactive to its adoption date and no Plan benefits shall exist or ever be payable.

#### **15. MISCELLANEOUS.**

(a) Any failure by Semtech or a Participant to enforce any provision or provisions of this Plan shall not in any way be construed as a waiver of any such provision or provisions, nor prevent either Semtech or a Participant from thereafter enforcing each and every other provision of this Plan. The rights granted Semtech or a Participant herein are cumulative and shall not constitute a waiver of either Semtech's or a Participant's right to assert all other legal remedies available to it under the circumstances.

(b) Each Participant agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Plan.

(c) Except as provided in Section 14(b), if any provision of this Plan shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

(d) Semtech will withhold federal, state and local taxes and other required payroll deductions and amounts from any benefit payments made under the Plan to the extent it determines it is required to do so.

(e) Where the context so indicates, the singular will include the plural and vice versa. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan. Unless the context clearly indicates to the contrary, a reference to a statute or document shall be construed as referring to any subsequently enacted, adopted, or executed counterpart.

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16. **OTHER INFORMATION.**

(a) **Type of Plan.**

This is a welfare plan.

(b) **Plan Number.**

The Plan Number assigned by Semtech is 502.

(c) **Addresses, etc.**

Semtech's address, telephone number, and employer identification number are as follows:

Semtech Corporation  
Attention: General Counsel  
200 Flynn Road  
Camarillo, CA 93012

Telephone: (805) 498-2111

EIN: 95-2119684

(d) **Plan Year.**

The Plan's Plan Year is the Calendar year.

(e) **Agent for Service of Legal Process.**

Semtech's General Counsel is the Plan's agent for service of legal process.

(f) **Funding.**

The Plan is funded out of Semtech's general assets.

(g) **Plan Amendment or Termination.**

Semtech has reserved the right to amend and terminate the Plan as set forth herein.

17. **STATEMENT OF ERISA RIGHTS.**

As a participant in this Semtech Corporation Executive Change in Control Retention Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (as noted above, ERISA). ERISA provides that all Plan participants shall be entitled to:

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(a) Receive Information About Your Plan and Benefits

Examine, without charge, all documents governing the Plan, and a copy of insurance contracts and the latest annual report (Form 5500 Series), if any, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration and at Semtech's corporate office and other specified locations without charge.

Obtain, upon written request to the Administrative Committee, copies of documents governing the operation of the plan, including insurance contracts and copies of the latest annual report (Form 5500 Series), if any, and an updated summary plan description. The Administrative Committee may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report, if any. The Plan administrator is required by law to furnish each participant with a copy of this summary annual report, if any.

(b) Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

(c) Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report, if any, from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

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(d) Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration or by visiting its website (<http://www.dol.gov/ebsa/>).

**18. WHOM TO CALL FOR ADDITIONAL INFORMATION.**

If you have any questions, please contact the Administrative Committee.

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**SEMTECH CORPORATION**  
**EXECUTIVE CHANGE IN CONTROL RETENTION PLAN**

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Appendix 1  
Form of Release Agreement

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## GENERAL RELEASE AGREEMENT

In order to settle as fully as possible all known and unknown claims [Name of Executive] (Former Executive), might have against Semtech Corporation (Company) and all related parties, the Company and Former Executive agree as follows:

**(a) Consideration:** Former Executive will receive the benefits under the Semtech Corporation Executive Change in Control Retention Plan that are payable to Former Executive only if Former Executive becomes bound by this Agreement. Former Executive agrees to the plan's terms. Plan benefits will not be taken into account in determining Former Executive's rights or benefits under any other program. The Company will report any such benefits to tax authorities and withhold taxes from them as it determines it is required to do.

**(b) Release:** Former Executive releases (*i.e.*, give up) all known and unknown claims that Former Executive presently has against the Company, all current and former, direct and indirect parents, subsidiaries, brother-sister companies, and all other affiliates and related partnerships, joint ventures, or other entities, and, with respect to each of them, their predecessors and successors; and, with respect to each such entity, all of its past, present, and future employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and any other persons acting by, through, under or in concert with any of the persons or entities listed in this section, and their successors, specifically including Semtech Neuchatel (Released Parties), except claims that the law does not permit Former Executive to waive by signing this Agreement. For example, Former Executive is releasing all common law contract, tort, or other claims Former Executive might have, as well as all claims Former Executive might have under the Age Discrimination in Employment Act (ADEA), the Worker Adjustment & Retraining Notification Act (WARN Act), Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, the Americans With Disabilities Act (ADA), the Employee Retirement Income Security Act of 1974 (ERISA), and any similar domestic or foreign laws, such as the California Fair Employment and Housing Act, California Labor Code Section 200 et seq., and any applicable California Industrial Welfare Commission order.

Former Executive expressly waives the protection of Section 1542 of the Civil Code of the State of California, which states that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

**(c) Claims Not Released:** Notwithstanding anything to the contrary contained herein, Former Executive is not releasing any claims Former Executive might have to (a) vested benefits under any of the Company's employee benefit plans (including the Company's equity incentive plans), (b) participate in Company medical, dental, life insurance, or other benefit plans, or (c) indemnification rights (under the Company's bylaws, the California Labor Code, any written agreement between the Company and Former Executive and any rights Former Executive has as a shareholder or former shareholder of the Company).



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**(d) Applicable Law:** This agreement is governed by [Federal law and the laws of California].

**(e) Representations and Promises:** The Company and Former Executive acknowledge and agree that:

(i) **Complete Agreement:** Except as specifically provided in Section (c), this Agreement is the entire agreement relating to any claims or future rights that Former Executive might have with respect to the Company and the Released Parties. Once in effect, this Agreement is a legally admissible and binding agreement. It shall not be construed strictly for or against Former Executive, the Company, or any Released Party.

(ii) **Amendments:** This Agreement only may be amended by a written agreement that the Company and Former Executive both sign.

(iii) **Representations:** When Former Executive decided to sign this Agreement, Former Executive was not relying on any representations that are not in this Agreement. The Company would not have agreed to pay the consideration Former Executive is getting in exchange for this Agreement but for the representations and promises Former Executive is making by signing it. Former Executive has not suffered any job-related wrongs or injuries, such as any type of discrimination, for which Former Executive might still be entitled to compensation or relief now or in the future. Former Executive has been paid all wages, compensation, benefits, and other amounts that the Company or any Released Party should have paid Former Executive in the past.

(iv) **No Wrongdoing:** This Agreement is not an admission of wrongdoing by the Company or any other Released Party; neither it nor any drafts shall be admissible evidence of wrongdoing.

(v) **Unknown Claims:** Former Executive is intentionally releasing claims that Former Executive does not know that Former Executive might have and that, with hindsight, Former Executive might regret having released. Former Executive has not assigned or given away any of the claims Former Executive is releasing.

(vi) **Effect of Void Provision:** If the Company or Former Executive successfully asserts that any provision in this Agreement is void, the rest of the Agreement shall remain valid and enforceable unless the other party to this Agreement elects to cancel it. If this Agreement is cancelled, Former Executive will repay the consideration Former Executive received for signing it.

(vii) **Consideration of Agreement:** If Former Executive initially did not think any representation Former Executive is making in this Agreement was true or if Former Executive initially was uncomfortable making it, Former Executive resolved all of Former Executive's doubts and concerns before signing this Agreement. Former Executive represents that Former Executive has carefully read this Agreement, Former Executive fully understands

what it means, Former Executive is entering into it knowingly and voluntarily, and all Former Executive's representations in it are true. The consideration period described in the box above Former Executive's signature started when Former Executive first was given this Agreement [; Former Executive acknowledges that Former Executive also was given employment termination program census data at that time]. Former Executive waives any right to have this consideration period restarted or extended by any subsequent changes to this Agreement.

(viii) **Agreement to be Confidential:** Former Executive has not disclosed and will never disclose the underlying facts that led up to the settlement evidenced by this Agreement, or the terms, amount, or existence of that settlement or this Agreement, to anyone other than a member of Former Executive's immediate family or Former Executive's attorney or other professional advisor and, even as to such a person, only if the person agrees to honor this confidentiality requirement. Such a person's violation of this confidentiality requirement shall be treated as a violation by Former Executive. This subsection does not prohibit disclosures to the extent necessary legally to enforce this Agreement or to the extent required by law (but only if Former Executive notifies the Company of a disclosure obligation or request within one day after Former Executive learns of it and permits the Company to take all steps it deems to be appropriate to prevent or limit the required disclosure). The parties agree that a copy of this Agreement may be required to be filed with the Securities and Exchange Commission.

(ix) **Return of Company Property:** Former Executive represents that Former Executive has returned to the Company all files, memoranda, documents, records, copies of the foregoing, Company-provided credit cards, keys, building passes, security passes, access or identification cards, and any other property of the Company or any Released Party in Former Executive's possession or control. Former Executive has cleared all expense accounts, repaid everything Former Executive owes to the Company or any Released Party, paid all amounts Former Executive owes on Company-provided credit cards or accounts (such as cell phone accounts), and canceled or personally assumed any such credit cards or accounts.

(x) **Nondisparagement:** Former Executive agrees not to criticize, denigrate, or otherwise disparage the Company, any other Released Party, or any of their products, processes, experiments, policies, practices, standards of business conduct, or areas or techniques of research. However, nothing in this subsection shall prohibit Former Executive from complying with any lawful subpoena or court order or taking any other actions affirmatively authorized by law.

(f) **Employment Termination:** Former Executive's employment with the [Company] ended on [\_\_\_\_\_].

**YOU MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS AGREEMENT. BEFORE SIGNING THIS AGREEMENT, READ IT CAREFULLY, AND THE COMPANY SUGGESTS THAT YOU DISCUSS IT WITH YOUR ATTORNEY AT YOUR OWN EXPENSE. TAKE AS MUCH TIME AS YOU NEED TO CONSIDER THIS AGREEMENT BEFORE DECIDING WHETHER TO SIGN IT, UP TO [21/45] DAYS. BY SIGNING IT YOU WILL BE WAIVING YOUR KNOWN AND UNKNOWN CLAIMS.**

\_\_\_\_\_ IS THE DEADLINE FOR YOU TO DELIVER A SIGNED COPY OF THIS AGREEMENT TO \_\_\_\_\_ AT \_\_\_\_\_. IF YOU FAIL TO DO SO, YOU WILL NOT RECEIVE THE SPECIAL PAYMENTS OR BENEFITS DESCRIBED IN IT.

YOU MAY REVOKE THIS AGREEMENT IF YOU REGRET HAVING SIGNED IT. TO DO SO, YOU MUST DELIVER A WRITTEN NOTICE OF REVOCATION TO \_\_\_\_\_ AT \_\_\_\_\_ BEFORE SEVEN 24-HOUR PERIODS EXPIRE FROM THE TIME YOU SIGNED IT. IF YOU REVOKE THIS AGREEMENT, IT WILL NOT GO INTO EFFECT AND YOU WILL NOT RECEIVE THE SPECIAL PAYMENTS OR BENEFITS DESCRIBED IN IT.

Date: \_\_\_\_\_

\_\_\_\_\_  
Former Executive

Date: \_\_\_\_\_

\_\_\_\_\_  
Company



**SEMTECH CORPORATION  
2008 LONG-TERM EQUITY INCENTIVE PLAN  
OPTION AWARD CERTIFICATE**

**THIS AWARD** is made this [Date] by Semtech Corporation, a Delaware corporation (the “**Corporation**”), to [Name] (the “**Optionee**”).

**RECITALS**

A. The Corporation has established the Corporation’s 2008 Long-Term Equity Incentive Plan (the “**Plan**”) in order to provide eligible persons of the Corporation with an opportunity to acquire shares of the Corporation’s common stock (“**Stock**”).

B. The Plan Administrator has determined that it would be in the best interests of the Corporation and its stockholders to grant the option described in this Award Certificate to the Optionee as compensation, as an inducement to remain in the service of the Corporation, and as an incentive for increasing efforts during such service.

**NOW, THEREFORE**, this Award is made on the following terms and conditions:

**1. Definitions and Incorporation.** Capitalized terms used in this Award Certificate and not otherwise defined herein shall have the meanings given to such terms in the Plan. The Plan is hereby incorporated in and made a part of this Award Certificate as if fully set forth herein.

**2. Grant of Option.** Pursuant to the Plan, the Corporation hereby grants to the Optionee as of the date hereof the option to purchase all or any part of an aggregate of [Amount] shares of Stock (the “**Option**”), subject to adjustment in accordance with Section 7 of the Plan. The Option is not intended to qualify as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

**3. Option Price.** The price to be paid for Stock upon exercise of the Option or any part thereof shall be \$[Market Price] per share, which equals the last trading price (in regular trading) of a share of Stock on the Nasdaq stock market on the date of grant of the Award, or if the Stock is not traded on such date, such price on the next succeeding business day.

**4. Right to Exercise.** Subject to the conditions set forth in this Award Certificate and the Plan, the right to exercise the Option shall accrue as follows, with no portion of the right to exercise accruing on any other date (e.g., no pro-rata) except as specifically set forth in this Award Certificate or the Plan:

<u>Date</u>	<u>Number of Shares</u>
	[1/4 of grant]
	[1/4 of grant]
	[1/4 of grant]
	[1/4 of grant]

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**5. Securities Law Requirements.** No part of the Option shall be exercised if counsel to the Corporation determines that any applicable registration requirement under the Securities Act of 1933, as amended (the “**Securities Act**”) or any other applicable requirement of Federal or State law has not been met.

**6. Term of Option.** The Option shall terminate in any event on the earliest of (a) the [day before the 6 year anniversary of grant] at 11:59 PM, (b) the expiration of the period described in Paragraph 7 below, (c) the expiration of the period described in Paragraph 8 below, (d) the expiration of the period described in Paragraph 9 below, or (e) in connection with certain corporate events as provided in Section 7.2 of the Plan.

**7. Exercise Following Termination of Service.** If the Optionee’s service with the Corporation terminates for any reason, or no reason, whether voluntarily or involuntarily, with or without cause, other than death, disability or retirement, any portion of the Option granted hereunder held by such person which is not then vested and exercisable shall terminate and any portion of the Option which is then vested and exercisable may be exercised within thirty (30) consecutive days after the date of such cessation of service.

**8. Exercise Following Death or Disability.** If the Optionee’s service with the Corporation terminates by reason of the Optionee’s death or disability, the Option (to the extent it has not previously been exercised and is then exercisable) may be exercised within one (1) year after the date of the Optionee’s death or termination by reason of disability. In the case of death, the exercise may be made by his or her representative or by the person entitled thereto under the Optionee’s will or the laws of descent and distribution; provided however, that such representative or such person consents in writing to abide by and be subject to the terms of the Plan and this Award Certificate and such writing is delivered to the President of the Corporation. For purposes hereof, “**disability**” shall mean a medically determinable physical or mental impairment which has made an individual incapable of engaging in any substantial gainful activity. A condition shall be considered a disability only if (i) it can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and (ii) the Plan Administrator, based on medical evidence, has expressly determined that a disability exists.

**9. Exercise Following Retirement.** If the Optionee’s service with the Corporation terminates by reason of retirement (as defined below) the Option (to the extent it has not previously been exercised and is then exercisable) may be exercised within ninety (90) days after the date of the Optionee’s retirement. For purposes hereof, “**retirement**” shall mean the voluntary cessation of employment by an individual upon the attainment of age sixty-five (65) and the completion of not less than twenty (20) years of service with the Corporation or a Subsidiary.

**10. Vesting and Exercise Following Change of Control.** Notwithstanding any other provision to the contrary contained herein, subject to the provisions of Section 7 of the Plan, if within one (1) year following a Change in Control (as defined below) the Optionee (i) is terminated without Cause (as defined below, and not on account of the Optionee’s death or disability) or (ii) terminates employment as a result of a Constructive Termination (as defined below) that occurs with respect to the Optionee, then any outstanding Options shall automatically become fully vested and exercisable as of the date of the Optionee’s termination of employment, whether or not then otherwise exercisable, without any further action on the part of the Board of Directors of the Corporation (the “**Board**”), the stockholders or any committee established by the Board to administer the Plan.

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For purposes hereof, a “**Change in Control**” shall mean (i) a merger or consolidation in which the stockholders of the Corporation immediately prior to such merger or consolidation do not hold, immediately after such merger or consolidation, more than 50% of the combined voting power of the surviving or acquiring entity (or parent corporation thereof), or (ii) the sale of substantially all of the assets of the Corporation or assets representing over 50% of the operating revenues of the Corporation, or (iii) any person shall become the beneficial owner of over 50% of the Corporation’s outstanding Stock or the combined voting power of the Corporation’s then outstanding voting securities entitled to vote generally, or become a controlling person as defined in Rule 405 promulgated under the Securities Act.

For purposes hereof, “**Constructive Termination**” shall mean the Optionee’s voluntary termination within one (1) year of the Optionee’s knowledge of the occurrence of (i) a reduction in the Optionee’s base salary after a Change in Control from that in effect immediately prior to the Change in Control, or (ii) a material or substantial reduction or change in job duties, responsibilities, and requirements after a Change in Control from the Optionee’s duties, responsibilities, and requirements immediately prior to the Change in Control. A termination shall not be treated as a Constructive Termination if the Optionee shall have specifically consented in writing to the occurrence of the event giving rise to the claim of Constructive Termination.

For purposes hereof, “**Cause**” shall mean that the Optionee (i) has been negligent in the discharge of his or her duties to the Corporation, its Subsidiaries or any affiliate of the Corporation or its Subsidiaries (the “Semtech Group”), has refused to perform stated or assigned duties or is incompetent in or (other than by reason of disability or analogous condition) incapable of performing those duties, (ii) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information; has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Semtech Group; or has been convicted of a felony or misdemeanor (other than minor traffic violations or similar offenses), (iii) has materially breached any of the provisions of any agreement with the Semtech Group, or (iv) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Semtech Group; has improperly induced a vendor or customer to break or terminate any contract with the Semtech Group; or has induced a principal for whom the Semtech Group acts as agent to terminate such agency relationship.

**11. Non-Transferability.** The Option and any other rights of the Optionee under this Award Certificate or the Plan are non-transferable and exercisable only by the Optionee, except as set forth in Section 5.7 of the Plan. Except as otherwise provided herein or in the Plan, any attempted sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, with respect to all or any part of the Option or any right thereunder, shall be null and void and, at the Corporation’s option, shall cause all of the Optionee’s rights under this Award Certificate and the Plan to terminate.

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**12. Effect of Exercise.** Upon exercise of all or any part of the Option, the number of shares of Stock subject to the Option under this Award Certificate shall be reduced by the number of shares with respect to which such exercise is made.

**13. Exercise of Option.** The Option may be exercised by (a) delivering to the Corporation a written notice of exercise in substantially the form prescribed from time to time by the Plan Administrator or completing such other notice procedure as the Plan Administration from time to time may require, and (b) delivering to the Corporation the full payment of the option price for each share of Stock purchased under the Option. Any notice of exercise shall specify the number of shares of Stock with respect to which the Option is exercised and shall be signed (or otherwise authorized in accordance with the exercise procedures then in effect) by the person exercising the Option. If the Option is exercised by a person other than the Optionee, such notice shall be accompanied by proof, satisfactory to the Corporation, of such person's right to exercise the Option. The Option price shall be payable (a) in U.S. dollars in cash (by check), (b) by delivery of shares of stock registered in the name of the Optionee having a fair market value at the time of exercise equal to the amount of the purchase price, (c) any combination of the payment of cash and the delivery of stock, or (d) as otherwise approved by the Plan Administrator in its sole and absolute discretion. The Optionee acknowledges that the Plan Administrator may use a broker or other third party to facilitate its stock option recordkeeping and exercises and agrees to comply with any administrative rules and procedures regarding stock option exercises as may be in place from time to time. The Optionee acknowledges and agrees that the Corporation may require that any Stock purchased under the Option be deposited in a brokerage account (in the name of the Optionee) with a broker designated by the Corporation, and the Optionee agrees to take such reasonable steps as the Corporation may require to open and maintain such an account.

**14. Withholding Taxes.** If the Optionee is an employee or former employee of the Corporation when all or part of the Option is exercised, the Corporation may require the Optionee to deliver payment of any withholding taxes (in addition to the option price) in cash with respect to the difference between the Option price and the fair market value of the Stock acquired upon exercise.

**15. Issuance of Shares.** Subject to the foregoing conditions, the Corporation, as soon as reasonably practicable after receipt of a proper notice of exercise and without transfer or issue tax or other incidental expense to the person exercising the Option, shall deliver to such person at the principal office of the Corporation, or such other location as may be acceptable to the Corporation and such person, one or more certificates for the shares of Stock with respect to which the Option is exercised. Such shares shall be fully paid and nonassessable and shall be issued in the name of such person. However, at the request of the Optionee, such shares may be issued in the names of the Optionee and his or her spouse as (a) joint tenants with right of survivorship, (b) community property, or (c) tenants in common without right of survivorship.

**16. Rights as a Stockholder.** Subject to Section 8.7 of the Plan, neither the Optionee nor any other person entitled to exercise the Option shall have any rights as a stockholder of the Corporation with respect to the stock subject to the Option until a certificate for such shares has been issued to him or her upon exercise of the Option.

**17. Notices.** Any notice to the Company contemplated by this Award Certificate shall be in writing and addressed to it in care of its President; and any notice to the Optionee shall be addressed to him or her at the address on file with the Corporation on the date hereof or at such other address as he or she may hereafter designate in writing.

**18. Not a Contract of Employment.** Nothing in this Award Certificate gives the Optionee the right to remain in the employ of the Corporation or any Subsidiary or to affect the absolute and unqualified right of the Corporation and any of its subsidiaries to terminate Optionee's employment at any time for any reason or no reason and with or without cause or prior notice. Except to the extent explicitly provided otherwise in a then effective written employment contract executed by Optionee and the Corporation, Optionee is an at will employee whose employment may be terminated without liability at any time for any reason. By accepting this Award, Optionee acknowledges and agrees that (a) a person whose employment is terminated before full vesting of an award, such as the one granted by this Award Certificate, could attempt to argue that he or she was terminated to preclude vesting of the award, (b) that Optionee agrees never to make such a claim, and (c) in any event, Optionee has no right to pro-rated vesting with respect to the Award if his or her employment terminates before any applicable vesting date with respect to the Award (regardless of the portion of the vesting period the Optionee was actually employed by the Corporation and/or any of its Subsidiaries).

**19. Entire Agreement.** This Award Certificate, together with the Plan, constitutes the entire understanding between the Corporation and the Optionee with regard to the subject matter of this Award Certificate. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter of this Award Certificate.

**20. Severability.** In the event that any provision or portion of this Award Certificate shall be determined to be invalid or unenforceable for any reason, in whole or in part, in any jurisdiction, the remaining provisions of this Award Certificate shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law in such jurisdiction, and such invalidity or unenforceability shall have no effect in any other jurisdiction.

**21. Waiver.** The waiver of any breach of any duty, term or condition of this Award Certificate shall not be deemed to constitute a waiver of any preceding or succeeding breach of the same or of any other duty, term or condition of this Award Certificate.

**22. Interpretation.** The interpretation, construction, performance and enforcement of the terms and conditions of this Award Certificate and the Plan shall lie within the sole discretion of the Plan Administrator, and the Plan Administrator's determinations shall be conclusive and binding on all interested persons.

**23. Choice of Law; Binding Arbitration.** This Award Certificate shall be governed by and construed in accordance with the internal substantive laws (not the law of choice of laws) of the State of California. Any dispute or disagreement regarding the Optionee's rights under this Award Certificate shall be settled solely by binding arbitration in accordance with the applicable rules of the American Arbitration Association.

**SEMTECH CORPORATION,**  
a Delaware corporation

By \_\_\_\_\_



## CERTIFICATION

I, Mohan R. Maheswaran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Semtech Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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: June 10, 2011

/s/ Mohan R. Maheswaran

Mohan R. Maheswaran  
Chief Executive Officer

## CERTIFICATION

I, Emeka N. Chukwu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Semtech Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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: June 10, 2011

/s/ Emeka N. Chukwu

Emeka N. Chukwu  
Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 USC 1350 AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Semtech Corporation (the "Company") for the period ended May 1, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mohan R. Maheswaran, Chief Executive Officer of the Company, hereby certify pursuant to 18 USC §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 10, 2011

/s/ Mohan R. Maheswaran

Mohan R. Maheswaran  
Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, has been provided to Semtech Corporation and will be retained by Semtech Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The information contained in this Exhibit 32.1 is being furnished and shall not be deemed "filed" for the purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in this Exhibit 32.1 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference to this Exhibit 32.1 in such filing.

CERTIFICATION PURSUANT TO  
18 USC 1350 AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Semtech Corporation (the "Company") for the period ended May 1, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Emeka N. Chukwu, Chief Financial Officer of the Company, hereby certify pursuant to 18 USC §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 10, 2011

/s/ Emeka N. Chukwu

Emeka N. Chukwu  
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, has been provided to Semtech Corporation and will be retained by Semtech Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The information contained in this Exhibit 32.2 is being furnished and shall not be deemed "filed" for the purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in this Exhibit 32.2 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference to this Exhibit 32.2 in such filing.

