UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2017

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: 001-34666

MaxLinear, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**14-1896129**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5966 La Place Court, Suite 100 Carlsbad, California	**92008**
(Address of principal executive offices)	**(Zip Code)**

(760) 692-0711

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 2, 2017, the registrant had 66,958,865 shares of common stock, par value $0.0001, outstanding.

MAXLINEAR, INC.
QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MAXLINEAR, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited; in thousands, except par value amounts)

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 71,576	$ 81,086
Short-term restricted cash	615	614
Short-term investments, available-for-sale	—	47,918
Accounts receivable, net	75,618	50,487
Inventory	63,692	26,583
Prepaid expenses and other current assets	7,917	6,159
Total current assets	219,418	212,847
Long-term restricted cash	1,905	1,196
Property and equipment, net	23,336	20,549
Long-term investments, available-for-sale	—	5,991
Intangible assets, net	332,409	104,261
Goodwill	239,673	76,015
Deferred tax assets	53,985	116
Other long-term assets	6,288	1,677
Total assets	$ 877,014	$ 422,652
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 14,082	$ 6,757
Deferred revenue and deferred profit	17,224	5,991
Accrued price protection liability	28,229	15,176
Accrued expenses and other current liabilities	27,023	16,358
Accrued compensation	11,823	10,261
Total current liabilities	98,381	54,543
Deferred rent	5,065	9,656
Long-term debt	367,322	—
Other long-term liabilities	9,598	6,029
Total liabilities	480,366	70,228
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 25,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.0001 par value; 550,000 shares authorized, 66,923 shares issued and outstanding at September 30, 2017 and 550,000 shares authorized, no shares issued or outstanding December 31, 2016, respectively	7	—
Class A common stock, $0.0001 par value; 441,124 shares authorized, no shares issued and outstanding at September 30, 2017 and 500,000 shares authorized, 58,363 shares issued and outstanding at December 31, 2016, respectively	—	6
Class B common stock, $0.0001 par value; 493,430 shares authorized, no shares issued and outstanding at September 30, 2017 and 500,000 shares authorized, 6,668 shares issued and outstanding at December 31, 2016, respectively	—	1
Additional paid-in capital	446,485	413,909
Accumulated other comprehensive loss	(173)	(1,560)
Accumulated deficit	(49,671)	(59,932)
Total stockholders' equity	396,648	352,424
Total liabilities and stockholders' equity	$ 877,014	$ 422,652

See accompanying notes.

MAXLINEAR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net revenue	$ 113,581	$ 96,324	$ 306,597	$ 300,696
Cost of net revenue	61,739	40,820	150,727	121,109
Gross profit	51,842	55,504	155,870	179,587
Operating expenses:				
Research and development	29,270	25,921	82,163	73,710
Selling, general and administrative	29,037	17,619	78,988	47,734
IPR&D impairment losses	2,000	1,300	2,000	1,300
Restructuring charges	2,178	—	8,724	2,106
Total operating expenses	62,485	44,840	171,875	124,850
Income (loss) from operations	(10,643)	10,664	(16,005)	54,737
Interest income	1	89	260	426
Interest expense	(4,133)	—	(6,334)	—
Other income (expense), net	(668)	10	(1,430)	(64)
Total interest and other income (expense), net	(4,800)	99	(7,504)	362
Income (loss) before income taxes	(15,443)	10,763	(23,509)	55,099
Income tax provision (benefit)	(6,276)	1,084	(33,770)	2,155
Net income (loss)	$ (9,167)	$ 9,679	$ 10,261	$ 52,944
Net income (loss) per share:				
Basic	$ (0.14)	$ 0.15	$ 0.16	$ 0.83
Diluted	$ (0.14)	$ 0.14	$ 0.15	$ 0.79
Shares used to compute net income (loss) per share:				
Basic	66,712	64,241	65,950	63,454
Diluted	66,712	67,832	69,491	67,354

See accompanying notes.

MAXLINEAR, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited; in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	$ (9,167)	$ 9,679	$ 10,261	$ 52,944
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on investments, net of tax of $0 for the three and nine months ended September 30, 2017 and 2016	—	(8)	(55)	166
Less: Reclassifications to realized loss (gain) on sales and maturities of investments, net of tax of $0 for the three and nine months ended September 30, 2017 and 2016	—	1	55	(49)
Unrealized gain (loss) on investments, net of tax	—	(7)	—	117
Foreign currency translation adjustments, net of tax benefit of $13 and $68 for the three and nine months ended September 30, 2017 and $41 and $68 for the three and nine months ended September 30, 2016, respectively[(1)]	463	8	1,387	(247)
Foreign currency translation adjustments, net of tax	463	8	1,387	(247)
Other comprehensive income (loss)	463	1	1,387	(130)
Total comprehensive income (loss)	$ (8,704)	$ 9,680	$ 11,648	$ 52,814

(1) Tax amount recognized in Other Long-Term Liabilities on the Consolidated Balance Sheets as part of long-term deferred tax liabilities.

See accompanying notes.

MAXLINEAR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited; in thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating Activities		
Net income	$ 10,261	$ 52,944
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization and depreciation	46,502	18,743
Impairment of IPR&D assets	2,000	1,300
Provision for losses on accounts receivable	133	87
Amortization (accretion) of investment premiums (discount), net	(60)	95
Amortization of inventory step-up	15,842	2,989
Amortization of debt issuance costs	476	—
Stock-based compensation	24,898	16,475
Deferred income taxes	(48,417)	215
Loss on disposal of property and equipment	201	48
(Gain) loss on sale of available-for-sale securities	38	(50)
Loss on foreign currency	1,415	66
Change in fair value of contingent consideration	—	209
Excess tax benefits on stock-based awards	(6,598)	(6,042)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(13,869)	(7,360)
Inventory	(2,331)	6,964
Prepaid expenses and other assets	1,696	(365)
Accounts payable, accrued expenses and other current liabilities	576	2,497
Accrued compensation	216	3,357
Deferred revenue and deferred profit	11,233	1,228
Accrued price protection liability	13,053	(2,914)
Other long-term liabilities	(3,944)	(772)
Net cash provided by operating activities	53,321	89,714
Investing Activities		
Purchases of property and equipment	(4,398)	(6,828)
Purchases of intangible assets	(5,378)	(390)
Cash used in acquisitions, net of cash acquired	(473,304)	(101,000)
Purchases of available-for-sale securities	(30,577)	(80,263)
Maturities of available-for-sale securities	84,546	88,711
Net cash used in investing activities	(429,111)	(99,770)
Financing Activities		
Repurchases of common stock	(334)	(3)
Net proceeds from issuance of common stock	9,092	4,450
Minimum tax withholding paid on behalf of employees for restricted stock units	(9,825)	(6,184)
Net proceeds from the issuance of debt	416,846	—
Repayment of debt	(50,000)	—
Net cash provided by (used in) financing activities	365,779	(1,737)
Effect of exchange rate changes on cash and cash equivalents	1,211	(87)
Decrease in cash, cash equivalents and restricted cash	(8,800)	(11,880)
Cash, cash equivalents and restricted cash at beginning of period	82,896	67,956
Cash, cash equivalents and restricted cash at end of period	$ 74,096	$ 56,076
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 5,221	$ —
Cash paid for income taxes	$ 8,918	$ 1,483
Supplemental disclosures of non-cash activities:		
Issuance of restricted stock units to Physpeed continuing employees	$ 818	$ 578
Issuance of accrued share-based bonus plan	$ 3,314	$ 7,649

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Description of Business

MaxLinear, Inc. was incorporated in Delaware in September 2003. MaxLinear, Inc., together with its wholly owned subsidiaries, collectively referred to as MaxLinear, or the Company, is a provider of radio-frequency, mixed-signal and high-performance analog integrated circuits for the connected home, wired and wireless infrastructure, and industrial and multi-market applications. MaxLinear's customers include electronics distributors, module makers, original equipment manufacturers, or OEMs, and original design manufacturers, or ODMs, who incorporate the Company's products in a wide range of electronic devices including cable, terrestrial, and satellite video set-top boxes and gateways, cable DOCSIS data and voice gateways, hybrid analog and digital televisions, smartphones, direct broadcast satellite outdoor units, optical modules for data center, metro, and long-haul transport network applications, RF transceivers and modem solutions for wireless carrier infrastructure applications, wireline connectivity devices for in-home networking applications and last-mile broadband access, and power management and interface products for enterprise networking, infrastructure, industrial, and multi-market applications. The Company is a fabless semiconductor company focusing its resources on the design, sale and marketing of its products.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of MaxLinear, Inc. and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. All intercompany transactions and investments have been eliminated in consolidation. In the opinion of management, the Company's unaudited consolidated interim financial statements contain adjustments, including normal recurring accruals necessary to present fairly the Company's consolidated financial position, results of operations, comprehensive income and cash flows.

The consolidated balance sheet as of December 31, 2016 was derived from the Company's audited consolidated financial statements at that date. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2016 included in the Company's Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission, or the SEC, on February 9, 2017, or the Annual Report. Certain prior period amounts have been reclassified to conform with the current period presentation. Interim results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes to unaudited consolidated financial statements. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Refer to the Company's Annual Report for a summary of significant accounting policies. There have been no material changes to our significant accounting policies during the nine months ended September 30, 2017.

Restricted Cash

As of September 30, 2017 and December 31, 2016, the Company has restricted cash of $2.5 million and $1.8 million, respectively. The restricted cash is on deposit in connection with guarantees for certain office leases.

Recently Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory,* which requires inventory to be subsequently measured using the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for the Company beginning in the first quarter of fiscal year 2017 and has been applied prospectively. The adoption of ASU No. 2015-11 by the Company in the first quarter of fiscal year 2017 did not have a material impact on the Company's consolidated financial position and results of operations.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Share-Based Compensation* to simplify certain aspects of accounting for share-based payment transactions associated with income taxes, classification as equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for the Company for fiscal years beginning with fiscal year 2017, including interim periods within those years, with early adoption permitted. Early adoption, if elected, must be completed for all of the amendments in the same period. The new guidance requires, among other things, excess tax benefits and tax deficiencies to be recorded on a prospective basis in the income statement in the provision for income taxes when awards vest or are settled. On the statement of cash flows, excess tax benefits must be classified along with other income tax cash flows as an operating activity on either a prospective transition method or a retrospective transition method. Also, because excess tax benefits are no longer recognized in additional paid-in capital, the assumed proceeds from applying the treasury stock method when computing earnings per share is amended to exclude the amount of excess tax benefits that would be recognized in additional paid-in capital. The Company adopted ASU No. 2016-09 during the quarter ended June 30, 2016, as previously described in the Company's Form 10-Q for the period ended June 30, 2016 filed with the Securities Exchange Commission on August 8, 2016. There was no cumulative effect on retained earnings in the consolidated balance sheet upon adoption since the Company had a full valuation allowance against U.S. deferred tax assets at the time of adoption. The Company elected to continue to estimate forfeitures of share-based awards resulting in no impact to stock-based compensation expense, and is also continuing to classify cash paid by the Company when directly withholding shares for tax withholding purposes in cash flows from financing activities. On the statement of cash flows, excess tax benefits were classified along with other income tax cash flows as an operating activity upon adoption on a prospective basis.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740)* to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The FASB decided that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The amendments in this update are effective for the Company beginning in the first quarter of fiscal 2018, including interim reporting periods. Early adoption is permitted as of the first quarter of fiscal 2017, or the beginning of the annual reporting period only. The Company elected to early adopt the amendments in this update beginning in the three months ended March 31, 2017. Due to a full valuation allowance on U.S. and certain foreign deferred tax assets at the time of adoption, the adoption of the amendments in this update did not have a material impact on the Company’s consolidated financial position and results of operations for the three and nine months ended September 30, 2017.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. When cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, an entity shall, for each period that a statement of financial position is presented, disclose the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents disaggregated by the line item in which they appear within the statement of financial position, with a sum to the total amount of cash, cash equivalents, restricted cash and restricted cash equivalents. The amendments in this update are effective for the Company beginning in fiscal 2018, including interim periods within that year and should be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes the interim period. The Company elected to early adopt the amendments in this update beginning in the three months ended March 31, 2017. The adoption did not have a material impact on the Company’s consolidated cash flows for the three and nine months ended September 30, 2017.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses and provides a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If the screen is not met, the amendments in this update (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. The amendments in this update are effective for the Company beginning in the first quarter of 2018 and are required to be applied prospectively on or after the effective date. No disclosures are required at transition. Early application is allowed for transactions for which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. The Company has elected to early adopt the amendments in this update for 2017 acquisitions. Such adoption did not have a material impact on the Company’s consolidated financial position and results of operations.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides for new accounting guidance related to revenue recognition. This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for the Company beginning in the first quarter of fiscal year 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company plans to apply the guidance prospectively with an adjustment to retained earnings for the cumulative effect of adoption. Adoption of the amendments in this guidance is expected to accelerate the timing of the Company’s revenue recognition on products sold via distributors, which will change from the sell-through method to the sell-in method under this guidance. The Company has performed a preliminary assessment of the impact of adopting this new accounting standard on its consolidated financial position and results of operations following the acquisition of Exar Corporation (Note 3), which has a significant amount of sales through distributors. The impact of adoption of this new accounting standard will vary depending on the level of inventory remaining at the adoption date at distributors for which we currently recognize revenue on a sell-through basis, and therefore could have a material impact on the Company's revenues for the year ending December 31, 2018 and comparative periods expected to be presented. As a result of applying the guidance prospectively with an adjustment to retained earnings for the cumulative effect of adoption, revenues that would have been recognized on a sell-through basis for the amount of deferred revenue and profit remaining as of the adoption date will not be recognized in earnings for any period.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in this update include a requirement to measure equity investments (except equity method investments) at fair value with changes in fair value recognized in net income; previously changes in fair value were recognized in other comprehensive income. The amendments in this update are effective for the Company beginning in the first quarter of fiscal year 2018. The adoption of the amendments in this update are not expected to have a material impact on the Company's consolidated financial position and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* The amendments in this update require a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for all leases with terms greater than twelve months. For leases less than twelve months, an entity is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this update are effective for the Company for fiscal years beginning with fiscal year 2019, including interim periods within those years, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of the amendments in this update on the Company’s consolidated financial position and results of operations; however, adoption of the amendments in this update is expected to have a material impact on the Company's consolidated financial position.

In March 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net*) to clarify the revenue recognition implementation guidance on principal versus agent considerations. The amendments in this update clarify that when another party is involved in providing goods or services to a customer, an entity that is the principal has obtained control of a good or service before it is transferred to a customer, and provides indicators to assist an entity in determining whether it controls a specified good or service prior to the transfer to the customer. An entity that is the principal recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer, whereas an agent recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. The amendments in this update are effective for the Company beginning in the first quarter of fiscal year 2018, concurrent with the new revenue recognition standard. The adoption of the amendments in this update is not expected to have a material impact on the Company's consolidated financial position and results of operations.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* to eliminate the diversity in practice regarding the presentation and classification of certain cash receipts and cash payments, including, among other things, contingent consideration payments made following a business combination and proceeds from the settlement of insurance claims in the statement of cash flows. Cash payments not made soon after the acquisition date up to the amount of the contingent consideration liability recognized at the acquisition date should be classified as financing activities, with any excess payments classified as operating activities, whereas cash payments made soon after the acquisition date to settle the contingent consideration should be classified as investing activities. Cash proceeds received from settlement of insurance claims should be classified on the basis of the nature of the related losses. The amendments in this update are effective for fiscal years beginning with fiscal year 2018, including interim periods within those years, with early adoption permitted. The adoption of this guidance is not expected have a material impact on the Company's consolidated statement of cash flows.

In December 2016, the FASB issued ASU No. 2016-19, *Technical Corrections and Improvements*. The new standard is intended to provide clarity to the Accounting Standards Codification, or ASC, or correct unintended application of the guidance that is not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. ASU No. 2016-19 is effective for annual and interim fiscal reporting periods beginning after December 15, 2017 with respect to the amendments that require transition guidance, and early adoption is permitted. All other amendments were effective on issuance. The Company is currently evaluating the expected impact of the amendments that require transition guidance, but does not expect these to have a material impact on its consolidated financial statements upon adoption.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if the reporting unit had been acquired in a business combination. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The Board also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The amendments in this update are effective for the Company beginning with fiscal year 2020, including interim periods, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of the amendments in this update is not expected to have a material impact on the Company's consolidated financial position and results of operations.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in this update require the Company to account for the effects of a modification in a stock-based award unless the fair value, vesting conditions and classification of the modified award is the same as those of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification. The amendments in this update are effective for the Company for fiscal years beginning with fiscal year 2018, including interim periods within those years, with early adoption permitted in any interim period. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. The adoption of this guidance is not expected have a material impact on the Company's consolidated financial position and results of operations.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff*

Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments. The amendments in this update modify or supersede certain selected SEC paragraphs in the revenue and leases sections of the Codification and moves other paragraphs, upon adoption of ASC Topic 606 or ASC Topic 842. The amendments also provide updated guidance on the effective date of *ASC 606, Revenue from Contracts with Customers*, and *ASC 842, Leases* for certain entities that are considered public business entities only because their financial statements or financial information is required to be included in another entity's SEC filing, but does not change the effective dates for the Company and other public business entities. The amendments in this update should be applied upon adoption of ASC Topics 606 and 842, respectively. The adoption of this guidance is not expected have a material impact on the Company's consolidated financial position and results of operations.

2. Net Income (Loss) Per Share

Net income (loss) per share is computed as required by the accounting standard for earnings per share, or EPS. Basic EPS is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted EPS is computed by dividing net income by the weighted-average number of common shares outstanding for the period and the weighted-average number of dilutive common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, common stock options, restricted stock units and restricted stock awards are considered to be common stock equivalents and are only included in the calculation of diluted EPS when their effect is dilutive. In periods in which the Company has a net loss, dilutive common stock equivalents are excluded from the calculation of diluted EPS.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands, except per share amounts)			
Numerator:				
Net income (loss)	$ (9,167)	$ 9,679	$ 10,261	$ 52,944
Denominator:				
Weighted average common shares outstanding—basic	66,712	64,241	65,950	63,454
Dilutive common stock equivalents	—	3,591	3,541	3,900
Weighted average common shares outstanding—diluted	66,712	67,832	69,491	67,354
Net income (loss) per share:				
Basic	$ (0.14)	$ 0.15	$ 0.16	$ 0.83
Diluted	$ (0.14)	$ 0.14	$ 0.15	$ 0.79

The Company excluded 1.1 million common stock equivalents for outstanding stock-based awards for the nine months ended September 30, 2017 and 1.5 million and 1.0 million for the three and nine months ended September 30, 2016, respectively, from the calculation of diluted net income per share due to their anti-dilutive nature. For the three months ended September 30, 2017, the Company incurred a net loss and accordingly excluded 4.5 million common stock equivalents, which represented all potentially dilutive securities from diluted net loss per share as the impact was anti-dilutive.

3. Business Combinations

Acquisition of Exar Corporation

On May 12, 2017, pursuant to the March 28, 2017 Agreement and Plan of Merger, Eagle Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of MaxLinear, merged with and into Exar Corporation, or Exar, with Exar surviving as a wholly owned subsidiary of MaxLinear. Under this Agreement and Plan of Merger, the Company agreed to acquire all of Exar's outstanding common stock for $13.00 per share in cash. MaxLinear also assumed certain of Exar's stock-based awards in the merger. MaxLinear paid aggregate cash consideration of $688.1 million including $12.7 million of cash paid to settle certain stock-based awards that were not assumed by MaxLinear in the merger. The Company funded the transaction with cash from the balance sheet of the combined companies and the net proceeds of approximately $416.8 million from $425.0 million of new transaction debt.

Exar is a designer and developer of high-performance analog mixed-signal integrated circuits and sub-system solutions. The merger significantly furthers the Company's strategic goals of increasing revenue scale, diversifying revenues by end customers and addressable markets, and expanding its analog and mixed-signal footprint on existing tier-one customer platforms. Exar adds a diverse portfolio of high performance analog and mixed-signal products constituting power management and interface technologies that are ubiquitous functions in wireless and wireline communications infrastructure, broadband access, industrial, enterprise networking, and automotive platforms. The Company intends to leverage combined technological expertise, cross-selling opportunities and distribution channels to significantly expand its serviceable addressable market.

The following table summarizes the fair value of purchase price consideration to acquire Exar (in thousands):

Acquisition Consideration		**Amount**
Cash [1]	$	688,114
Fair value of vested stock-based awards assumed [2]		4,613
Total	$	692,727

(1) Cash consideration paid includes 51,953,635 shares ultimately tendered at $13.00 per share, or an aggregate total of $675.4 million, plus $12.7 million of cash paid to settle certain outstanding stock-based awards which were not assumed by MaxLinear in the merger.

(2) MaxLinear assumed certain of Exar's outstanding stock-based awards as part of the merger, and estimated the fair value of such assumed stock-based awards. The portion allocated to purchase price consideration represents the vested assumed stock-based awards. The fair value of the MaxLinear equivalent stock options included in stock-based awards assumed was estimated using the Black-Scholes valuation model utilizing the assumptions noted below. The expected volatility of the MaxLinear stock price is based on the average historical volatility over the expected term based on daily closing stock prices. The expected term of the option is based on the remaining vesting period and contractual term of the options, using the simplified method of determining expected term as used by MaxLinear. The stock price volatility and expected term are based on MaxLinear’s best estimates at this time, both of which impact the fair value of the option calculated under the Black-Scholes methodology and, ultimately, the total consideration recorded for the acquisition.

The following is an allocation of purchase price as of the May 12, 2017 closing date under the acquisition method of accounting. The purchase price allocation is based upon a preliminary estimate of the fair value of the assets acquired and the liabilities assumed by MaxLinear in the acquisition (in thousands):

Description		**Amount**
Preliminary purchase price allocation:		
Cash	$	235,810
Accounts receivable		11,363
Inventory		48,536
Prepaid and other current assets		2,351
Property and equipment		4,273
Identifiable intangible assets		249,500
Deferred tax assets		4,830
Other assets		5,434
Accounts payable		(12,385)
Accrued expenses and other current liabilities		(10,371)
Accrued compensation		(5,258)
Other long-term liabilities		(3,030)
Identifiable net assets acquired		531,053
Goodwill		161,674
Total purchase price	$	692,727

The fair value of inventories acquired from Exar included an acquisition accounting fair market value step-up of $24.3 million. The Company recognized $9.7 million and $14.6 million amortization of Exar inventory step-up in cost of sales in the consolidated statements of operations for the three and nine months ended September 30, 2017, respectively. Included in other assets in the Exar purchase price allocation is $5.0 million held in escrow pertaining to indemnification obligations under the purchase agreement associated with the November 9, 2016 divestiture of a business unit by Exar (Note 12).

The following table presents details of the identified intangible assets acquired of Exar:

	Estimated Useful Life (in years)	Fair Value (in thousands)	
Developed technology	7.0	$	120,900
Trademarks and tradenames	6.0		12,100
Customer-related intangible	5.0		96,300
Product backlog	0.5		3,600
Finite-lived intangible assets			232,900
In-process research and development	N/A		16,600
Total intangible assets		$	249,500

In the three months ended September 30, 2017, the Company refined its valuation of acquired assets and evaluation of income tax positions and recorded adjustments to certain acquired assets and assumed liabilities, including a decrease of $1.1 million to deferred tax assets, and a corresponding increase to goodwill associated with Exar of $1.0 million. The related impact of such adjustments on net loss for the three months ended September 30, 2017 was a net increase in amortization expense of $0.7 million, which primarily consisted of an increase in amortization expense included in cost of sales of $1.0 million partially offset by a decrease in amortization expense included in selling, general and administrative expense of $0.3 million.

Acquisition of Certain Assets and Assumption of Certain Liabilities of the G.hn business of Marvell Semiconductor, Inc.

On April 4, 2017, the Company consummated the transactions contemplated by a share and asset acquisition agreement with Marvell Semiconductor, Inc., or Marvell, to purchase certain assets and assume certain liabilities of Marvell's G.hn business, including its Spain legal entity, for aggregate cash consideration of $21.0 million. The Company also hired certain employees of the G.hn business outside of Spain and assumed employment obligations of the Spanish entity acquired, which is now a subsidiary of MaxLinear. The assets acquired include, among other things, patents and other intellectual property, a workforce-in-place and other intangible assets, as well as tangible assets that include but are not limited to production masks and other production related assets, inventory and other property and equipment. The liabilities assumed include, among other things, product warranty obligations and accrued vacation and severance obligations for employees of Marvell that were acquired or hired by the Company upon close of the acquisition. The acquired assets and assumed liabilities, together with the employees who joined MaxLinear and its subsidiaries as a result of the transaction, represent a business as defined in ASC 805, *Business Combinations*. The Company is integrating the acquired assets and employees into the Company's existing business. The acquisition of the G.hn business expands the Company's footprint in existing connected-home markets including the wired whole-home broadband connectivity market.

The following table summarizes the fair value of purchase price consideration to acquire the G.hn business (in thousands):

Acquisition Consideration		Amount
Cash	$	21,000
Total	$	21,000

The following is an allocation of purchase price as of the April 4, 2017 closing date under the acquisition method of accounting. The purchase price allocation is based upon an estimate of the fair value of the assets acquired and the liabilities assumed by MaxLinear in the acquisition (in thousands):

Description		Amount
Purchase price allocation:		
Inventory	$	2,084
Prepaid and other current assets		147
Property and equipment		3,277
Identifiable intangible assets		12,600
Deferred tax assets		875
Other assets		28
Accounts payable		(1)
Accrued expenses		(234)
Accrued compensation		(2)
Other long-term liabilities		(99)
Identifiable net assets acquired		18,675
Goodwill		2,325
Total purchase price	$	21,000

The fair value of inventories acquired included an acquisition accounting fair market value step-up of $1.2 million. The Company recognized $0 and $1.2 million amortization of inventory step-up in cost of sales in the consolidated statements of operations for the three and nine months ended September 30, 2017.

The following table presents details of the identified intangible assets acquired of the G.hn business:

	Estimated Useful Life (in years)		Fair Value (in thousands)
Developed technology	7.0	$	7,100
Customer-related intangibles	1.8		4,800
Covenant not-to-compete	3.0		200
Product backlog	0.8		500
Total identifiable intangible assets		$	12,600

In the three months ended September 30, 2017, the Company recorded an adjustment to decrease certain assumed liabilities and a corresponding decrease to goodwill associated with the G.hn business of $0.1 million (Note 5). There was no related impact of such adjustments on net loss for the three months ended September 30, 2017. The Company has completed its purchase price allocation accounting associated with this acquisition.

Assumptions in the Allocations of Purchase Price

Management prepared the purchase price allocations for Exar and the G.hn businesses, and in doing so considered or relied in part upon a report of a third party valuation expert to calculate the fair value of certain acquired assets, which primarily included identifiable intangible assets, inventory, and property and equipment. Estimates of fair value require management to make significant estimates and assumptions which are preliminary and subject to change upon finalization of the valuation analysis. The goodwill recognized is attributable primarily to the acquired workforce, expected synergies, and other benefits that MaxLinear believes will result from integrating the operations of Exar and the G.hn business with the operations of MaxLinear. Certain liabilities and deferred taxes included in the purchase price allocations are based on management's best estimates of the amounts to be paid or settled and based on information available at the time the purchase price allocations were prepared. Updates to and/or completion of the valuations of certain assets acquired and liabilities assumed and our evaluation of certain income tax positions may result in changes to the recorded amounts of assets and liabilities, with corresponding adjustments to goodwill amounts in subsequent periods. We expect to complete the valuation and evaluation and finalize the purchase price allocation for Exar within 12 months of the acquisition date.

The fair value of the identified intangible assets acquired from Exar and the G.hn business was estimated using an income approach. Under the income approach, an intangible asset's fair value is equal to the present value of future economic benefits to be derived from ownership of the asset. Indications of value are developed by discounting future net cash flows to their present value at market-based rates of return. More specifically, the fair value of the developed technology, IPR&D and backlog assets was determined using the multi-period excess earnings method, or MPEEM. MPEEM is an income approach to fair value measurement attributable to a specific intangible asset being valued from the asset grouping's overall cash-flow stream. MPEEM isolates the expected future discounted cash-flow stream to its net present value. Significant factors considered in the calculation of the developed technology and IPR&D intangible assets were the risks inherent in the development process, including the likelihood of achieving technological success and market acceptance. Each project was analyzed to determine the unique technological innovations, the existence and reliance on core technology, the existence of any alternative future use or current technological feasibility and the complexity, cost, and time to complete the remaining development. Future cash flows for each project were estimated based on forecasted revenue and costs, taking into account the expected product life cycles, market penetration, and growth rates. Developed technology will begin amortization immediately and IPR&D will begin amortization upon the completion of each project. If any of the projects are abandoned, the Company will be required to impair the related IPR&D asset.

In connection with the acquisitions of Exar and the G.hn business, the Company has assumed liabilities related to product quality issues, warranty claims and contract obligations which are included in accrued expenses and other current liabilities in the purchase price allocations above. The Company has also assumed a purchase agreement that includes an indemnification clause from Exar related to a November 9, 2016 business unit divestiture by Exar. Exar's indemnification obligations for breaches of representations and warranties survive for 12 months from the closing of the divestiture, except for breaches of representations and warranties covering intellectual property, which survive for 18 months, and breaches of representations and warranties of certain fundamental representations, which survive until the expiration of the applicable statute of limitations. The amount of the indemnification could be up to the full purchase price received for breaches of representations and warranties, covenants and other matters under the applicable purchase agreement (Note 12).

Goodwill recorded in connection with the acquisitions of Exar and the G.hn business was $161.7 million and $2.3 million, respectively. The Company does not expect to deduct any of the acquired goodwill for tax purposes.

Proforma Combined Financial Information

The following table presents unaudited pro forma combined financial information for each of the periods presented, as if the acquisitions of Exar and the G.hn business had occurred at the beginning of fiscal year 2016:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)			
Net revenues – proforma combined	$ 113,581	$ 125,202	$ 343,101	$ 384,362
Net income (loss) – proforma combined	$ 4,929	$ (11,960)	$ 21,755	$ (33,920)

The following adjustments were included in the unaudited pro forma combined net income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)			
Net income (loss)	$ (9,167)	$ 9,679	$ 10,261	$ 52,944
Add: Results of operations – acquired business	—	(2,510)	(8,916)	(869)
Less: Proforma adjustments				
Depreciation of property, plant and equipment	1,199	(217)	970	555
Amortization of intangible assets	1,966	(10,055)	(9,498)	(33,717)
Amortization of inventory step-up	9,715	(5,051)	15,818	(26,503)
Impairment of intangible assets	—	—	—	1,519
Acquisition and integration expenses	982	—	16,389	(16,389)
Interest expense	360	(3,806)	(5,029)	(11,460)
Income tax benefit	(126)	—	1,760	—
Net income (loss) – proforma combined	$ 4,929	$ (11,960)	$ 21,755	$ (33,920)
Net income (loss) per share - proforma combined:				
Basic	$ 0.07	$ (0.19)	$ 0.33	$ (0.53)
Diluted	$ 0.07	$ (0.19)	$ 0.31	$ (0.53)
Shares used to compute net income (loss) per share - proforma combined				
Basic	66,712	64,241	65,950	63,454
Diluted	69,668	64,241	69,491	63,454

The pro forma combined financial information for the three months ended September 30, 2016 includes aggregate non-recurring adjustments of $5.0 million consisting of aggregate amortization of inventory step-up of $4.9 million and amortization of intangible assets of $0.2 million from the Exar and G.hn businesses, for which the related assets have useful lives of less than one year. The pro forma combined financial information for the nine months ended September 30, 2016 includes aggregate non-recurring adjustments of $29.6 million consisting of aggregate amortization of inventory step-up of $25.5 million and amortization of intangible assets of $4.1 million from the Exar and G.hn businesses, for which the related assets have useful lives of less than one year, and excludes impairment of intangible assets of $1.5 million included in Exar's historical results of operations.

The pro forma combined financial information is presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations of the consolidated business had the acquisitions of Exar and the G.hn business actually occurred at the beginning of fiscal year 2016 or of the results of future operations of the consolidated business. The unaudited pro forma financial information does not reflect any operating efficiencies and cost saving that may be realized from the integration of the acquisitions in the Company's unaudited consolidated statements of income.

For the three months ended September 30, 2017, $35.5 million of revenue and $21.6 million of gross profit, excluding $14.3 million of amortization of acquired intangible assets and the inventory fair-value step-up of Exar and the G.hn business since the acquisition date, are included in the Company's consolidated statements of operations. Such amounts exclude revenue and gross profit of $0.8 million that would have been recorded by Exar on a sell-through basis had deferred revenue and deferred profit as of the May 12, 2017 acquisition date not been eliminated in the purchase price allocation for Exar as a result of acquisition accounting. For the nine months ended September 30, 2017, $49.4 million of revenue and $29.6 million of gross profit, excluding $23.5 million of amortization of acquired intangible assets and the inventory fair-value step-up of Exar and the G.hn business since the acquisition date, are included in the Company's consolidated statements of operations. The amounts for the nine-month period exclude revenue of $6.1 million and related gross profit of $4.7 million that would have been recorded by Exar on a sell-through basis had deferred revenue and deferred profit as of the May 12, 2017 acquisition date not been eliminated in the purchase price allocation as a result of acquisition accounting.

Acquisition and integration-related costs of $1.0 million and $10.0 million related to the acquisitions of Exar and the G.hn business were included in selling, general, and administrative expenses in the Company's statements of operations for the three and nine months ended September 30, 2017, respectively.

Acquisition of Certain Assets and Assumption of Certain Liabilities of the Wireless Infrastructure Backhaul Business of Broadcom Corporation

On July 1, 2016, the Company consummated the transactions contemplated by an asset purchase agreement entered into with Broadcom Corporation. The Company paid cash consideration of $80.0 million for the purchase of certain assets of Broadcom's wireless infrastructure backhaul business, and the assumption of certain liabilities. The acquired assets and assumed liabilities, together with employees who joined MaxLinear and its subsidiaries as a result of the transaction, represent a business as defined in ASC 805, *Business Combinations*. The Company has integrated the acquired assets and employees into the Company's existing business. In the nine months ended September 30, 2017, the Company recorded an adjustment to decrease certain assumed liabilities and a corresponding decrease to goodwill of $0.3 million (Note 5). The Company has completed its purchase price allocation accounting associated with this acquisition.

Acquisition of Certain Assets and Assumption of Certain Liabilities of the Wireless Infrastructure Access Business of Microsemi Storage Solutions, Inc. (formerly known as PMC-Sierra, Inc.)

On April 28, 2016, the Company entered into an asset purchase agreement with Microsemi Storage Solutions, Inc., formerly known as PMC-Sierra, Inc., or Microsemi, and consummated the transactions contemplated by the asset purchase agreement. The Company paid cash consideration of $21.0 million for the purchase of certain wireless access assets of Microsemi's wireless infrastructure access business, and assumed certain liabilities. The acquired assets and assumed liabilities, together with employees who joined MaxLinear and its subsidiaries as a result of the transaction, represent a business as defined in ASC 805, *Business Combinations*. The Company has integrated the acquired assets and employees into the Company's existing business.

Acquisition of Entropic Communications, Inc.

On April 30, 2015, the Company completed its acquisition of Entropic Communications, Inc., or Entropic, for aggregate consideration of $289.4 million, which was comprised of the equity value of shares of the Company's common stock that were issued in the transaction of $173.8 million, the portion of outstanding equity awards deemed to have been earned as of April 30, 2015 of $4.5 million and cash of $111.1 million.

Acquisition of Physpeed, Co., Ltd.

On October 31, 2014, the Company acquired 100% of the outstanding common shares of Physpeed Co., Ltd., or Physpeed, a privately held developer of high-speed physical layer interconnect products addressing enterprise and telecommunications infrastructure market applications. The Company paid $9.3 million in cash in exchange for all outstanding shares of capital stock and equity of Physpeed.

The following disclosures regarding this acquisition are for the nine months ended September 30, 2017 and 2016.

Earn-Out

The definitive merger agreement also provided for potential earn-out consideration of up to $0.75 million to the former shareholders of Physpeed for the achievement of certain 2015 and 2016 revenue milestones. The contingent earn-out consideration had an estimated fair value of $0.3 million at the date of acquisition. The 2015 earn-out amount was determined by multiplying $0.375 million by a 2015 revenue percentage that was defined in the definitive merger agreement. The 2016 earn-out amount was determined by multiplying $0.375 million by a 2016 revenue percentage that was defined in the definitive merger agreement and was fully earned as of December 31, 2016. During the nine months ended September 30, 2017, the Company paid $0.375 million for the 2016 earn-out (Note 6).

Restricted Stock Units

The Company agreed to grant restricted stock units, or RSUs, under its equity incentive plan to Physpeed continuing employees if certain 2016 revenue targets were met contingent upon continued employment. Qualifying revenues were the net revenues recognized directly attributable to sales of Physpeed products or the Company’s provision of non-recurring engineering services exclusively with respect to the Physpeed products. In February 2017, the Company settled the remaining obligations of $1.6 million related to the 2016 revenue period by issuing $0.86 million in RSUs and through payment of $0.76 million in cash.

4. Restructuring Activity

From time to time, the Company approves and implements restructuring plans as a result of acquisitions, internal resource alignment, and cost saving measures. Such restructuring plans include vacating certain leased facilities, terminating employees, and cancellation of contracts.

The following table presents the activity related to the restructuring plans, which is included in restructuring charges in the consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)			
Employee separation expenses	$ 1,689	$ —	$ 7,685	$ —
Lease related charges	351	—	901	1,976
Other	138	—	138	130
	$ 2,178	$ —	$ 8,724	$ 2,106

Included in employee separation expenses for the three and nine months ended September 30, 2017 is $0.4 million and $4.9 million of incremental stock-based compensation from the acceleration of certain stock-based awards we assumed from Exar due to change in control provisions upon termination or diminution of authority of former Exar executives and other severance-related charges of $1.3 million and $2.8 million for the same periods. Lease related and other charges for the 2017 periods related to exiting certain Exar facilities. The lease impairment charges in the 2016 periods include adjustments to the estimates of net present value of the remaining lease obligation for actual sublease income and period costs associated with certain vacated facilities, including commissions to brokers involved in subleasing property. Total sublease income related to leased facilities the Company ceased using was approximately $0.5 million and $1.6 million for the three and nine months ended September 30, 2017, respectively. Sublease income was approximately $0.4 million and $0.9 million for the three and nine months ended September 30, 2016, respectively.

The following table presents a roll-forward of the Company's restructuring liability for the nine months ended September 30, 2017. The restructuring liability is included in accrued expenses and other current liabilities in the consolidated balance sheets.

	Employee Separation Expenses	Lease Related Charges	Other	Total
	(in thousands)			
Liability as of December 31, 2016	$ —	$ 499	$ 37	$ 536
Transfers from deferred rent	—	4,405	—	4,405
Restructuring charges	7,685	901	138	8,724
Assumed in acquisition	—	—	70	70
Cash payments	(2,155)	(2,140)	(111)	(4,406)
Non-cash items	(4,855)	(252)	(27)	(5,134)
Liability as of September 30, 2017	$ 675	$ 3,413	$ 107	$ 4,195

Non-cash items primarily consist of the release of accelerated stock-based awards upon termination of former Exar executives.

5. Goodwill and Intangible Assets

Goodwill

Goodwill arises from the acquisition method of accounting for business combinations and represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. The fair values of net tangible assets and intangible assets acquired are based upon preliminary valuations and the Company's estimates and assumptions are subject to change within the measurement period (potentially up to one year from the acquisition date). During the three months ended March 31, 2017, the Company adjusted its allocation of purchase price for the acquisition of the wireless infrastructure backhaul business (Note 3) related to a decrease in an assumed liability and a corresponding decrease in goodwill of $0.3 million, which is reflected in "adjustments" in the table below. During the three months ended September 30, 2017, the Company adjusted its allocations of purchase price for the acquisitions of Exar and the G.hn business. Refer to Note 3 for amounts and details of such adjustments.

The following table presents the changes in the carrying amount of goodwill:

	Carrying Amount (in thousands)
Balance as of December 31, 2016	$ 76,015
Acquisitions	163,999
Adjustments	(341)
Balance as of September 30, 2017	$ 239,673

Goodwill is not amortized, but is assessed for impairment on an annual basis on October 31 each year 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. No goodwill impairment was recognized for the three and nine months ended September 30, 2017 and 2016.

Acquired Intangibles

Finite-lived Intangible Assets

The following table sets forth the Company's finite-lived intangible assets resulting from business acquisitions and technology licenses purchased, which continue to be amortized:

		September 30, 2017			December 31, 2016		
	Weighted Average Useful Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(in thousands)					
Licensed technology	3.7	$ 4,891	$ (3,263)	$ 1,628	$ 3,311	$ (2,957)	$ 354
Developed technology	6.9	224,461	(30,690)	193,771	77,800	(13,550)	64,250
Trademarks and trade names	6.1	13,800	(1,427)	12,373	1,700	(405)	1,295
Customer relationships	4.6	121,100	(19,415)	101,685	20,000	(4,782)	15,218
Covenants non-compete	3.0	1,100	(415)	685	900	(156)	744
Backlog	0.5	31,337	(30,570)	767	26,600	(26,600)	—
		$ 396,689	$ (85,780)	$ 310,909	$ 130,311	$ (48,450)	$ 81,861

The following table sets forth amortization expense associated with finite-lived intangible assets, which is included in the consolidated statements of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
Cost of net revenue	$ 7,907	$ 2,571	$ 16,851	$ 5,940
Research and development	137	137	412	481
Selling, general and administrative	9,924	3,082	20,067	4,039
	$ 17,968	$ 5,790	$ 37,330	$ 10,460

Amortization of finite-lived intangible assets in cost of net revenue in the consolidated statements of operations results primarily from acquired developed technology.

The following table sets forth the activity during the nine months ended September 30, 2017 related to finite-lived intangible assets resulting from acquisitions, other additions, transfers to developed technology from in-process research and development, or IPR&D and amortization:

	Carrying Amount
	(in thousands)
Balance as of December 31, 2016	$ 81,861
Acquisitions	245,500
Additions	5,378
Transfers to developed technology from IPR&D	15,500
Amortization	(37,330)
Balance as of September 30, 2017	$ 310,909

The Company regularly reviews the carrying amount of its long-lived assets subject to depreciation and amortization, as well as the useful lives, to determine whether indicators of impairment may exist which warrant adjustments to carrying values or estimated useful lives. An impairment loss is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. Should impairment exist, the impairment loss is measured based on the excess of the carrying amount of the asset over the asset's fair value. During the three and nine months ended September 30, 2017 and 2016, no impairment losses related to finite-lived intangible assets were recognized.

The following table presents future amortization of the Company's finite-lived intangible assets at September 30, 2017:

	Amount
	(in thousands)
2017 (3 months)	$ 17,167
2018	65,598
2019	54,748
2020	53,882
2021	53,099
Thereafter	66,415
Total	$ 310,909

Indefinite-lived Intangible Assets

The following table sets forth the activity of the Company's indefinite-lived intangible assets resulting from acquisitions, transfers to developed technology from IPR&D and impairment losses:

	Gross Carrying Amount (in thousands)
Balance as of December 31, 2016	$ 22,400
Acquisitions	16,600
Transfers to developed technology from IPR&D	(15,500)
Impairment losses	(2,000)
Balance as of September 30, 2017	$ 21,500

The Company performs its annual assessment of indefinite-lived intangible assets on October 31 each year or more frequently if events or changes in circumstances indicate that the asset might be impaired utilizing a qualitative test as a precursor to the quantitative test comparing the fair value of the assets with their carrying amount. Based on the qualitative test, if it is more likely than not that indicators of impairment exists, the Company proceeds to perform a quantitative analysis. Impairment losses related to indefinite-lived intangible assets for the three and nine months ended September 30, 2017 were $2.0 million and related to a single IPR&D project of Exar, which was abandoned. Impairment losses related to indefinite-lived intangible assets for the three and nine months ended September 30, 2016 were $1.3 million and consisted of all of the IPR&D of the wireless infrastructure access business.

6. Financial Instruments

As of September 30, 2017, the Company did not have any financial instruments that are required to be measured at fair value on a recurring basis. The composition of financial instruments as of December 31, 2016 is as follows:

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Assets				
Money market funds	$ 39,181	$ —	$ —	$ 39,181
Government debt securities	28,025	—	(32)	27,993
Corporate debt securities	25,923	—	(7)	25,916
	93,129	—	(39)	93,090
Less amounts included in cash and cash equivalents	(39,181)	—	—	(39,181)
	$ 53,948	$ —	$ (39)	$ 53,909

	Fair Value at December 31, 2016 (in thousands)
Liabilities	
Contingent consideration	$ 375
Total	$ 375

The fair values of the Company's financial instruments are the amounts that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants and are recorded using a hierarchical disclosure framework based upon the level of subjectivity of the inputs used in measuring assets and liabilities. The levels are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available.

The Company classifies its financial instruments within Level 1 or Level 2 of the fair value hierarchy on the basis of valuations using quoted market prices or alternate pricing sources and models utilizing market observable inputs, respectively. The Company's money market funds were valued based on quoted prices for the specific securities in an active market and were therefore classified as Level 1. The government and corporate debt securities have been valued on the basis of valuations provided by third-party pricing services, as derived from such services' pricing models. The pricing services may use a consensus price which is a weighted average price based on multiple sources or mathematical calculations to determine the valuation for a security, and have been classified as Level 2. The Company reviews Level 2 inputs and fair value for reasonableness and the values may be further validated by comparison to independent pricing sources. In addition, the Company reviews third-party pricing provider models, key inputs and assumptions and understands the pricing processes at its third-party providers in determining the overall reasonableness of the fair value of its Level 2 financial instruments. The Company has not made any adjustments to the prices obtained from its third-party pricing providers. The contingent liability is classified as Level 3 as of December 31, 2016 and is valued using an internal rate of return model. The assumptions used in preparing the internal rate of return model include revenues earned related to Physpeed products and services and a discount factor of 1 at December 31, 2016. The contingent liability was settled in the nine months ended September 30, 2017. The assumptions used in preparing the internal rate of return model included estimates for outcome if milestone goals were achieved, the probability of achieving each outcome and discount rates. There were no significant changes in any of the unobservable inputs used in the fair value measurement of contingent consideration, and the resultant fair value.

The following table presents a summary of the Company's financial instruments that were measured at fair value on a recurring basis as of December 31, 2016:

		Fair Value Measurements at December 31, 2016		
	Balance at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Assets				
Money market funds	$ 39,181	$ 39,181	$ —	$ —
Government debt securities	27,993	—	27,993	—
Corporate debt securities	25,916	—	25,916	—
	$ 93,090	$ 39,181	$ 53,909	$ —
Liabilities				
Contingent consideration	$ 375	$ —	$ —	$ 375

The following summarizes the activity in Level 3 financial instruments:

	Nine Months Ended September 30,	
	2017	2016
	(in thousands)	
Contingent Consideration [1]		
Beginning balance	$ 375	$ 395
Physpeed earn-out payment	(375)	(240)
Loss recognized in net income[2]	—	209
Ending balance	$ —	$ 364
Net loss for the period included in net income attributable to contingent consideration held at the end of the period	$ —	$ (209)

(1) In connection with the acquisition of Physpeed, the Company recorded contingent consideration based upon the expected achievement of 2015 and 2016 revenue milestones. Changes to the fair value of contingent consideration due to changes in assumptions used in preparing the valuation model were recorded in selling, general and administrative expense in the unaudited consolidated statements of operations.

(2) Changes to the estimated fair value of contingent consideration for the three and nine months ended September 30, 2016 were primarily due to updates to present value discount factors.

There were no transfers between Level 1, Level 2 or Level 3 financial instruments in the three and nine months ended September 30, 2017.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Some of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, net receivables, certain other assets, accounts payable, accrued expenses, accrued compensation costs, and other current liabilities.

The Company's long-term debt is not recorded at fair value on a recurring basis, but is measured at fair value for disclosure purposes (Note 8).

7. Balance Sheet Details

Cash, cash equivalents, restricted cash and investments consist of the following:

	September 30, 2017	December 31, 2016
	(in thousands)	
Cash and cash equivalents	$ 71,576	$ 81,086
Short-term restricted cash	615	614
Long-term restricted cash	1,905	1,196
Total cash, cash equivalents and restricted cash	74,096	82,896
Short-term investments	—	47,918
Long-term investments	—	5,991
	$ 74,096	$ 136,805

Inventory consists of the following:

	September 30, 2017	December 31, 2016
	(in thousands)	
Work-in-process	$ 27,093	$ 13,947
Finished goods	36,599	12,636
	$ 63,692	$ 26,583

Property and equipment, net consists of the following:

	Useful Life (in Years)	September 30, 2017	December 31, 2016
		(in thousands)	
Furniture and fixtures	5	$ 2,108	$ 1,983
Machinery and equipment	3-5	32,495	27,028
Masks and production equipment	2	10,625	9,153
Software	3	5,085	3,625
Leasehold improvements	1-5	13,965	11,635
Construction in progress	N/A	228	39
		64,506	53,463
Less accumulated depreciation and amortization		(41,170)	(32,914)
		$ 23,336	$ 20,549

Depreciation expense for the three and nine months ended September 30, 2017 was $3.4 million and $9.2 million, respectively. Depreciation expense for the three and nine months ended September 30, 2016 was $3.0 million and $8.3 million, respectively.

Deferred revenue and deferred profit consist of the following:

	September 30, 2017	December 31, 2016
	(in thousands)	
Deferred revenue—rebates	$ 130	$ 464
Deferred revenue—distributor transactions	22,902	7,987
Deferred cost of net revenue—distributor transactions	(5,808)	(2,460)
	$ 17,224	$ 5,991

Accrued price protection liability consists of the following activity:

	Nine Months Ended September 30,	
	2017	2016
	(in thousands)	
Beginning balance	$ 15,176	$ 20,026
Charged as a reduction of revenue	36,256	34,501
Reversal of unclaimed rebates	(70)	(1,302)
Payments	(23,133)	(36,113)
Ending balance	$ 28,229	$ 17,112

Accrued expenses and other current liabilities consist of the following:

	September 30, 2017	December 31, 2016
	(in thousands)	
Accrued technology license payments	$ 5,186	$ 5,850
Accrued professional fees	1,079	1,620
Accrued engineering and production costs	1,565	1,232
Accrued restructuring	4,195	536
Accrued royalty	1,164	846
Accrued leases - other	1,418	1,560
Accrued customer credits	1,159	1,207
Income tax liability	4,167	235
Other	7,090	3,272
	$ 27,023	$ 16,358

8. Debt

As of September 30, 2017, the carrying amount of the Company's long-term debt consists of the following:

	September 30, 2017
	(in thousands)
Principal	$ 375,000
Less:	
Unamortized debt discount	(2,005)
Unamortized debt issuance costs	(5,673)
Net carrying amount of long-term debt	367,322
Less: current portion of long-term debt	—
Long-term debt, non-current portion	$ 367,322

On May 12, 2017, the Company entered into a credit agreement with certain lenders and a collateral agent in connection with the acquisition of Exar (Note 3). The credit agreement provides for an initial secured term B loan facility (the “Initial Term Loan”) in an aggregate principal amount of $425.0 million. The credit agreement permits the Company to request incremental loans in an aggregate principal amount not to exceed the sum of $160.0 million (subject to adjustments for any voluntary prepayments), plus an unlimited amount that is subject to pro forma compliance with certain secured leverage ratio and total leverage ratio tests. Incremental loans are subject to certain additional conditions, including obtaining additional commitments from the lenders then party to the credit agreement or new lenders.

Loans under the credit agreement bear interest, at the Company’s option, at a rate equal to either (i) a base rate equal to the highest of (x) the federal funds rate, plus 0.50%, (y) the prime rate then in effect and (z) an adjusted LIBOR rate determined on the basis of a one-three- or six-month interest period, plus 1.0% or (ii) an adjusted LIBOR rate, subject to a floor of 0.75%, in each case, plus an applicable margin of 2.50% in the case of LIBOR rate loans and 1.50% in the case of base rate loans. Commencing on September 30, 2017, the Initial Term Loan will amortize in equal quarterly installments equal to 0.25% of the original principal amount of the Initial Term Loan, with the balance payable on the maturity date. The Initial Term Loan has a term of seven years and will mature on May 12, 2024, at which time all outstanding principal and accrued and unpaid interest on the Initial Term Loan must be repaid. The Company is also required to pay fees customary for a credit facility of this size and type.

The Company is required to make mandatory prepayments of the outstanding principal amount of term loans under the credit agreement with the net cash proceeds from the disposition of certain assets and the receipt of insurance proceeds upon certain casualty and condemnation events, in each case, to the extent not reinvested within a specified time period, from excess cash flow beyond stated threshold amounts, and from the incurrence of certain indebtedness. The Company has the right to prepay its term loans under the credit agreement, in whole or in part, at any time without premium or penalty, subject to certain limitations and a 1.0% soft call premium applicable during the first six months for the loan term. The Company exercised its right to prepay and made aggregate prepayments of principal of $50.0 million in the three and nine months ended September 30, 2017.

The Company's obligations under the credit agreement are required to be guaranteed by certain of its domestic subsidiaries meeting materiality thresholds set forth in the credit agreement. Such obligations, including the guaranties, are secured by substantially all of the assets of the Company and the subsidiary guarantors pursuant to a security agreement with the collateral agent.

The credit agreement contains customary affirmative and negative covenants, including covenants limiting the ability of the Company and its restricted subsidiaries to, among other things, incur debt, grant liens, undergo certain fundamental changes, make investments, make certain restricted payments, and sell assets, in each case, subject to limitations and exceptions. The credit agreement also contains customary events of default that include, among other things, certain payment defaults, cross defaults to other indebtedness, covenant defaults, change in control defaults, judgment defaults, and bankruptcy and insolvency defaults. If an event of default exists, the lenders may require immediate payment of all obligations under the credit agreement, and may exercise certain other rights and remedies provided for under the credit agreement, the other loan documents and applicable law.

As of September 30, 2017, the weighted average effective interest rate payable on the long-term debt was 3.7%.

The debt is carried at its principal amount, net of unamortized debt discount and issuance costs, and is not adjusted to fair value each period. The issuance date fair value of the liability component of the debt in the amount of $398.5 million was determined using a discounted cash flow analysis, in which the projected interest and principal payments were discounted back to the issuance date of the term loan at a market interest rate for nonconvertible debt of 4.6%, which represents a Level 3 fair value measurement. The debt discount of $2.1 million and debt issuance costs of $6.0 million are being amortized to interest expense using the effective interest method from the issuance date through the contractual maturity date of the term loan of May 12, 2024. During the three and nine months ended September 30, 2017, the Company recognized amortization of debt discount of $0.08 million and $0.1 million, respectively, and debt issuance costs of $0.2 million and $0.3 million to interest expense. The approximate fair value of the term loan as of September 30, 2017 was $356.9 million, which was estimated on the basis of inputs that are observable in the market and which is considered a Level 2 measurement method in the fair value hierarchy.

As of September 30, 2017, the remaining principal balance on the term loan of $375.0 million is due on May 12, 2024 at the maturity date on the term loan.

9. Stock-Based Compensation and Employee Benefit Plans

Common Stock

On March 29, 2017, each share of the Company's then outstanding Class A common stock and Class B common stock automatically converted into a single class of common stock pursuant to the terms of the Company's Amended and Restated Certificate of Incorporation. Also on March 29, 2017, the shares underlying outstanding stock options, restricted stock units and restricted stock awards automatically converted to rights to receive shares of a single class of common stock. The conversion had no impact on the total number of issued and outstanding shares of capital stock; the Class A shares and Class B shares converted into an equivalent number of shares of common stock. The board of directors approved a reduction in the Company's total number of authorized shares of capital stock by 65,445,853 from 1,575,000,000 to 1,509,554,147 to account for the 58,876,053 shares of Class A common stock and 6,569,800 shares of Class B common stock retired upon conversion, such that the authorized number of shares of Class A common stock is 441,123,947 and the authorized number of shares of Class B common stock is 493,430,200. No additional Class A shares or Class B shares will be issued following the conversion. The authorized number of shares of common stock and preferred stock remain unchanged at 550,000,000 shares and 25,000,000 shares, respectively.

Following the conversion, each share of common stock is entitled to one vote per share and otherwise has the same designations, rights, powers and preferences as the Class A common stock prior to the conversion. In addition, holders of the common stock vote as a single class of stock on any matter that is submitted to a vote of stockholders. Prior to the conversion, the holders of the Company's Class A and Class B common stock had identical voting rights, except that holders of Class A common stock were entitled to one vote per share and holders of Class B common stock were entitled to ten votes per share with respect to transactions that would result in a change of control of the Company or that relate to the Company's equity incentive plans. In addition, holders of Class B common stock had the exclusive right to elect two members of the Company's Board of Directors, each referred to as a Class B Director. The shares of Class B common stock were not publicly traded. Each share of Class B common stock was convertible at any time at the option of the holder into one share of Class A common stock and in most instances automatically converted upon sale or other transfer.

Employee Benefit Plans

At September 30, 2017, the Company had stock-based compensation awards outstanding under the following plans: the 2004 Stock Plan, the 2010 Equity Incentive Plan, as amended, or 2010 Plan, the 2010 Employee Stock Purchase Plan, or ESPP, and plans under which equity incentive awards were assumed in connection with the recent acquisition of Exar Corporation. Refer to the Company's Annual Report for a summary of the Company's stock-based compensation and equity plans as of December 31, 2016. There have been no material changes to the terms of the Company's equity incentive plans during the nine months ended September 30, 2017. In connection with the Company's acquisition of Exar on May 12, 2017, the Company assumed unvested out-of-the-money stock options and unvested restricted units issued under the terms of the Exar Corporation equity incentive plans.

As of September 30, 2017, the number of shares of common stock reserved for issuance under the 2010 Plan was 12,227,713 shares. As of September 30, 2017, the number of shares of common stock reserved for issuance under the ESPP was 1,663,226 shares.

Stock-Based Compensation

The Company recognizes stock-based compensation in the consolidated statements of operations, based on the department to which the related employee reports, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(in thousands)		(in thousands)	
Cost of net revenue	$ 93	$ 56	$ 231	$ 150
Research and development	4,337	4,332	11,841	10,916
Selling, general and administrative	2,965	1,876	7,911	5,409
Restructuring	401	—	4,915	—
	$ 7,796	$ 6,264	$ 24,898	$ 16,475

The total unrecognized compensation cost related to unvested restricted stock units and restricted stock awards as of September 30, 2017 was $54.6 million, and the weighted average period over which these equity awards are expected to vest is 2.61 years. The total unrecognized compensation cost related to unvested stock options as of September 30, 2017 was $8.4 million, and the weighted average period over which these equity awards are expected to vest is 2.08 years.

Restricted Stock Units and Restricted Stock Awards

The Company calculates the fair value of restricted stock units based on the fair market value of the Company's common stock (formerly Class A common stock) on the grant date. Stock based compensation is recognized over the vesting period using the straight-line method.

A summary of the Company's restricted stock unit and restricted stock award activity is as follows:

	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value per Share
Outstanding at December 31, 2016	3,670	$ 14.67
Granted	1,349	27.27
Assumed in acquisition	250	31.12
Vested	(1,394)	15.88
Canceled	(375)	20.13
Outstanding at September 30, 2017	3,500	19.68

Employee Stock Purchase Rights and Stock Options

The Company uses the Black-Scholes valuation model to calculate the fair value of employee stock purchase rights and stock options granted to employees. Stock based compensation expense is recognized over the vesting period using the straight-line method.

Employee Stock Purchase Rights

During the nine months ended September 30, 2017, there were 117,217 shares of common stock purchased under the ESPP. The shares were purchased on May 15, 2017 at a grant price of $18.11 per share.

The fair values of employee stock purchase rights were estimated using the Black-Scholes option pricing model at their respective grant date using the following assumptions:

	Nine Months Ended September 30, 2017
Weighted-average grant date fair value per share	$6.20 - $7.46
Risk-free interest rate	0.60 - 1.13
Dividend yield	—%
Expected life (in years)	0.38 - 0.50
Volatility	29.56 - 49.94

The risk-free interest rate assumption was based on the United States Treasury's rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. The assumed dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future. The expected life is the duration of the offering period for each grant date. In addition, the estimated volatility incorporates the historical volatility of the Company's daily share closing price.

Stock Options

A summary of the Company's stock options activity is as follows:

	Number of Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2016	3,025	$ 6.78		
Assumed in acquisition	1,135	17.44		
Exercised	(761)	9.28		
Canceled	(196)	18.05		
Outstanding at September 30, 2017	3,203	$ 9.28	2.82	$ 46,708
Vested and expected to vest at September 30, 2017	3,180	$ 9.23	2.80	$ 46,525
Exercisable at September 30, 2017	2,643	$ 8.03	2.33	$ 41,839

No stock options were granted by the Company during the nine months ended September 30, 2017.

The intrinsic value of stock options exercised was $0.9 million and $0.3 million in the three months ended September 30, 2017 and 2016. The intrinsic value of stock options exercised was $15.2 million and $5.5 million in the nine months ended September 30, 2017 and 2016, respectively.

Cash received from exercise of stock options was $1.1 million and $0.2 million during the three months ended September 30, 2017 and 2016, respectively. Cash received from exercise of stock options was $7.1 million and $2.3 million during the nine months ended September 30, 2017 and 2016, respectively.

The tax benefit from stock options exercised was $0.9 million and $0.2 million during the three months ended September 30, 2017 and 2016, respectively. The tax benefit from stock options exercised was $11.2 million and $4.7 million during the nine months ended September 30, 2017 and 2016, respectively.

Employee Incentive Bonus

The Company settles a majority of bonus awards for its employees, including executives, in shares of common stock under the 2010 Equity Incentive Plan. When bonus awards are settled in common stock issued under the 2010 Equity Incentive Plan, the number of shares issuable to plan participants is determined based on the closing price of the Company's common stock as determined in trading on the New York Stock Exchange on a date approved by the Board of Directors. In connection with the Company's bonus programs, in February 2017, the Company issued 0.2 million freely-tradable shares of the Company's Class A common stock in settlement of bonus awards to employees, including executives, for the July 1, 2016 to December 31, 2016 performance period. At September 30, 2017, the Company has an accrual of $5.0 million for bonus awards for employees for year-to-date achievement in the 2017 performance period. The Company's compensation committee retains discretion to effect payment in cash, stock, or a combination of cash and stock.

10. Income Taxes

The provision for income taxes primarily related to projected current federal, state, and foreign income taxes. To determine the quarterly provision for income taxes, the Company used an estimated annual effective tax rate, which is generally based on expected annual income and statutory tax rates in the various jurisdictions in which the Company operates. In addition, the tax effects of certain significant or unusual item are recognized discretely in the quarter during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The Company utilizes the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the temporary differences reverse. The Company records a valuation allowance to reduce its deferred taxes to the amount it believes is more likely than not to be realized. In making such determination, the Company considers all available positive and negative evidence quarterly, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. Based upon the Company's review of all positive and negative evidence, the Company released the valuation allowance against certain of its federal deferred tax assets during the three months ended June 30, 2017. Of the federal valuation allowance of $61.6 million as of December 31, 2016, the Company released $50.1 million during the three months ended June 30, 2017. The ending federal valuation allowance as of September 30, 2017 was $11.5 million. The Company continues to have a valuation allowance on its state deferred tax assets as well as certain foreign jurisdictions where the Company has cumulative losses or otherwise is not expected to utilize certain tax attributes.

The Company recorded a benefit for income taxes of $6.3 million and $33.8 million in the three and nine months ended September 30, 2017, respectively, and a provision for income taxes of $1.1 million and $2.2 million for the three and nine months ended September 30, 2016, respectively. The benefit from income taxes in the three and nine months ended September 30, 2017 primarily relates to the release of the U.S. federal valuation allowance during the three months ended June 30, 2017, offset by certain discrete tax effects related to initial intercompany royalties from our Singapore subsidiary to our U.S. parent during the three months ended June 30, 2017. The provision for income taxes in the three and nine months ended September 30, 2016 primarily relates to federal alternative minimum tax due to the Company's limitation on use of net operating losses, credit carryforwards, state income taxes, and income taxes in certain foreign jurisdictions.

Income tax positions must meet a more-likely-than-not threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first financial reporting period in which that threshold is no longer met. The Company records potential penalties and interest accrued related to unrecognized tax benefits within the consolidated statements of income as income tax expense. During the nine months ended September 30, 2017, the Company’s unrecognized tax benefits increased by $37.2 million. Of this amount, $35.8 million of the increase relates to the acquisition of Exar and $35.1 million of such increase is offset against the Company's deferred taxes. Other than as related to purchase accounting for Exar, the Company does not expect its unrecognized tax benefits to change significantly over the next 12 months. Accrued interest and penalties associated with uncertain tax positions as of September 30, 2017 were $1.2 million and $0.3 million, respectively.

The Company files federal, state, and foreign income tax returns in jurisdictions with varying statutes of limitations. For federal income taxes, years prior to 2013 are closed. For state income taxes, years prior to 2012 are closed. In most foreign jurisdictions, years prior to 2009 are closed.

Singapore Tax Incentives

In April 2017, through its subsidiary in Singapore, the Company began operating under certain tax incentives in Singapore, which are generally effective through March 2022 and may be extended through March 2027. Under these incentives, qualifying income derived from certain sales of the Company's integrated circuits is taxed at a concessionary rate over the incentive period. The Company also receives a reduced withholding tax rate on certain intercompany royalty payments made by the Company's Singapore subsidiary during the incentive period. Such incentives are conditional upon our meeting certain minimum employment and investment thresholds within Singapore over time, and the Company may be required to return certain tax benefits in the event the Company does not achieve compliance related to that incentive period. The Company currently believes that it will be able to satisfy these conditions without material risk.

11. Concentration of Credit Risk, Significant Customers and Geographic Information

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable. Collateral is generally not required for customer receivables. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. At times, such deposits may be in excess of insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

Significant Customers

The Company markets its products and services to manufacturers of a wide range of electronic devices (Note 1). The Company makes periodic evaluations of the credit worthiness of its customers.

Customers comprising greater than 10% of net revenues for each of the periods presented are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Percentage of total net revenue				
Customer A	26%	28%	27%	27%
Customer B	*	*	*	11%

* Represents less than 10% of the net revenue for the respective period.

Balances that are 10% or greater of accounts receivable, based on the Company's billings to the contract manufacturer customers, are as follows:

	September 30, 2017	December 31, 2016
Percentage of gross accounts receivable		
Customer C	18%	17%
Customer D	11%	15%
Customer E	*	12%

* Represents less than 10% of the gross accounts receivable as of the respective period end.

Suppliers comprising greater than 10% of total inventory purchases are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Vendor A	21%	16%	21%	15%
Vendor B	11%	18%	15%	12%
Vendor C	*	10%	15%	12%
Vendor D	16%	10%	14%	11%
Vendor E	11%	23%	12%	19%
Vendor F	*	*	*	13%

* Represents less than 10% of the inventory purchases for the respective period.

Geographic Information

The Company's consolidated net revenues by geographic area based on ship-to location are as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
	Amount	% of total net revenue	Amount	% of total net revenue	Amount	% of total net revenue	Amount	% of total net revenue
Asia	$ 97,236	86%	$ 84,878	88%	$ 276,367	90%	$ 277,044	92%
United States	3,714	3%	4,068	4%	5,954	2%	9,140	3%
Rest of world	12,631	11%	7,378	8%	24,276	8%	14,512	5%
Total	$ 113,581	100%	$ 96,324	100%	$ 306,597	100%	$ 300,696	100%

The products shipped to individual countries representing greater than 10% of net revenue for each of the periods presented are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Percentage of total net revenue				
China	68%	73%	72%	81%

The determination of which country a particular sale is allocated to is based on the destination of the product shipment. No other individual country in Asia Pacific, United States, or the rest of the world accounted for more than 10% of net revenue during these periods.

Long-lived assets, which consists of property and equipment, net, intangible assets, net, and goodwill by geographic area are as follows (in thousands):

	September 30, 2017		December 31, 2016	
	Amount	% of total	Amount	% of total
United States	$ 495,543	83%	$ 111,336	55%
Singapore	97,459	16%	78,318	39%
Rest of world	2,416	1%	11,171	6%
Total	$ 595,418	100%	$ 200,825	100%

12. Commitments and Contingencies

Lease Commitments and Other Contractual Obligations

The Company leases facilities and certain equipment under operating lease arrangements expiring at various years through 2023. As of September 30, 2017, future minimum payments under non-cancelable operating leases, inventory purchase and other obligations are as follows:

	Operating Leases	Inventory Purchase Obligations	Other Obligations	Total
	(in thousands)			
2017 (3 months)	$ 2,868	$ 32,908	$ 2,408	$ 38,184
2018	9,313	—	7,526	16,839
2019	9,282	—	7,529	16,811
2020	9,392	—	3,781	13,173
2021	9,128	—	30	9,158
Thereafter	5,654	—	—	5,654
Total minimum payments	$ 45,637	$ 32,908	$ 21,274	$ 99,819

Other obligations consist of contractual payments due for software licenses.

The total rental expense for operating leases was $1.4 million and $3.0 million for the three and nine months ended September 30, 2017, respectively. The total rental expense for operating leases was $0.8 million and $2.3 million for the three and nine months ended September 30, 2016, respectively.

The Company has subleased certain facilities that it ceased using in connection with a restructuring plan (Note 4). Such subleases expire at various years through fiscal 2023. As of September 30, 2017, future minimum rental income under non-cancelable subleases is as follows:

	Amount
	(in thousands)
2017 (3 months)	$ 563
2018	2,833
2019	3,544
2020	4,026
2021	4,120
Thereafter	1,231
Total minimum rental income	$ 16,317

Total sublease income related to leased facilities the Company ceased using in connection with a restructuring plan for the three and nine months ended September 30, 2017 was approximately $0.5 million and $1.6 million, respectively (Note 4). Total sublease income related to leased facilities the Company ceased using in connection with a restructuring plan for the three and nine months ended September 30, 2016 was approximately $0.4 million and $0.9 million, respectively (Note 4).

Exar iML Divestiture Indemnification

Under the terms of the purchase agreement relating to the November 9, 2016 divestiture of Integrated Memory Logic Limited, or iML, by Exar, Exar agreed to indemnify the purchaser of the business unit for breaches of representations and warranties and covenants and for certain other matters. Exar also agreed to place $5.0 million of the total purchase price into an escrow account for a period of 18 months to partially secure its indemnification obligations under the purchase agreement. In addition, Exar's indemnification obligations for breaches of representations and warranties survive for 12 months from the closing of the sale transaction, except for breaches of representations and warranties covering intellectual property, which survive for 18 months, and breaches of representations and warranties of certain fundamental representations, which survive until the expiration of the applicable statute of limitations. Exar’s maximum indemnification obligation for breaches of representations and warranties, other than intellectual property and fundamental representations, is $13.6 million, its maximum indemnification obligation for breaches of intellectual property representations is $34.0 million, and is maximum indemnity obligation for breaches of fundamental representations is the full purchase price amount (approximately $136.0 million). The aggregate amount recovered by the purchaser in accordance with the indemnification provisions with respect to matters that are subject to the intellectual property representations, together with the aggregate amount recovered by the Buyer in accordance with the indemnification provisions with respect to matters that are subject to the general representations and warranties (other than fundamental representations), will in no event exceed $34.0 million. If the Company were required to make payments in satisfaction of these indemnification obligations, it could have a material adverse effect on the Company's financial condition and results of operations.

CrestaTech Litigation

On January 21, 2014, CrestaTech Technology Corporation, or CrestaTech, filed a complaint for patent infringement against the Company in the United States District Court of Delaware, or the District Court Litigation. In its complaint, CrestaTech alleges that the Company infringes U.S. Patent Nos. 7,075,585, or the ‘585 Patent, and 7,265,792, or the ‘792 Patent. In addition to asking for compensatory damages, CrestaTech alleges willful infringement and seeks a permanent injunction. CrestaTech also names Sharp Corporation, Sharp Electronics Corp. and VIZIO, Inc. as defendants based upon their alleged use of the Company's television tuners.

On January 28, 2014, CrestaTech filed a complaint with the U.S. International Trade Commission, or ITC, again naming, among others, MaxLinear, Sharp, Sharp Electronics, and VIZIO, or the ITC Investigation. On May 16, 2014, the ITC granted CrestaTech’s motion to file an amended complaint adding six OEM Respondents, namely, SIO International, Inc., Hon Hai Precision Industry Co., Ltd., Wistron Corp., Wistron Infocomm Technology (America) Corp., Top Victory Investments Ltd. and TPV International (USA), Inc., which are collectively referred to with MaxLinear, Sharp and VIZIO as the Company Respondents. CrestaTech’s ITC complaint alleged a violation of 19 U.S.C. § 1337 through the importation into the United States, the sale for importation, or the sale within the United States after importation of MaxLinear's accused products that CrestaTech alleged infringe the same two patents asserted in the Delaware action. Through its ITC complaint, CrestaTech sought an exclusion order preventing entry into the United States of certain of the Company's television tuners and televisions containing such tuners from Sharp, Sharp Electronics, and VIZIO. CrestaTech also sought a cease and desist order prohibiting the Company Respondents from engaging in the importation into, sale for importation into, the sale after importation of, or otherwise transferring within the United States certain of the Company's television tuners or televisions containing such tuners.

On March 10, 2014, the court stayed the District Court Litigation pending resolution of the ITC Investigation.

On December 15, 2014, the ITC held a trial in the ITC Investigation. On February 27, 2015, the Administrative Law Judge, or the ALJ, issued a written Initial Determination, or ID, ruling that the Company Respondents do not violate Section 1337 in connection with CrestaTech’s asserted patents because CrestaTech failed to satisfy the economic prong of the domestic industry requirement pursuant to Section 1337(a)(2). In addition, the ID stated that certain of the Company's television tuners and televisions incorporating those tuners manufactured and sold by certain customers infringe three claims of the ‘585 Patent, and these three claims were not determined to be invalid. On April 30, 2015, the ITC issued a notice indicating that it intended to review portions of the ID finding no violation of Section 1337, including the ID’s findings of infringement with respect to, and validity of, the ‘585 Patent, and the ID’s finding that CrestaTech failed to establish the existence of a domestic industry within the meaning of Section 1337.

The ITC subsequently issued its opinion, which terminated its investigation. The opinion affirmed the findings of the ALJ that no violation of Section 1337 had occurred because CrestaTech had failed to establish the economic prong of the domestic industry requirement. The ITC also affirmed the ALJ's finding of infringement with respect to the three claims of the '585 Patent that were not held to be invalid.

On November 30, 2015, CrestaTech filed an appeal of the ITC decision with the United States Court of Appeals for the Federal Circuit, or the Federal Circuit. On March 7, 2016, CrestaTech voluntarily dismissed its appeal, resulting in a final determination of the ITC Investigation in the Company's favor.

In addition, the Company has filed four petitions for inter partes review, or IPR, by the US Patent Office, two for each of the CrestaTech patents asserted against the Company. The Patent Trial and Appeal Board, or the PTAB, did not institute two of these IPRs as being redundant to IPRs filed by another party that were already underway for the same CrestaTech patent. The remaining two petitions were instituted or instituted-in-part and, together with the IPRs filed by third parties, there are currently six pending IPR proceedings involving the two CrestaTech patents asserted against the Company.

In October 2015, the PTAB issued final decisions in two of the six pending IPR proceedings (one for each of the two asserted patents), holding that all of the reviewed claims are unpatentable. Included in these decisions was one of the three claims of the ‘585 Patent mentioned above in connection with the ITC’s final decision. CrestaTech appealed the PTAB’s decisions at the Federal Circuit. On November 8, 2016, the Federal Circuit issued an opinion affirming the PTAB’s finding of unpatentability.

In August 2016, the PTAB issued final written decisions in the remaining four pending IPR proceedings (two for each of the asserted patents), holding that many of the reviewed claims - including the two remaining claims of the ‘585 Patent which the ITC held were infringed - are unpatentable. As a result of these IPR decisions, all 13 claims that CrestaTech asserted against the Company in the ITC Investigation have been found to be unpatentable by the PTAB. The parties have appealed the two decisions related to the ‘585 Patent; however, no appeals were filed as to the PTAB's rulings for the '792 Patent. Briefing is complete in these appeals, but the Federal Circuit has yet to schedule oral argument for these appeals.

On March 18, 2016, CrestaTech filed a petition for Chapter 7 bankruptcy in the Northern District of California. As a result of this proceeding, all rights in the CrestaTech asserted patents, including the right to control the pending litigation, were assigned to CF Crespe LLC, or CF Crespe. CF Crespe is now the named party in the pending IPRs, the Federal Circuit appeal and District Court Litigation.

Per the Court’s request, on April 19, 2017, the parties submitted a status report in the District Court Litigation. In their report, the parties suggested that the District Court Litigation remain stayed pending the Federal Circuit’s decision in the appeal of the ‘585 IPRs, and any subsequent appeal thereof.

The Company cannot predict the outcome of any appeal by CF Crespe or CrestaTech, the District Court Litigation, or the IPRs. Any adverse determination in the District Court Litigation could have a material adverse effect on the Company's business and operating results.

Trango Systems, Inc. Litigation

On or about August 2, 2016, Trango Systems, Inc., or Trango, filed a complaint in the Superior Court of California, County of San Diego, Central Division, against defendants Broadcom Corporation, Inc., or Broadcom, and the Company, collectively, Defendants. Trango is a purchaser that alleges various fraud, breach of contract, and interference with economic relations claims in connection with the discontinuance of a chip line the Company acquired from Broadcom in 2016. Trango seeks unspecified general and special damages, pre-judgment interest, expenses and costs, attorneys’ fees, punitive damages, and unspecified injunctive and equitable relief. The Company intends to vigorously defend against the lawsuit. On June 23, 2017, the Court sustained the Company's demurrer to each cause of action in the second amended complaint filed on or about December 6, 2016. Trango filed its third amended complaint on or about July 13, 2017. On August 17, 2017 the Company filed a demurrer to each cause of action against the Company in the third amended complaint, as well as a motion to strike certain allegations. Trango’s oppositions to the Company's demurrer and motion to strike are due on November 27, 2017 and the court hearing on the Company's demurrer and motion to strike is scheduled for December 8, 2017.

The Company cannot predict the outcome of the Trango Systems, Inc. litigation. Any adverse determination in the Trango Systems, Inc. litigation could have a material adverse effect on the Company's business and operating results.

Exar Shareholder Litigation

On April 18, 2017, The Vladimir Gusinsky Revocable Trust filed a complaint in the United States District Court for the Northern District of California against Exar, its board of directors, MaxLinear, and Eagle Acquisition Corporation (a wholly owned subsidiary of MaxLinear), captioned *The Vladimir Gusinsky Rev. Trust v. Exar Corp. et al.*, No. 5:17-CV-2150-SI (N.D. Cal.). On April 25, 2017, Richard E. Marshall filed a complaint in United States District Court for the Northern District of California against Exar and its board of directors, captioned *Marshall v. Exar Corp. et al.*, No. 3:17-CV-02334 (N.D. Cal.). MaxLinear and Eagle Acquisition Corp. were not named as defendants in the *Marshall* action. The complaints generally alleged that the merger with Exar offered inadequate consideration to Exar’s shareholders and that the Schedule 14D-9 filed by Exar in connection with the merger omitted material information. The complaints purported to bring class claims for violation of sections 14(e), 14(d), and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14d-9. The complaints sought certification of a class; an injunction barring the merger or, if defendants enter into the merger, an order rescinding it or awarding rescissory damages; declaratory relief; and plaintiff’s costs, including attorneys’ fees and experts’ fees.

On or about May 3, 2017, the parties to the above-referenced lawsuits reached an agreement whereby plaintiffs voluntarily dismissed the claims brought by Mr. Marshall and The Vladimir Gusinsky Revocable Trust with prejudice (but without prejudice as to other members of the putative class), defendants made certain supplemental disclosures, and the plaintiffs would receive a mootness fee. On May 3, 2017, Exar made the supplemental disclosures contemplated by this agreement. On October 24, 2017, the parties entered a Settlement Agreement Regarding Claim for Mootness Fees pursuant to which the Company agreed to pay counsel for the plaintiffs a mootness fee. The Company has now paid the fee, and with the execution of the settlement agreement, this litigation has been resolved.

Other Matters

In addition, from time to time, the Company is subject to threats of litigation or actual litigation in the ordinary course of business, some of which may be material. Other than the CrestaTech, Trango and Exar litigation described above, the Company believes that there are no other currently pending litigation matters that, if determined adversely by the Company, would have a material effect on the Company's business or that would not be covered by the Company's existing liability insurance.

13. Subsequent Events

Interest Rate Swap

In November 2017, the Company entered into a fixed-for-floating interest rate swap agreement with a notional amount of $350.0 million to swap variable rate interest payments under its term loans for fixed interest payments bearing an interest rate of 1.74685%.

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

Forward-Looking Statements

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included elsewhere in this report.

Overview

We are a provider of radio frequency, or RF, mixed-signal and high-performance analog integrated circuits for the connected home, wired and wireless infrastructure, and industrial and multi-market applications. Our high-performance RF receiver products capture and process digital and analog broadband signals to be decoded for various applications. These products include both RF receivers and RF receiver systems-on-chip, or SoCs, which incorporate our highly integrated radio system architecture and the functionality necessary to receive and demodulate broadband signals, modem solutions and physical medium devices that provide a constant current source, current-to-voltage regulation, and data alignment and retiming functionality in optical interconnect applications. Through our acquisition of Entropic Communications, Inc., or Entropic, in April 2015, and the acquisition of Marvell's G.hn business in April 2017, we provide semiconductor solutions for the connected home and home broadband access markets, including MoCA® (Multimedia over Coax Alliance) and G.hn solutions that transform how traditional HDTV broadcast and Internet Protocol, or IP, based streaming video content is seamlessly, reliably, and securely distributed into and throughout the home. Through our acquisition of the Microsemi wireless infrastructure access business in April 2016, we provide integrated circuits for wireless infrastructure markets, including wideband RF transceivers and synthesizers for 3G, 4G, and future 5G cellular base station and remote radio head (RRH) unit platforms. Through our acquisition of the Broadcom wireless infrastructure backhaul business in July 2016, we provide modem solutions into cellular infrastructure backhaul applications. Through our acquisition of Exar Corporation in May 2017, we have added to our product portfolio high-performance analog and mixed-signal products for enterprise, infrastructure, communications, industrial, automotive and multi-market applications.

Our net revenue has grown from approximately $0.6 million in fiscal 2006 to $387.8 million in fiscal 2016. In the nine months ended September 30, 2017, revenues were $306.6 million. In fiscal 2016 and in the nine months ended September 30, 2017, our net revenue was derived primarily from sales of RF receivers and RF receiver systems-on-chip and connectivity solutions into broadband operator voice and data modems and gateways and connectivity adapters, global analog and digital RF receiver products for analog and digital pay-TV applications, radio and modem solutions into wireless carrier access and backhaul infrastructure platforms, high-speed optical interconnect solutions sold into optical modules for data-center, metro and long-haul networks, and high-performance interface and power management solutions into a broad range of communications, industrial, automotive and multi-market applications. Our ability to achieve revenue growth in the future will depend on, among other factors, our ability to further penetrate existing markets; our ability to expand our target addressable markets by developing new and innovative products; and our ability to obtain design wins with device manufacturers, in particular manufacturers of set-top boxes, data modems, and gateways for the broadband service provider and pay-TV industries, manufacturers selling into the smartphone market, storage networking market, cable infrastructure market, industrial and automotive markets, and optical module and telecommunications infrastructure markets.

Products shipped to Asia accounted for 90% and 92% of our net revenue in the nine months ended September 30, 2017 and 2016, respectively. Although a large percentage of our products are shipped to Asia, we believe that a significant number of the systems designed by these customers and incorporating our semiconductor products are then sold outside Asia. For example, we believe revenue generated from sales of our digital terrestrial set-top box products in the nine months ended September 30, 2017 and 2016 related principally to sales to Asian set-top box manufacturers delivering products into Europe, Middle East, and Africa, or EMEA markets. Similarly, revenue generated from sales of our cable modem products in the nine months ended September 30, 2017 and 2016 related principally to sales to Asian ODMs and contract manufacturers delivering products into European and North American markets. To date, most of our sales have been denominated in United States dollars.

A significant portion of our net revenue has historically been generated by a limited number of customers. In the three months ended September 30, 2017, one of our customers, Arris Group, Inc., or Arris, accounted for 26% of our net revenue, and our ten largest customers collectively accounted for 58% of our net revenue. In the nine months ended September 30, 2017, one of our customers, Arris Group, Inc., or Arris, accounted for 27% of our net revenue, and our ten largest customers collectively accounted for 60% of our net revenue. In the three months ended September 30, 2016, Arris accounted for 28% of our net revenue, and our ten largest customers collectively accounted for 73% of our net revenue. In the nine months ended September 30, 2016, Arris accounted for 27% of our net revenue, and our ten largest customers collectively accounted for 77% of our net revenue. For certain customers, we sell multiple products into disparate end user applications such as cable modems, satellite set-top boxes and broadband gateways.

Our business depends on winning competitive bid selection processes, known as design wins, to develop semiconductors for use in our customers' products. These selection processes are typically lengthy, and as a result, our sales cycles will vary based on the specific market served, whether the design win is with an existing or a new customer and whether our product being designed in our customer's device is a first generation or subsequent generation product. Our customers' products can be complex and, if our engagement results in a design win, can require significant time to define, design and result in volume production. Because the sales cycle for our products is long, we can incur significant design and development expenditures in circumstances where we do not ultimately recognize any revenue. We do not have any long-term purchase commitments with any of our customers, all of whom purchase our products on a purchase order basis. Once one of our products is incorporated into a customer's design, however, we believe that our product is likely to remain a component of the customer's product for its life cycle because of the time and expense associated with redesigning the product or substituting an alternative chip. Product life cycles in our target markets will vary by application. For example, in the hybrid television market, a design-in can have a product life cycle of 9 to 18 months. In the terrestrial retail digital set-top box market, a design-in can have a product life cycle of 18 to 24 months. In the cable operator modem and gateway sectors, a design-in can have a product life cycle of 24 to 48 months. In the industrial and wired and wireless infrastructure markets, a design-in can have a product life cycle of 24 to 60 months and beyond.

On April 30, 2015, we completed our acquisition of Entropic. Pursuant to the terms of the merger agreement or merger agreements dated as of February 3, 2015, by and among MaxLinear, Entropic, and two wholly-owned subsidiaries of MaxLinear, all of the Entropic outstanding shares were converted into the right to receive consideration consisting of cash and shares of our Class A common stock. We paid an aggregate of $111.1 million in cash and issued an aggregate of 20.4 million shares of our Class A common stock to the stockholders of Entropic. In addition, we assumed all outstanding Entropic stock options and unvested restricted stock units that were held by continuing service providers (as defined in the merger agreement). We used Entropic's cash and cash equivalents to fund a significant portion of the cash portion of the merger consideration and, to a lesser extent, our own cash and cash equivalents.

On April 28, 2016, we entered into an asset purchase agreement with Microsemi Storage Solutions, Inc., formerly known as PMC-Sierra, Inc., or Microsemi, and consummated the transactions contemplated by the asset purchase agreement. We paid cash consideration of $21.0 million for the purchase of certain wireless access assets of Microsemi's wireless infrastructure access business, and assumed certain specified liabilities. The assets acquired include, among other things, radio frequency and analog/mixed signal patents and other intellectual property, in-production and next-generation RF transceiver designs, a workforce-in-place, and other intangible assets, as well as tangible assets that include but are not limited to production masks and other production related assets, inventory, and other property, plant, and equipment. The liabilities assumed include, among other things, product warranty obligations and accrued vacation and severance obligations for employees of the wireless infrastructure access business that were rehired by the Company.

On May 9, 2016, we entered into a definitive agreement to purchase certain assets and assume certain liabilities of the wireless infrastructure backhaul business of Broadcom Corporation, or Broadcom. On July 1, 2016, we consummated the transactions contemplated by the purchase agreement and paid aggregate cash consideration of $80.0 million and hired certain employees of the wireless infrastructure backhaul business. The assets acquired include, among other things, digital baseband, radio frequency, or RF, and analog/mixed signal patents and other intellectual property, in-production and next-generation digital baseband and RF transceiver integrated circuit and reference platform designs, a workforce-in-place, and other intangible assets, as well as tangible assets that include but are not limited to production masks and other production related assets, inventory, and other property and equipment. The liabilities assumed include, among other things, product warranty obligations, liabilities for technologies acquired, and a payable to Broadcom as reimbursement of costs associated with the termination of those employees of the wireless infrastructure backhaul business who were not hired by MaxLinear upon the closing of the acquisition.

The acquired assets and liabilities, together with the rehired employees for each of these acquisitions, represent a business as defined in ASC 805, *Business Combinations.* We integrated the acquired assets and rehired employees into our existing business.

On March 29, 2017, each share of our then outstanding Class A common stock and Class B common stock and shares underlying our then outstanding stock options, restricted stock units and restricted stock awards automatically converted into a single class of our common stock or rights to receive shares of a single class of our common stock pursuant to the terms of our Fifth Amended and Restated Certificate of Incorporation. The conversion had no impact on the total number of issued and outstanding shares of our capital stock; the Class A shares and Class B shares converted into an equivalent number of shares of our common stock. In addition, the conversion did not increase the total number of authorized shares of our common stock, which prior to the conversion was, and remains, 550,000,000 shares. However, our total number of authorized shares of capital stock was reduced from 1,575,000,000 to 1,509,554,147, to account for the retirement of the Class A shares and Class B shares that were outstanding at the time of the conversion. Following the conversion, our authorized capital stock includes 441,123,947 Class A shares and 493,430,200 Class B shares, which represents Class A shares and Class B shares that were authorized but unissued at the time of the conversion. No additional Class A shares or Class B shares will be issued following the conversion.

Following the conversion, each share of our common stock is entitled to one vote per share and otherwise has the same designations, rights, powers and preferences as the Class A common stock prior to the conversion. In addition, holders of our common stock vote as a single class of stock on any matter that is submitted to a vote of our stockholders. Prior to the conversion, the holders of our Class A and Class B common stock had identical voting rights, except that holders of Class A common stock were entitled to one vote per share and holders of Class B common stock were entitled to ten votes per share with respect to transactions that would result in a change of control of our company or that relate to our equity incentive plans. In addition, holders of Class B common stock had the exclusive right to elect two members of our Board of Directors, each referred to as a Class B Director. The shares of our Class B common stock were not publicly traded. Each share of our Class B common stock was convertible at any time at the option of the holder into one share of Class A common stock and in most instances automatically converted upon sale or other transfer.

Recent Developments

On April 4, 2017, we consummated the transactions contemplated by a share and asset acquisition agreement with Marvell Semiconductor Inc., or Marvell, to purchase certain assets and assume certain liabilities of Marvell's G.hn business, including its Spain legal entity, for aggregate cash consideration of $21.0 million. We also hired certain employees of the G.hn business outside of Spain and assumed employment obligations of the Spanish entity we acquired, which is now a subsidiary of MaxLinear. The assets acquired include, among other things, patents and other intellectual property, a workforce-in-place and other intangible assets, as well as tangible assets that include but are not limited to production masks and other production related assets, inventory and other property and equipment. The liabilities assumed include, among other things, product warranty obligations and accrued vacation and severance obligations for employees who joined MaxLinear and its subsidiaries as a result of the transaction. The acquired assets and assumed liabilities, together with the employees, represent a business as defined in ASC 805, *Business Combinations*. We are integrating the acquired assets and employees into our existing business.

In the quarter ended June 30, 2017, our subsidiary in Singapore began operating under certain tax incentives in Singapore, which are generally effective through March 2022 and may be extended through March 2027. Under these incentives, qualifying income derived from certain sales of our integrated circuits is taxed at a concessionary rate over the incentive period. We also receive a reduced withholding tax rate on certain intercompany royalty payments made by our Singapore subsidiary during the incentive period. Such incentives are conditional upon our meeting certain minimum employment and investment thresholds within Singapore over time, and we may be required to return certain tax benefits in the event the Company does not achieve compliance related to that incentive period. We currently believe that we will be able to satisfy these conditions without material risk. Primarily because of our Singapore net operating losses and our full valuation allowance in Singapore, we do not believe the incentives will have a material impact on our income tax position in the periods ending December 31, 2017 or December 31, 2018.

On May 12, 2017, pursuant to the March 28, 2017 Agreement and Plan of Merger, Eagle Acquisition Corporation, a Delaware corporation and wholly-owned subsidiary of MaxLinear merged with and into Exar Corporation, or Exar, with Exar surviving as a wholly owned subsidiary of MaxLinear. Under this Agreement and Plan of Merger, we agreed to acquire Exar's outstanding common stock for $13.00 per share in cash. We also assumed certain of Exar's stock-based awards in the merger. We paid aggregate cash consideration of $688.1 million, including $12.7 million of cash paid to settle certain stock-based awards that were not assumed by us in the merger. We funded the transaction with cash from the balance sheet of the combined companies and the net proceeds of approximately $416.8 million under a secured term loan facility in an aggregate principal amount of $425.0 million. The facility is available (i) to finance the Merger, refinance certain existing indebtedness of Exar and its subsidiaries, and fund all related transactions, (ii) to pay fees and expenses incurred in connection therewith and (iii) for working capital and general corporate purposes. The term loan facility has a seven-year term and the term loans bear interest at either an Adjusted LIBOR or an Adjusted Base Rate, plus a fixed applicable margin.

Exar is a designer and developer of high-performance analog mixed-signal integrated circuits and sub-system solutions. The merger significantly furthers our strategic goals of increasing revenue scale, diversifying revenues by end customers and addressable markets, and expanding our analog and mixed-signal footprint on existing tier-one customer platforms. Exar adds a diverse portfolio of high-performance analog and mixed-signal products constituting power management and interface technologies that are ubiquitous functions in wireless and wireline communications infrastructure, broadband access, industrial, enterprise networking, and automotive platforms. We intend to leverage combined technological expertise, cross-selling opportunities and distribution channels to significantly expand our serviceable addressable market.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements which are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, related disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. We continually evaluate our estimates and judgments, the most critical of which are those related to revenue recognition, allowance for doubtful accounts, inventory valuation, goodwill and other intangible assets valuation, income taxes and stock-based compensation. We base our estimates and judgments on historical experience and other factors that we believe to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known.

We believe that accounting policies we have identified as critical involve a greater degree of judgment and complexity than our other accounting policies. Accordingly, these are the policies we believe are the most critical to understanding and evaluating our consolidated financial condition and results of operations.

For a summary of our critical accounting policies and estimates, refer to Management's Discussion and Analysis section of our Annual Report on Form 10-K for the year ended December 31, 2016, which we filed with the Securities and Exchange Commission, or SEC, on February 9, 2017, or our Annual Report. There have been no material changes to our critical accounting policies and estimates during the nine months ended September 30, 2017.

Recently Adopted Accounting Pronouncements

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory,* which requires inventory to be subsequently measured using the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for us beginning in the first quarter of fiscal year 2017 and has been applied prospectively. The adoption of ASU No. 2015-11 in the first quarter of fiscal year 2017 did not have a material impact on our consolidated financial position and results of operations.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Share-Based Compensation* to simplify certain aspects of accounting for share-based payment transactions associated with income taxes, classification as equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for us for fiscal years beginning with fiscal year 2017, including interim periods within those years, with early adoption permitted. Early adoption, if elected, must be completed for all of the amendments in the same period. The new guidance requires, among other things, excess tax benefits and tax deficiencies to be recorded on a prospective basis in the income statement in the provision for income taxes when awards vest or are settled. On the statement of cash flows, excess tax benefits must be classified along with other income tax cash flows as an operating activity on either a prospective transition method or a retrospective transition method. Also, because excess tax benefits are no longer recognized in additional paid-in capital, the assumed proceeds from applying the treasury stock method when computing earnings per share is amended to exclude the amount of excess tax benefits that would be recognized in additional paid-in capital. We adopted ASU No. 2016-09 during the quarter ended June 30, 2016, as previously described in our Form 10-Q for the period ended June 30, 2016 filed with the Securities Exchange Commission on August 8, 2016. There was no cumulative effect on retained earnings in the consolidated balance sheet upon adoption since we had a full valuation allowance against U.S. deferred tax assets at the time of adoption. We elected to continue to estimate forfeitures of share-based awards resulting in no impact to stock-based compensation expense, and are also continuing to classify cash paid by us when directly withholding shares for tax withholding purposes in cash flows from financing activities. On the statement of cash flows, excess tax benefits were classified along with other income tax cash flows as an operating activity upon adoption on a prospective basis.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740)* to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The FASB decided that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The amendments in this update are effective for us beginning in the first quarter of fiscal 2018, including interim reporting periods. Early adoption is permitted as of the first quarter of fiscal 2017, or the beginning of the annual reporting period only. We elected to early adopt the amendments in this update beginning in the three months ended March 31, 2017. Due to a full valuation allowance on U.S. and certain foreign deferred tax assets at the time of adoption, the adoption of the amendments in this update did not have a material impact on our consolidated financial position and results of operations for the three and nine months ended September 30, 2017.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. When cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, an entity shall, for each period that a statement of financial position is presented, disclose the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents disaggregated by the line item in which they appear within the statement of financial position, with a sum to the total amount of cash, cash equivalents, restricted cash and restricted cash equivalents. The amendments in this update are effective for us beginning in fiscal 2018, including interim periods within that year and should be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes the interim period. We elected to early adopt the amendments in this update beginning in the three months ended March 31, 2017. The adoption did not have a material impact on our consolidated cash flows for the three and nine months ended September 30, 2017.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses and provides a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If the screen is not met, the amendments in this update (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. The amendments in this update are effective for us beginning in the first quarter of 2018 and are required to be applied prospectively on or after the effective date. No disclosures are required at transition. Early application is allowed for transactions for which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. We have elected to early adopt the amendments in this update for 2017 acquisitions. Such adoption did not have a material impact on our consolidated financial position and results of operations.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides for new accounting guidance related to revenue recognition. This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for us beginning in the first quarter of fiscal year 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We plan to apply the guidance prospectively with an adjustment to retained earnings for the cumulative effect on adoption. Adoption of the amendments in this guidance is expected to accelerate the timing of our revenue recognition on products sold via distributors which will change from the sell-through method to the sell-in method. We have performed a preliminary assessment of the impact of adopting this new accounting standard on our consolidated financial position and results of operations following the acquisition of Exar Corporation (Note 3), which has a significant amount of sales through distributors. The impact of adoption of this new accounting standard will vary depending on the level of inventory remaining at the adoption date at distributors for which we currently recognize revenue on a sell-through basis, and therefore could have a material impact on our revenues for the year ending December 31, 2018 and comparative periods expected to be presented. As a result of applying the guidance prospectively with an adjustment to retained earnings for the cumulative effect of adoption, revenues that would have been recognized on a sell-through basis for the remaining amount of deferred revenue and profit as of the adoption date will not be recognized in earnings for any period.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in this update include a requirement to measure equity investments (except equity method investments) at fair value with changes in fair value recognized in net income; previously changes in fair value were recognized in other comprehensive income. The amendments in this update are effective for us beginning in the first quarter of fiscal year 2018. The adoption of the amendments in this update is not expected to have a material impact on our consolidated financial position and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* The amendments in this update require a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for all leases with terms greater than twelve months. For leases less than twelve months, an entity is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this update are effective for us for fiscal years beginning with fiscal year 2019, including interim periods within those years, with early adoption permitted. We are currently in the process of evaluating the impact of adoption of the amendments in this update on our consolidated financial position and results of operations; however, adoption of the amendments in this update is expected to have a material impact on our consolidated financial position.

In March 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net*) to clarify the revenue recognition implementation guidance on principal versus agent considerations. The amendments in this update clarify that when another party is involved in providing goods or services to a customer, an entity that is the principal has obtained control of a good or service before it is transferred to a customer, and provides indicators to assist an entity in determining whether it controls a specified good or service prior to the transfer to the customer. An entity that is the principal recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer, whereas an agent recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. The amendments in this update are effective for us beginning in the first quarter of fiscal year 2018, concurrent with the new revenue recognition standard. The adoption of the amendments in this update is not expected to have a material impact on our consolidated financial position and results of operations.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* to eliminate the diversity in practice regarding the presentation and classification of certain cash receipts and cash payments, including, among other things, contingent consideration payments made following a business combination and proceeds from the settlement of insurance claims in the statement of cash flows. Cash payments not made soon after the acquisition date up to the amount of the contingent consideration liability recognized at the acquisition date should be classified as financing activities, with any excess payments classified as operating activities, whereas cash payments made soon after the acquisition date to settle the contingent consideration should be classified as investing activities. Cash proceeds received from settlement of insurance claims should be classified on the basis of the nature of the related losses. The amendments in this update are effective for fiscal years beginning with fiscal year 2018, including interim periods within those years, with early adoption permitted. The adoption of this guidance is not expected have a material impact on our consolidated statement of cash flows.

In December 2016, the FASB issued ASU No. 2016-19, *Technical Corrections and Improvements*. The new standard is intended to provide clarity to the Accounting Standards Codification, or ASC, or correct unintended application of the guidance that is not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. ASU No. 2016-19 is effective for annual and interim fiscal reporting periods beginning after December 15, 2017 with respect to the amendments that require transition guidance, and early adoption is permitted. All other amendments were effective on issuance. The Company is currently evaluating the expected impact of the amendments that require transition guidance, but does not expect these to have a material impact on its consolidated financial statements upon adoption.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. An entity no longer will determine goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if the reporting unit had been acquired in a business combination. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The Board also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The amendments in this update are effective for us beginning with fiscal year 2020, including interim periods, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of the amendments in this update is not expected to have a material impact on our consolidated financial position and results of operations.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in this update require us to account for the effects of a modification in a stock-based award unless the fair value, vesting conditions and classification of the modified award is the same as those of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, we are not required to estimate the value immediately before and after the modification. The amendments in this update are effective for us beginning with fiscal year 2018, including interim periods within those years, with early adoption permitted in any interim period. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. The adoption of this guidance is not expected have a material impact on our consolidated financial position and results of operations.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments.* The amendments in this update modify or supersede certain selected SEC paragraphs in the revenue and leases sections of the Codification and moves other paragraphs, upon adoption of ASC Topic 606 or ASC Topic 842. The amendments also provide updated guidance on the effective date of *ASC 606, Revenue from Contracts with Customers*, and *ASC 842, Leases* for certain entities that are considered public business entities only because their financial statements or financial information is required to be included in another entity's SEC filing, but does not change the effective dates for public business entities. The amendments in this update should be applied upon adoption of ASC Topics 606 and 842, respectively. The adoption of this guidance is not expected have a material impact on the Company's consolidated financial position and results of operations.

Results of Operations

The following describes the line items set forth in our unaudited consolidated statements of operations.

Net Revenue. Net revenue is generated from sales of radio-frequency, mixed-signal and high-performance analog integrated circuits for the connected home, wired and wireless infrastructure, and industrial and multi-market applications. A significant portion of our end customers purchases products indirectly from us through distributors. Although we actually sell the products to, and are paid by, the distributors, we refer to these end customers as our customers.

Cost of Net Revenue. Cost of net revenue includes the cost of finished silicon wafers processed by third-party foundries; costs associated with our outsourced packaging and assembly, test and shipping; costs of personnel, including stock-based compensation, and equipment associated with manufacturing support, logistics and quality assurance; amortization of acquired developed technology intangible assets and inventory step-ups to fair value; amortization of certain production mask costs; cost of production load boards and sockets; and an allocated portion of our occupancy costs.

Research and Development. Research and development expense includes personnel-related expenses, including stock-based compensation, new product engineering mask costs, prototype integrated circuit packaging and test costs, computer-aided design software license costs, intellectual property license costs, reference design development costs, development testing and evaluation costs, depreciation expense and allocated occupancy costs. Research and development activities include the design of new products, refinement of existing products and design of test methodologies to ensure compliance with required specifications. All research and development costs are expensed as incurred.

Selling, General and Administrative. Selling, general and administrative expense includes personnel-related expenses, including stock-based compensation, amortization of certain acquired intangible assets, distributor and other third-party sales commissions, field application engineering support, travel costs, professional and consulting fees, legal fees, depreciation expense and allocated occupancy costs.

IPR&D Impairment Losses. IPR&D impairment losses consist of charges resulting from the impairment of acquired in-process research and development technology intangible assets during the period.

Restructuring Charges. Restructuring charges consist of severance, lease and leasehold impairment charges, and other charges related to restructuring plans.

Interest and Other Income (Expense), Net. Interest and other income (expense), net includes interest income, interest expense and other income (expense). Interest income consists of interest earned on our cash, cash equivalents, restricted cash and investment balances. Interest expense consists of interest accrued on debt. Other income (expense) generally consists of income (expense) generated from non-operating transactions.

Income Tax Provision (Benefit). We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expenses for tax and financial statement purposes and the realizability of assets in future years.

The following table sets forth our unaudited consolidated statements of operations data as a percentage of net revenue for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenue	100%	100%	100%	100%
Cost of net revenue	54	42	49	40
Gross profit	46	58	51	60
Operating expenses:				
Research and development	26	27	27	25
Selling, general and administrative	26	18	26	16
IPR&D impairment losses	2	1	1	—
Restructuring charges	2	—	3	1
Total operating expenses	55	46	56	42
Income (loss) from operations	(9)	12	(5)	18
Interest and other income (expense), net	(4)	—	(2)	—
Income (loss) before income taxes	(14)	12	(8)	18
Income tax provision (benefit)	(6)	1	(11)	1
Net income (loss)	(8)%	11%	3 %	17%

Net Revenue

	Three months ended September 30,		$ Change	% Change	Nine months ended September 30,		$ Change	% Change
	2017	2016			2017	2016		
	(dollars in thousands)				(dollars in thousands)			
Connected home	$ 65,621	$ 85,202	$ (19,581)	(23)%	$ 222,074	$ 273,997	$ (51,923)	(19)%
% of net revenue	58%	88%			72%	91%		
Infrastructure	23,714	10,977	12,737	116 %	50,666	24,091	26,575	110 %
% of net revenue	21%	11%			17%	8%		
Industrial and multi-market	24,246	145	24,101	16,621 %	33,857	2,608	31,249	1,198 %
% of net revenue	21%	—%			11%	1%		
Total net revenue	$ 113,581	$ 96,324	$ 17,257	18%	$ 306,597	$ 300,696	$ 5,901	2 %

Net revenue increased $17.3 million from $96.3 million in the three months ended September 30, 2016 to $113.6 million in the three months ended September 30, 2017. The decrease in connected home net revenue of $19.6 million was primarily driven by the anticipated declines in shipments of analog channel-stacking solutions for the satellite pay-TV market, inclusion of legacy video SoC revenue, which declined significantly year-over-year, and lower year-over-year revenues from satellite gateway and hybrid TV tuners, which were partially offset by increased cable modem, data and video gateway and related MOCA products, terrestrial set-top box tuner demodulator shipments, and a full quarter contribution from G.hn consumer premises equipment products acquired from Marvell in April 2017. Infrastructure revenue increased $12.7 million, primarily related to the full quarter contribution from power management and data encryption products from our recent acquisition of Exar in May 2017, from the incremental contribution of wireless backhaul products acquired from Broadcom in July 2016, from full quarter contribution from G.hn last mile access products acquired from Marvell in April 2017, and increased MOCA last mile access products, partially offset by year-over-year declines in our high-speed optical interconnect products serving the Chinese Metro market infrastructure build-out. The increase in industrial and multi-market net revenue of $24.1 million was primarily related to the full quarter contribution of shipments from Exar. We expect future revenue declines related to the legacy video SoC and satellite analog channel-stacking products to not be significant moving forward, as these products are near the end of their life cycles.

Net revenue increased $5.9 million from $300.7 million in the nine months ended September 30, 2016 to $306.6 million in the nine months ended September 30, 2017. The decrease in connected home net revenue of $51.9 million was primarily driven by the anticipated declines in satellite analog channel-stacking solutions for the satellite pay-TV market, inclusion of legacy video SoC revenue, which declined significantly year-over-year, and satellite gateway and related MOCA products, which were partially offset by increased cable modem and data gateway, and terrestrial set-top box tuner demodulator shipments. The increase in infrastructure revenues of $26.6 million was primarily related to the incremental contribution of shipments from our recently acquired wireless infrastructure businesses which were acquired from Microsemi and Broadcom in April 2016 and July 2016, respectively, and from power management and data encryption products acquired from Exar in May 2017, which were partially offset by year-over-year declines in our high-speed interconnect products serving the Chinese Metro market infrastructure build-outs. The increase in industrial and multi-market net revenue of $31.2 million was related to the incremental contribution of shipments from Exar. We expect year-over-year revenue declines in the legacy video SoC and satellite analog channel-stacking products to no longer be significant moving forward, as these products are near the end of their life cycles.

Cost of Net Revenue and Gross Profit

	Three months ended September 30,		$ Change	% Change	Nine months ended September 30,		$ Change	% Change
	2017	2016			2017	2016		
	(dollars in thousands)				(dollars in thousands)			
Cost of net revenue	$ 61,739	$ 40,820	$ 20,919	51 %	$ 150,727	$ 121,109	29,618	24 %
% of net revenue	54%	42%			49%	40%		
Gross profit	51,842	55,504	(3,662)	(7)%	155,870	179,587	(23,717)	(13)%
% of net revenue	46%	58%			51%	60%		

Cost of net revenue increased $20.9 million from $40.8 million in the three months ended September 30, 2016 to $61.7 million in the three months ended September 30, 2017. The increase was primarily driven by higher sales, and increased inventory step-up amortization of $7.6 million and acquired intangible amortization of $5.3 million primarily related to recent acquisitions of Exar Corporation in May 2017 and the G.hn business from Marvell in April 2017. The gross profit percentage decreased to 46% in the three months ended September 30, 2017, as compared to 58% in the three months ended September 30, 2016.

Cost of net revenue increased $29.6 million from $121.1 million in the nine months ended September 30, 2016 to $150.7 million in the nine months ended September 30, 2017. The increase was primarily driven by increased inventory step-up amortization of $12.9 million and acquired intangible amortization of $10.9 million primarily related to recent acquisitions of Exar in May 2017, the G.hn business acquired from Marvell in April 2017, and the wireless infrastructure businesses acquired from Microsemi and Broadcom in April 2016 and July 2016, and higher sales. The gross profit percentage decreased to 51% in the nine months ended September 30, 2017, as compared to 60% in the nine months ended September 30, 2016.

Research and Development

	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	$ Change	% Change	2017	2016	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Research and development	$ 29,270	$ 25,921	$ 3,349	13%	$ 82,163	$ 73,710	$ 8,453	11%
% of net revenue	26%	27%			27%	25%		

Research and development expense increased $3.3 million from $25.9 million in the three months ended September 30, 2016 to $29.3 million in the three months ended September 30, 2017. The increase was primarily due to increases in payroll-related expense of $2.7 million, depreciation expense of $0.6 million, and computer-aided design tools expense of $0.6 million related to our recent acquisitions of Exar Corporation in May 2017, and the G.hn business acquired from Marvell in April 2017. These increases were partially offset by lower prototype expense of $0.6 million.

Research and development expense in the nine months ended September 30, 2017 increased $8.5 million to $82.2 million from $73.7 million in the nine months ended September 30, 2016. The increase was primarily due to increases in payroll-related expense of $8.0 million, depreciation expense of $1.6 million, and computer-aided design tools expense of $1.4 million related to our recent acquisitions of Exar in May 2017, the G.hn business acquired from Marvell in April 2017, and the wireless infrastructure businesses acquired from Microsemi and Broadcom in April 2016 and July 2016. These increases were partially offset by lower prototype expenses of $2.7 million.

We expect our research and development expenses to increase in the future as we continue to focus on expanding our product portfolio and enhancing existing products.

Selling, General and Administrative

	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	$ Change	% Change	2017	2016	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Selling, general and administrative	$ 29,037	$ 17,619	$ 11,418	65%	$ 78,988	$ 47,734	$ 31,254	65%
% of net revenue	26%	18%			26%	16%		

Selling, general and administrative expense increased $11.4 million from $17.6 million in the three months ended September 30, 2016, to $29.0 million in the three months ended September 30, 2017. The increase was primarily due to an increase in amortization expense of $6.8 million related to intangible assets from our recent acquisitions of Exar Corporation in May 2017, and the G.hn business acquired from Marvell in April 2017, an increase in payroll-related expenses of $3.2 million related to such acquisitions, and an increase in professional fees of $0.8 million related to our merger and acquisition activities.

Selling, general and administrative expense increased $31.3 million from $47.7 million in the nine months ended September 30, 2016, to $79.0 million in the nine months ended September 30, 2017. The increase was primarily due to an increase in professional fees of $8.3 million related to our merger and acquisition activities during the nine months ended September 30, 2017, an increase in intangible amortization expense of $16.0 million related to intangibles assets from our recent acquisitions of Exar Corporation in May 2017, the G.hn business acquired from Marvell in April 2017, and the wireless infrastructure businesses acquired from Microsemi and Broadcom in April 2016 and July 2016, and increases in payroll-related expenses of $6.0 million and occupancy expenses of $0.7 million related to such acquisitions.

We expect selling, general and administrative expenses to increase in the future as we expand our sales and marketing organization to enable expansion into existing and new markets.

Restructuring charges

	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	$ Change	% Change	2017	2016	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Restructuring charges	$ 2,178	$ —	$ 2,178	100%	$ 8,724	$ 2,106	6,618	314%
% of net revenue	2%	—%			3%	1%		

Restructuring charges increased from $0 in the three months ended September 30, 2016 to $2.2 million in the three months ended September 30, 2017. The charges in the three months ended September 30, 2017 consisted of severance-related charges of $1.7 million in connection with employee separation expenses and $0.4 million in lease-related and other charges. In the three months ended September 30, 2016, there were no similar charges.

Restructuring charges increased $6.6 million from $2.1 million in the nine months ended September 30, 2016 to $8.7 million in the nine months ended September 30, 2017. The charges in the nine months ended September 30, 2016 consisted of adjustments to the estimates of net present value of the remaining lease obligation for actual sublease income and period costs associated with certain vacated facilities, including commissions to brokers involved in subleasing property, under lease arrangements assumed in connection with the Entropic acquisition. In the nine months ended September 30, 2017, the charges included $4.9 million of incremental stock-based compensation from the acceleration of certain stock-based awards we assumed from Exar Corporation due to change in control provisions upon termination or diminution of authority of former Exar executives, other severance-related charges of $2.8 million and lease restructuring charges of $0.9 million related to exiting certain Exar facilities.

Interest and Other Income (Expense), Net

	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	$ Change	% Change	2017	2016	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Interest and other income (expense), net	$ (4,800)	$ 99	$ (4,899)	(4,948)%	$ (7,504)	$ 362	$ (7,866)	(2,173)%
% of net revenue	(4)%	—%			(2)%	—%		

Interest and other income (expense) reversed by $4.9 million from the three months ended September 30, 2016, becoming a net expense of $4.8 million in the three months ended September 30, 2017. Similarly, interest and other income (expense) reversed by $7.9 million from the nine months ended September 30, 2016, becoming a net expense of $7.5 million in the nine months ended September 30, 2017. The decreases are primarily due to interest expense of $4.1 million and $6.3 million incurred in the three and nine months ended September 30, 2017, respectively, related to interest charges on outstanding debt under the Exar acquisition term loan facility during such periods, as well as increases in other expenses related to fluctuations in foreign currency transactions as a result of increased activities from existing and newly acquired foreign subsidiaries.

Provision (Benefit) for Income Taxes

	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	$ Change	% Change	2017	2016	$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Income tax provision (benefit)	$ (6,276)	$ 1,084	$ (7,360)	(679)%	$ (33,770)	$ 2,155	(35,925)	(1,667)%
% of net revenue	(6)%	1%			(11)%	1%		

The income tax benefit in the three months ended September 30, 2017 was $6.3 million, or approximately 41% of pre-tax loss compared to an income tax provision of $1.1 million, or approximately 10% of pre-tax income in the three months ended September 30, 2016.

The income tax benefit in the nine months ended September 30, 2017 was $33.8 million, or approximately 144% of pre-tax loss compared to an income tax provision of $2.2 million, or approximately 4% of pre-tax income in the nine months ended September 30, 2016.

The income tax benefit in the three and nine months ended September 30, 2017 primarily relates to the release of the federal valuation allowance during the three months ended June 30, 2017, offset by certain discrete tax effects related to initial intercompany royalties from our Singapore subsidiary to our U.S. parent during the three months ended June 30, 2017. Of the federal valuation allowance of $61.6 million as of December 31, 2016, the Company released $50.1 million during the three months ended June 30, 2017. The ending federal valuation allowance as of September 30, 2017 was $11.5 million.

The provision for income taxes in the three and nine months ended September 30, 2016 primarily relates to federal alternative minimum tax due to the Company's limitation on use of net operating losses, credit carryforwards, state income taxes, and income taxes on certain foreign jurisdictions. During the quarter ended June 30, 2016, the Company adopted ASU No. 2016-09, *Improvements to Share Based Compensation*, which resulted in the recognition of excess tax benefits within the provision for income taxes in the unaudited consolidated statement of operations. Since the amount of such excess tax benefits and deficiencies depend on the fair market value of our common stock, our income tax provision is now subject to volatility in our stock price and in the future, could unfavorably affect our future effective tax rate.

We continue to maintain a valuation allowance to offset state and certain foreign deferred tax assets, as realization of such assets does not meet the more-likely-than-not threshold required under accounting guidelines. In making such determination, we consider all available positive and negative evidence quarterly, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Based upon our review of all positive and negative evidence, we concluded that a full valuation allowance should continue to be recorded against our state and certain foreign net deferred tax assets at September 30, 2017. We are closely assessing the need for a valuation allowance on the deferred tax assets by evaluating positive and negative evidence that may exist. In the future, we could remove some or all of the valuation allowance against our state and certain foreign deferred tax assets if we meet the more-likely-than-not threshold at such time.

In the quarter ended June 30, 2017, our subsidiary in Singapore began operating under certain tax incentives in Singapore, which are generally effective through March 2022 and may be extended through March 2027. Under these incentives, qualifying income derived from certain sales of our integrated circuits is taxed at a concessionary rate over the incentive period. We also receive a reduced withholding tax rate on certain intercompany royalty payments made by our Singapore subsidiary during the incentive period. Such incentives are conditional upon our meeting certain minimum employment and investment thresholds within Singapore over time, and we may be required to return certain tax benefits in the event the Company does not achieve compliance related to that incentive period. We currently believe that we will be able to satisfy these conditions without material risk. Primarily because of our Singapore net operating losses and our full valuation allowance in Singapore, we do not believe the incentives will have a material impact on our income tax position in the periods ending December 31, 2017 or December 31, 2018.

Liquidity and Capital Resources

As of September 30, 2017, we had cash and cash equivalents of $71.6 million, restricted cash of $2.5 million and net accounts receivable of $75.6 million.

Our primary uses of cash are to fund operating expenses, purchases of inventory, the acquisition of businesses, property and equipment and intangible assets. Our cash and cash equivalents are impacted by the timing of when we pay expenses as reflected in the change in our outstanding accounts payable and accrued expenses. We also use cash to pay down outstanding debt. Cash used to fund operating expenses in our consolidated statements of cash flows excludes the impact of non-cash items such as stock-based compensation and amortization and depreciation of property and equipment and acquired intangible assets, and step-ups of acquired inventory to fair value. Cash used to fund acquisitions of businesses and other capital purchases is included in investing activities in our consolidated statements of cash flows. Cash used to pay down outstanding debt is included in financing activities in our consolidated statements of cash flows.

Our primary sources of cash are cash receipts on accounts receivable from our shipment of products to distributors and direct customers. Aside from the growth in amounts billed to our customers, net cash collections of accounts receivable are impacted by the efficiency of our cash collections process, which can vary from period to period depending on the payment cycles of our major distributor customers, and relative linearity of shipments period-to-period. In the nine months ended September 30, 2017, we also received net proceeds from borrowings associated with the Exar acquisition which are included in financing activities in our consolidated statements of cash flows. The credit agreement permits us to request incremental loans in an aggregate principal amount not to exceed the sum of $160.0 million (subject to adjustments for any voluntary prepayments), plus an unlimited amount that is subject to pro forma compliance with certain secured leverage ratio and total leverage ratio tests. We have not requested any incremental loans to date.

Following is a summary of our working capital and cash and cash equivalents, restricted cash and investments for the periods indicated:

	September 30, 2017	December 31, 2016
	(in thousands)	
Working capital	$ 121,037	$ 158,304
Cash and cash equivalents	$ 71,576	$ 81,086
Short-term restricted cash	615	614
Long-term restricted cash	1,905	1,196
Total cash, cash equivalents and restricted cash	74,096	82,896
Short-term investments	—	47,918
Long-term investments	—	5,991
Total cash, cash equivalents, restricted cash and investments	$ 74,096	$ 136,805

Following is a summary of our cash flows provided by (used in) operating activities, investing activities and financing activities for the periods indicated:

	Nine Months Ended September 30,	
	2017	2016
	(in thousands)	
Net cash provided by operating activities	$ 53,321	$ 89,714
Net cash used in investing activities	(429,111)	(99,770)
Net cash provided by (used in) financing activities	365,779	(1,737)
Effect of exchange rate changes on cash and cash equivalents	1,211	(87)
Net decrease in cash, cash equivalents and restricted cash	$ (8,800)	$ (11,880)

Cash Flows from Operating Activities

Net cash provided by operating activities was $53.3 million for the nine months ended September 30, 2017. Net cash provided by operating activities for this period primarily consisted of net income of $10.3 million, $91.4 million in non-cash operating expenses and $6.6 million in changes in operating assets and liabilities, partially offset by $48.4 million in deferred income taxes which primarily relates to the release of the U.S. federal valuation allowance during the quarter ended June 30, 2017 and $6.6 million in excess tax benefits on stock-based awards. Non-cash operating expense items included in net income for the nine months ended September 30, 2017 primarily consisted of depreciation and amortization of property, equipment and acquired intangible assets of $46.5 million, stock-based compensation of $24.9 million, amortization of inventory step-ups to fair value of $15.8 million, impairment of IPR&D assets of $2.0 million and losses on foreign currency of $1.4 million. Net income for the nine months ended September 30, 2017 excludes revenue of $6.1 million and gross profit of $4.7 million that would have been recorded by Exar on a sell-through basis had deferred revenue and deferred profit as of the May 12, 2017 acquisition date not been eliminated in the purchase price allocation for Exar as a result of acquisition accounting.

Net cash provided by operating activities was $89.7 million for the nine months ended September 30, 2016. Net cash provided by operating activities for this period primarily consisted of net positive cash flow from adding back $40.2 million in non-cash operating expenses to net income of $52.9 million, changes in operating assets and liabilities of $2.6 million, partially offset by excess tax benefits on stock-based awards of $6.0 million. Non-cash operating expenses included in net income for the nine months ended September 30, 2016 primarily included depreciation and amortization expense of property and equipment and acquired intangible assets of $18.7 million, stock-based compensation of $16.5 million, amortization of acquired inventory step-ups of $3.0 million and impairment of IPR&D assets of $1.3 million.

Cash Flows from Investing Activities

Net cash used in investing activities was $429.1 million for the nine months ended September 30, 2017. Net cash used in investing activities for this period consisted primarily of $452.3 million in cash used in the acquisition of Exar, net of cash acquired, $21.0 million in cash used in the acquisition of the G.hn business, $30.6 million in purchases of securities, $5.4 million in purchases of intangible assets and $4.4 million in purchases of property and equipment, partially offset by $84.5 million in sales and maturities of securities.

Net cash used in investing activities was $99.8 million for the nine months ended September 30, 2016. Net cash used in investing activities for this period consisted primarily of $101.0 million of cash used in the acquisitions of the wireless infrastructure access business from Microsemi in April 2016 and the wireless infrastructure backhaul business from Broadcom in July 2016, $80.3 million in cash outflows from purchases of securities, and $6.8 million in purchases of property and equipment, partially offset by $88.7 million in cash inflows from the sales and maturities of securities.

Cash Flows from Financing Activities

Net cash provided by financing activities was $365.8 million for the nine months ended September 30, 2017, and consisted primarily of $416.8 million in net proceeds from borrowings under a term loan we entered in connection with the acquisition of Exar and $9.1 million in net proceeds from issuance of common stock, partially offset by aggregate prepayments of principal of $50.0 million on outstanding debt and $9.8 million in minimum tax withholding paid on behalf of employees related to vesting of restricted stock units.

Net cash used in financing activities was $1.7 million for the nine months ended September 30, 2016, and consisted primarily of $6.2 million in minimum tax withholding paid on behalf of employees related to vesting of restricted stock units, partially offset by $4.5 million in net proceeds from issuance of common stock.

We believe that our $71.6 million of cash and cash equivalents at September 30, 2017 will be sufficient to fund our projected operating requirements for at least the next twelve months. On April 4, 2017, we used $21.0 million of cash to purchase the G.hn business of Marvell. On May 12, 2017, we paid aggregate cash consideration of $688.1 million, including $12.7 million of cash paid to settle certain stock-based awards that were not assumed by MaxLinear, in the acquisition and merger of Exar. We funded the transaction with cash from the balance sheet of the combined companies and the net proceeds of approximately $416.8 million from $425.0 million of transaction debt. We have repaid $50.0 million of Exar-related transaction debt to date. The credit agreement permits the Company to request incremental loans in an aggregate principal amount not to exceed the sum of $160.0 million (subject to adjustments for any voluntary prepayments), plus an unlimited amount that is subject to pro forma compliance with certain secured leverage ratio and total leverage ratio tests. Incremental loans are subject to certain additional conditions, including obtaining additional commitments from the lenders then party to the credit agreement or new lenders. The term loan facility has a seven-year term and bears interest at either an Adjusted LIBOR or an Adjusted Base Rate, at our option, plus a fixed applicable margin.

Our cash and cash equivalents in recent years have been favorably affected by our implementation of an equity-based bonus program for our employees, including executives. In connection with that bonus program, in February 2017, we issued 0.2 million freely-tradable shares of our Class A common stock in settlement of bonus awards for the July 1, 2016 to December 31, 2016 performance period.

Notwithstanding the foregoing, we may need to raise additional capital or incur additional indebtedness to fund strategic initiatives or operating activities, particularly if we continue to pursue acquisitions. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our engineering, sales and marketing activities, the timing and extent of our expansion into new territories, the timing of introductions of new products and enhancements to existing products, the continuing market acceptance of our products and potential material investments in, or acquisitions of, complementary businesses, services or technologies. Additional funds may not be available on terms favorable to us or at all. If we are unable to raise additional funds when needed, we may not be able to sustain our operations.

Warranties and Indemnifications

In connection with the sale of products in the ordinary course of business, we often make representations affirming, among other things, that our products do not infringe on the intellectual property rights of others, and agree to indemnify customers against third-party claims for such infringement. Further, our certificate of incorporation and bylaws require us to indemnify our officers and directors against any action that may arise out of their services in that capacity, and we have also entered into indemnification agreements with respect to all of our directors and certain controlling persons.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, or SPEs, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of September 30, 2017, we were not involved in any unconsolidated SPE transactions.

Contractual Obligations

As of September 30, 2017, future minimum payments under non-cancelable operating leases, inventory purchase obligations, and other obligations are as follows:

	Payments due by Period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 Years**
	(in thousands)				
Operating lease obligations	$ 45,637	$ 2,868	$ 18,595	$ 18,520	$ 5,654
Inventory purchase obligations	32,908	32,908	—	—	—
Other obligations	21,274	2,408	15,055	3,811	—
Total	$ 99,819	$ 38,184	$ 33,650	$ 22,331	$ 5,654

Our contractual obligations including leases, inventory purchase obligations and other obligations, which includes software licenses, decreased by $14.2 million to $99.8 million as of September 30, 2017, from $114.0 million as of June 30, 2017 primarily as a result of contractual payments made on our operating leases, software licenses and outstanding inventory orders during the period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

To date, our international customer and vendor agreements have been denominated mostly in United States dollars. Accordingly, we have limited exposure to foreign currency exchange rates and do not enter into foreign currency hedging transactions. The functional currency of certain foreign subsidiaries is the local currency. Accordingly, the effects of exchange rate fluctuations on the net assets of these foreign subsidiaries' operations are accounted for as translation gains or losses in accumulated other comprehensive income within stockholders' equity. A hypothetical change of 100 basis points in such foreign currency exchange rates would result in a change to translation gain/loss in accumulated other comprehensive income of $0.3 million.

Interest Rate Risk

On May 12, 2017, we entered into a credit agreement with certain lenders and a collateral agent in connection with the acquisition of Exar. The credit agreement provides for an initial secured term B loan facility (the "Initial Term Loan") in an aggregate principal amount of $425.0 million. As of September 30, 2017, aggregate borrowings under the Initial Term Loan were $375.0 million. The credit agreement permits the Company to request incremental loans in an aggregate principal amount not to exceed the sum of $160.0 million (subject to adjustments for any voluntary prepayments), plus an unlimited amount that is subject to pro forma compliance with certain secured leverage ratio and total leverage ratio tests. Incremental loans are subject to certain additional conditions, including obtaining additional commitments from the lenders then party to the credit agreement or new lenders. The term loan facility has a seven-year term and bears interest at either an Adjusted LIBOR or an Adjusted Base Rate, at our option, and, in each case, plus a fixed applicable margin. In November 2017, to hedge most of our existing interest rate risk with respect to the term loans, we entered into a fixed-for-floating interest rate swap agreement with a notional amount of $350.0 million to swap variable rate interest payments under our term loans for fixed interest payments bearing an interest rate of 1.74685% for the term of the loan. However, interest rate trends are inherently difficult to predict and interest rates may significantly increase or decrease over a short period of time. Should interest rates trend below that of our fixed swap interest rate, we may pay higher interest expense than market and seek to terminate or modify the terms of the swap prior to its maturity which could result in termination or other fees. We are also still subject to a variable amount of interest on the principal balance in excess of the notional amount of the interest rate swap and could be adversely impacted by rising interest rates in the future.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed with the SEC is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and no evaluation of controls and procedures can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, prior to filing this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer 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) of the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on their evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

Changes in Internal Control over Financial Reporting

An evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, to determine whether any change in our internal control over financial reporting occurred during the fiscal quarter ended September 30, 2017 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. On May 12, 2017, we completed the acquisition of Exar and are integrating Exar into our internal control over financial reporting. There have been no other changes in our internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2017 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

CrestaTech Litigation

On January 21, 2014, CrestaTech Technology Corporation, or CrestaTech, filed a complaint for patent infringement against us in the United States District Court of Delaware, or the District Court Litigation. In its complaint, CrestaTech alleges that we infringe U.S. Patent Nos. 7,075,585, or the '585 Patent and 7,265,792, or the '792 Patent. In addition to asking for compensatory damages, CrestaTech alleges willful infringement and seeks a permanent injunction. CrestaTech also names Sharp Corporation, Sharp Electronics Corp. and VIZIO, Inc. as defendants based upon their alleged use of our television tuners.

On January 28, 2014, CrestaTech filed a complaint with the U.S. International Trade Commission, or ITC, again naming, among others, us, Sharp, Sharp Electronics, and VIZIO, or the ITC Investigation. On May 16, 2014, the ITC granted CrestaTech's motion to file an amended complaint adding six OEM Respondents, namely, SIO International, Inc., Hon Hai Precision Industry Co., Ltd., Wistron Corp., Wistron Infocomm Technology (America) Corp., Top Victory Investments Ltd. and TPV International (USA), Inc. which are collectively referred to with us, Sharp and VIZIO as the Company Respondents. CrestaTech's ITC complaint alleged a violation of 19 U.S.C. § 1337 through the importation into the United States, the sale for importation, or the sale within the United States after importation of MaxLinear's accused products that CrestaTech alleged infringe the same two patents asserted in the Delaware action. Through its ITC complaint, CrestaTech sought an exclusion order preventing entry into the United States of certain of our television tuners and televisions containing such tuners from Sharp, Sharp Electronics, and VIZIO. CrestaTech also sought a cease and desist order prohibiting the Company Respondents from engaging in the importation into, sale for importation into, the sale after importation of, or otherwise transferring within the United States certain of our television tuners or televisions containing such tuners.

On March 10, 2014, the court stayed the District Court Litigation pending resolution of the ITC Investigation.

On December 15, 2014, the ITC held a trial in the ITC Investigation. On February 27, 2015, the Administrative Law Judge, or the ALJ, issued a written Initial Determination, or ID, ruling that the Company Respondents do not violate Section 1337 in connection with CrestaTech's asserted patents because CrestaTech failed to satisfy the economic prong of the domestic industry requirement pursuant to Section 1337(a)(2). In addition, the ID stated that certain of our television tuners and televisions incorporating those tuners manufactured and sold by certain customers infringe three claims of the '585 Patent, and these three claims were not determined to be invalid. On April 30, 2015, the ITC issued a notice indicating that it intended to review portions of the ID finding no violation of Section 1337, including the ID's findings of infringement with respect to, and validity of, the '585 Patent, and the ID's finding that CrestaTech failed to establish the existence of a domestic industry within the meaning of Section 1337.

The ITC subsequently issued its opinion, which terminated its investigation. The opinion affirmed the findings of the ALJ that no violation of Section 1337 had occurred because CrestaTech had failed to establish the economic prong of the domestic industry requirement. The ITC also affirmed the ALJ's finding of infringement with respect to the three claims of the '585 Patent that were not held to be invalid.

On November 30, 2015, CrestaTech filed an appeal of the ITC decision with the United States Court of Appeals for the Federal Circuit, or the Federal Circuit. On March 7, 2016, CrestaTech voluntarily dismissed its appeal, resulting in a final determination of the ITC Investigation in our favor.

In addition, we have filed four petitions for inter partes review, or IPR, by the US Patent Office, two for each of the CrestaTech patents asserted against us. The Patent Trial and Appeal Board, or the PTAB, did not institute two of these IPRs as being redundant to IPRs filed by another party that were already underway for the same CrestaTech patent. The remaining two petitions were instituted or instituted-in-part and, together with the IPRs filed by third parties, there are currently six pending IPR proceedings involving the two CrestaTech patents asserted against us.

In October 2015, the PTAB issued final decisions in two of the six pending IPR proceedings (one for each of the two asserted patents), holding that all of the reviewed claims are unpatentable. Included in these decisions was one of the three claims of the '585 Patent mentioned above in connection with the ITC's final decision. CrestaTech appealed the PTAB's decisions at the Federal Circuit. On November 8, 2016, the Federal Circuit issued an opinion affirming the PTAB's finding of unpatentability.

In August 2016, the PTAB issued final written decisions in the remaining four pending IPR proceedings (two for each of the asserted patents), holding that many of the reviewed claims - including the two remaining claims of the '585 Patent which the ITC held were infringed - are unpatentable. As a result of these IPR decisions, all 13 claims that CrestaTech asserted against us in the ITC Investigation have been found to be unpatentable by the PTAB. The parties have appealed the two decisions related to the '585 Patent; however, no appeals were filed as to the PTAB's rulings for the '792 Patent. Briefing is complete in these appeals, but the Federal Circuit has yet to schedule oral argument for these appeals.

On March 18, 2016, CrestaTech filed a petition for Chapter 7 bankruptcy in the Northern District of California. As a result of this proceeding, all rights in the CrestaTech asserted patents, including the right to control the pending litigation, were assigned to CF Crespe LLC, or CF Crespe. CF Crespe is now the named party in the pending IPRs, the Federal Circuit appeal and District Court Litigation.

Per the Court's request, on April 19, 2017, the parties submitted a status report in the District Court Litigation. In their report, the parties suggested that the District Court Litigation remain stayed pending the Federal Circuit's decision in the appeal of the '585 IPRs, and any subsequent appeal thereof.

We cannot predict the outcome of any appeal by CF Crespe or CrestaTech, the District Court Litigation, or the IPRs. Any adverse determination in the District Court Litigation could have a material adverse effect on our business and operating results.

Trango Systems, Inc. Litigation

On or about August 2, 2016, Trango Systems, Inc., or Trango, filed a complaint in the Superior Court of California, County of San Diego, Central Division, against defendants Broadcom Corporation, Inc., or Broadcom, and us, collectively, Defendants. Trango is a purchaser that alleges various fraud, breach of contract, and interference with economic relations claims in connection with the discontinuance of a chip line we acquired from Broadcom in 2016. Trango seeks unspecified general and special damages, pre-judgment interest, expenses and costs, attorneys' fees, punitive damages, and unspecified injunctive and equitable relief. We intend to vigorously defend against the lawsuit. On June 23, 2017, the Court sustained our demurrer to each cause of action in the second amended complaint, filed on or about December 6, 2016. Trango filed its third amended complaint on or about July 13, 2017. On August 17, 2017 we filed a demurrer to each cause of action against us in the third amended complaint, as well as a motion to strike certain allegations. Trango's oppositions to our demurrer and motion to strike are due on November 27, 2017 and the court hearing on our demurrer and motion to strike is scheduled for December 8, 2017.

We cannot predict the outcome of the Trango Systems, Inc. litigation. Any adverse determination in the Trango Systems, Inc. litigation could have a material adverse effect on our business and operating results.

Exar Shareholder Litigation

On April 18, 2017, The Vladimir Gusinsky Revocable Trust filed a complaint in the United States District Court for the Northern District of California against Exar, its board of directors, MaxLinear, and Eagle Acquisition Corporation (a wholly owned subsidiary of MaxLinear), captioned *The Vladimir Gusinsky Rev. Trust v. Exar Corp. et al.*, No. 5:17-CV-2150-SI (N.D. Cal.). On April 25, 2017, Richard E. Marshall filed a complaint in United States District Court for the Northern District of California against Exar and its board of directors, captioned *Marshall v. Exar Corp. et al.*, No. 3:17-CV-02334 (N.D. Cal.). MaxLinear and Eagle Acquisition Corp. were not named as defendants in the *Marshall* action. The complaints generally alleged that the merger with Exar offered inadequate consideration to Exar's shareholders and that the Schedule 14D-9 filed by Exar in connection with the merger omitted material information. The complaints purported to bring class claims for violation of sections 14(e), 14(d), and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14d-9. The complaints sought certification of a class; an injunction barring the merger or, if defendants enter into the merger, an order rescinding it or awarding rescissory damages; declaratory relief; and plaintiff's costs, including attorneys' fees and experts' fees.

On or about May 3, 2017, the parties to the above-referenced lawsuits reached an agreement whereby plaintiffs voluntarily dismissed the claims brought by Mr. Marshall and The Vladimir Gusinsky Revocable Trust with prejudice (but without prejudice as to other members of the putative class), defendants made certain supplemental disclosures, and the plaintiffs would receive a mootness fee. On May 3, 2017, Exar made the supplemental disclosures contemplated by this agreement. On October 24, 2017, the parties entered a Settlement Agreement Regarding Claim for Mootness Fees pursuant to which we agreed to pay counsel for the plaintiffs a mootness fee. We have now paid the fee, and with the execution of the settlement agreement, this litigation has been resolved.

Other Matters

In addition, from time to time, we are subject to threats of litigation or actual litigation in the ordinary course of business, some of which may be material. Other than the CrestaTech, Trango and Exar litigation described above, we believe that there are no other currently pending litigation matters that, if determined adversely by us, would have a material effect on our business or that would not be covered by our existing liability insurance.

ITEM 1A. RISK FACTORS

This Quarterly Report on Form 10-Q, or Form 10-Q, including any information incorporated by reference herein, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, referred to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "intend," "forecast," "anticipate," "believe," "estimate," "predict," "potential," "continue" or the negative of these terms or other comparable terminology. The forward-looking statements contained in this Form 10-Q involve known and unknown risks, uncertainties and situations that may cause our or our industry's actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. These factors include those listed below in this Item 1A and those discussed elsewhere in this Form 10-Q. We encourage investors to review these factors carefully. We may from time to time make additional written and oral forward-looking statements, including statements contained in our filings with the SEC. However, we do not undertake to update any forward-looking statement that may be made from time to time by or on behalf of us.

Before you invest in our securities, you should be aware that our business faces numerous financial and market risks, including those described below, as well as general economic and business risks. The following discussion provides information concerning the material risks and uncertainties that we have identified and believe may adversely affect our business, our financial condition and our results of operations. In addition to the other information set forth in this report, you should also consider the risk factors discussed in our Annual Report on Form 10-K, which we filed with the SEC on February 9, 2017, or Annual Report, together with all of the other information included in this Quarterly Report on Form 10-Q, the Annual Report, and in our other public filings, which could materially affect our business, financial condition or future results.

For the risks relating to our recent acquisitions, please refer to the section of these risk factors captioned "Risks Relating to Our Recent Acquisitions."

Risks Relating to the Acquisition of Exar

Our actual financial and operating results could differ materially from any expectations or guidance provided by us concerning future results, including (without limitation) expectations or guidance with respect to the financial impact of any cost savings and other potential synergies.

We currently expect to realize material cost savings and other synergies as a result of our acquisition of Exar, and as a result, we currently believe that the acquisition will be accretive to our free cash-flow and reported non-GAAP earnings per share, excluding upfront non-recurring charges, transaction related expenses, and the amortization of purchased intangible assets. The expectations and guidance we have provided with respect to the potential financial impact of the acquisition are subject to numerous assumptions, however, including assumptions derived from our diligence efforts concerning the status of and prospects for Exar's business, which we did not control at the time of our diligence, and assumptions relating to the near-term prospects for the semiconductor industry generally and the markets for Exar's products in particular. In addition, Exar's target markets, customer relationships, and operations generally differ substantially from those of MaxLinear. Accordingly, relative to prior material acquisitions such as our 2015 acquisition of Entropic, we do not expect to be able to realize synergies in the same relative amounts or timeframes. We expect the integration of Exar to present substantial incremental challenges relative to prior acquisitions that could materially and adversely affect our ability to realize the currently anticipated financial, operational, and strategic benefits of the acquisition. Additional assumptions that could affect currently anticipated results relate to numerous matters, including (without limitation) the following:

- projections of Exar's future revenues, particularly given Exar's historical distributor channel focus and dependency;
- the anticipated financial performance of Exar's products and products currently in development;
- anticipated cost savings and other synergies associated with the acquisition, including potential revenue synergies;
- our capital structure following the acquisition;
- the amount of goodwill and intangibles that will result from the acquisition;
- certain other purchase accounting adjustments that we have recorded in our financial statements in connection with the acquisition and any subsequent adjustments as we finalize our purchase price allocation;
- acquisition costs, including restructuring charges and transactions costs that we incurred to our financial, legal, and accounting advisors;
- our ability to maintain, develop, and deepen relationships with customers of Exar; and

- other financial and strategic risks of the Exar acquisition, including the possible impact of reduced liquidity of MaxLinear resulting from deal-related cash outlays and the credit risk associated from the potential debt facility described below.

We cannot provide any assurances with respect to the accuracy of our assumptions, including our assumptions with respect to future revenues or revenue growth rates, if any, of Exar, and we cannot provide assurances with respect to our ability to realize the cost savings that we currently anticipate. Risks and uncertainties that could cause our actual results to differ materially from currently anticipated results include, but are not limited to, risks relating to our ability to integrate Exar successfully; currently unanticipated incremental costs that we may incur in connection with integrating the two companies; risks relating to our ability to realize incremental revenues from the acquisition in the amounts that we currently anticipate; risks relating to the willingness of Exar's customers and other partners to continue to conduct business with MaxLinear; and numerous risks and uncertainties that affect the semiconductor industry generally and the markets for our products and those of Exar specifically. Any failure to integrate Exar successfully and to realize the financial benefits we currently anticipate from the acquisition would have a material adverse impact on our future operating results and financial condition and could materially and adversely affect the trading price or trading volume of our common stock.

Failure to integrate our business and operations successfully with those of Exar in the expected time-frame or otherwise may adversely affect MaxLinear's operating results and financial condition if the acquisition is completed.

We do not have a substantial history of acquiring other companies and have never pursued an acquisition of the size and complexity of Exar. The success of the acquisition of Exar will depend, in substantial part, on our ability to integrate Exar's business and operations successfully with those of MaxLinear and to realize fully the anticipated benefits and potential synergies from combining our companies, including, among others, currently expected cost savings from duplicative functions; potential operational efficiencies in our respective supply chains and in research and development investments; and potential revenue growth resulting from the addition of Exar's product portfolio. We expect that the integration will be complex and time consuming and will require substantial management time and attention, which may divert attention and resources from other important areas, including our existing businesses. We may face significant challenges in consolidating our operations with Exar, integrating the two companies' technologies, and addressing the different corporate cultures of the two companies. Additional unanticipated costs may be incurred in the course of integrating our respective businesses. If the companies are not successfully integrated, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected. In such a case, we would expect our operating results and financial condition to be materially and adversely affected, which could also have a material and adverse effect on the trading price or trading volume of our common stock.

Our business relationships, including customer relationships, and those of Exar may be subject to disruption due to uncertainty associated with the acquisition.

In response to the announcement and closing of the acquisition, customers, vendors, licensors, and other third parties with whom we or Exar do business or otherwise have relationships may experience uncertainty associated with the acquisition, and this uncertainty could materially affect their decisions with respect to existing or future business relationships with MaxLinear. As a result, we are in many instances unable to evaluate the impact of the acquisition on certain assumed contract rights and obligations, including intellectual property rights.

These business relationships may be subject to disruption as customers and others may elect to delay or defer purchase or design-win decisions or switch to other suppliers due to the uncertainty about the direction of our offerings, any perceived unwillingness on our part to support existing Exar products after the acquisition is completed, or any general perceptions by customers or other third parties that impute operational or business challenges to us arising from the acquisition. In addition, customers or other third parties may attempt to negotiate changes in existing business relationships, which may result in additional obligations imposed on us. These disruptions could have a material adverse effect on our business, operating results, and financial condition. Any loss of customers, customer products, design win opportunities, or other important strategic relationships could have a material adverse effect on our business, operating results, and financial condition and could have a material and adverse effect on the trading price or trading volume of our common stock.

In connection with the acquisition of Exar, we incurred $425.0 million of secured term loan indebtedness. We have since entered into an interest rate swap to hedge our exposure to rising interest rates applicable to such indebtedness. We have not previously carried long-term indebtedness, which will adversely affect our operating results and cash-flows as we satisfy our underlying interest and principal payment obligations. We also have not previously engaged in hedging arrangements, which are subject to fair value measurement and hedge accounting rules and related documentation requirements. If we are unable to *maintain favorable cash flow hedge accounting and changes in fair value of our interest rate swap are recorded in earnings, it may adversely affect our operating results.*

MaxLinear financed the acquisition of Exar in part with a secured term loan facility in an aggregate principal amount of approximately $425.0 million. As of September 30, 2017, we had approximately $375.0 million of outstanding principal under such facility. In November 2017, to hedge most of our existing interest rate risk, we entered into a fixed-for-floating interest rate swap agreement with a notional amount of $350.0 million to swap variable rate interest payments under the outstanding term loans for fixed interest payments bearing an interest rate of 1.74685%. The term loan facility is secured by a first priority security interest in MaxLinear's assets, subject to certain customary exceptions, as well as pledges of our equity interests in certain subsidiaries. We have not previously carried long term debt on our balance sheet and have financed our operations principally through working capital generated from operations as well as sales and issuances of our equity securities. Incurring material indebtedness will adversely affect our operating expenses through interest payment obligations and will adversely affect our ability to use cash generated from operations as we repay interest and principal under the term loans. In addition, although the term loan provisions do not include financial covenants, they do include operational covenants that may adversely affect our ability to engage in certain activities, including certain financing and acquisition transactions, stock repurchases, guarantees, and similar transactions, without obtaining the consent of the lenders, which may or may not be forthcoming. Accordingly, outstanding indebtedness could adversely affect our operational freedom or ability to pursue strategic transactions that we would otherwise consider to be in the best interests of stockholders.

Specifically, our new indebtedness could have important consequences to investors in our common stock, including the following:

- our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements, or other purposes may be limited or financing may be unavailable;
- a substantial portion of our cash flows must be dedicated to the payment of principal and interest on our indebtedness and other obligations and will not be available for use in our business;
- our level of indebtedness could limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- our high degree of indebtedness will make us more vulnerable to changes in general economic conditions and/or a downturn in our business, thereby making it more difficult for us to satisfy our obligations;
- we are subject to a fixed rate of interest as a result of entering into a fixed-for-floating interest rate swap agreement in November 2017 to hedge against the potential that the interest rates applicable to our term loans will increase. Our interest rate under the term loan varies based on a fixed margin over either an adjusted LIBOR or an adjusted base rate. Interest rates, including LIBOR, have recently increased and may continue to increase in future periods. However, interest rate trends are inherently difficult to predict and interest rates may significantly increase or decrease over a short period of time. If interest rates were to decrease substantially, we would pay higher interest expense than market and, as a result, could seek to terminate or modify the terms of the swap prior to its maturity which could result in termination or other fees and the fair value of our interest rate swap may also decrease substantially;
- we are also still subject to variable interest rate risk on the principal balance in excess of the notional amount of the interest rate swap because our interest rate under the term loan varies based on a fixed margin over either an adjusted LIBOR or an adjusted base rate. Interest rates, including LIBOR, have recently increased and may continue to increase in future periods. If interest rates were to increase substantially, it would adversely affect our operating results and could affect our ability to service the term loan indebtedness; and
- we are in the process of evaluating the accounting for our interest rate swap, which we believe would qualify for cash flow hedge accounting, which allows any changes in fair value of the interest rate swap to be classified in other comprehensive income rather than in earnings so long as the hedge is effective. In order to qualify for cash flow hedge accounting, we must maintain contemporaneous documentation of the hedge, test hedge effectiveness during the term of swap and maintain a certain level of hedge effectiveness. If our hedge is deemed ineffective, we would be required to recognize changes in the fair value of the interest rate swap in earnings, which could adversely affect our operating results.

If we fail to make required debt payments, or if we fail to comply with other covenants in our debt service agreements, we would be in default under the terms of these agreements. Subject to customary cure rights, any default would permit the holders of the indebtedness to accelerate repayment of this debt and could cause defaults under other indebtedness that we have, any of which could have a material adverse effect on the trading price of our common stock.

We used substantially all of Exar's available cash resources, proceeds from our term loan facility, and a sizeable portion of our cash resources to complete the acquisition and distribute the cash consideration payable to Exar stockholders. As a *result, our available liquidity after the acquisition was reduced at the same time that the scope of our operations and cash requirements have increased, and we may be required to seek additional financing.*

Under the terms of the merger agreement and in order to implement the distribution of the cash merger consideration to Exar's stockholders, we were required to fund the balance of the cash merger consideration from our own cash and cash equivalents, cash and equivalents currently held by Exar, and the proceeds from the term loan facility. Consequently, substantially all of Exar's available cash was used in connection with the acquisition, and our overall liquidity after completion of the acquisition was materially reduced relative to our prior liquidity even though we incurred substantial expenses and expect to incur additional restructuring costs as we integrate Exar's business and operations. To the extent our cash needs are more than we currently anticipate, our board of directors and management may determine to seek financing to enhance our liquidity, which could involve the issuance of additional debt or equity securities. We cannot provide any assurances that additional financing will be available to us when and as needed or on terms that we believe to be commercially reasonable. To the extent we issue debt securities, such indebtedness would have rights that are senior to holders of equity securities and could contain covenants that restrict our operations. Any equity financing would be dilutive to our current stockholders. If we determine that we require funding as a result of the acquisition but cannot obtain such funding on terms we consider to be reasonable, we may seek other methods to reduce our use of cash, including reductions in our research and development spending, which would be expected to have an adverse long-term effect on our business, operating results, and financial condition.

Servicing our indebtedness will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial indebtedness.

In connection with the term loan facility, we incurred $425.0 million in aggregate principal amount of senior indebtedness, of which approximately $375.0 million remained outstanding at September 30, 2017. Our substantial indebtedness may increase our vulnerability to any generally adverse economic and industry conditions.

Our ability to make scheduled payments of the principal and interest when due, or to refinance our borrowings under the term loan facility, will depend on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our indebtedness, and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance the term loans or existing or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the Loan Facility or future indebtedness.

We may still incur substantially more debt or take other actions, which would intensify the risks discussed immediately above.

We and our subsidiaries may, subject to any limitations in the terms of the term loan facility, incur additional debt, secure existing or future debt, recapitalize our debt or take a number of other actions that are not limited by the terms of our term loans that could have the effect of diminishing our ability to make payments under the indebtedness when due. If we incur any additional debt, the related risks that we and our subsidiaries face could intensify.

We are incurring and expect to incur substantial expenses related to the integration of MaxLinear and Exar.

We are incurring and expect to incur substantial expenses in connection with integrating the operations, technologies, and business systems of MaxLinear and Exar. We expect business systems integration between the two companies to require substantial management attention, including integration of information management, purchasing, accounting and finance, sales, payroll and benefits systems and regulatory compliance functions. Numerous factors beyond our control could affect the total cost or the timing of expected integration expenses. Moreover, many of the expenses that will be incurred are by their nature difficult to estimate accurately at the present time. These expenses could, particularly in the near term, reduce the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses. These integration expenses may result in MaxLinear's taking significant charges against earnings.

We recorded goodwill that could become impaired and adversely affect our future operating results.

The Exar acquisition is accounted for as an acquisition by MaxLinear in accordance with accounting principles generally accepted in the United States. Under the acquisition method of accounting, the assets and liabilities of Exar were recorded, as of completion, at their respective fair values and added to our assets and liabilities. Our reported financial condition and results of operations after the acquisition date reflect Exar’s balances and results but will not be restated retroactively to reflect the historical financial position or results of operations of Exar for periods prior to the acquisition. As a result, comparisons of future results against prior period results will be more difficult for investors.

Under the acquisition method of accounting, the total purchase price was allocated to Exar’s tangible assets and liabilities and identifiable intangible assets based on their fair values as of the date of completion of the acquisition. The excess of the purchase price over those fair values of $161.7 million was recorded as goodwill. As of September 30, 2017 our total goodwill was $239.7 million. To the extent the value of goodwill or intangibles becomes impaired, we may be required to incur material charges relating to such impairment. Any such impairment charge could have a material impact on our operating results in future periods, and the announcement of a material impairment could have an adverse effect on the trading price and trading volume of our common stock.

As part of a business unit divestiture, Exar agreed to indemnify the buyer of the business unit for an amount that could be up to the full purchase price received for breaches of representations and warranties, covenants and other matters under the applicable purchase agreement. If Exar were required to make payments in satisfaction of these indemnification obligations, it could have a material adverse effect on our operating results and financial condition.

Under the terms of the purchase agreement relating to the divested business unit, Exar agreed to indemnify the purchaser of the business unit for breaches of representations and warranties and covenants and for certain other matters. Exar also agreed to place $5.0 million of the total purchase price into an escrow account for a period of 18 months to partially secure its indemnification obligations under the purchase agreement; of this amount, $0.4 million has been released through September 30, 2017. In addition, Exar’s indemnification obligations for breaches of representations and warranties survive for 12 months from the closing of the sale transaction, except for breaches of representations and warranties covering intellectual property, which survive for 18 months, and breaches of representations and warranties of certain fundamental representations, which survive until the expiration of the applicable statute of limitations. Exar’s maximum indemnification obligation for breaches of representations and warranties, other than intellectual property and fundamental representations, is $13.6 million, its maximum indemnification obligation for breaches of intellectual property representations is $34.0 million, and its maximum indemnity obligation for breaches of fundamental representations is the full purchase price amount (approximately $136.0 million). The aggregate amount recovered by the purchaser in accordance with the indemnification provisions with respect to matters that are subject to the intellectual property representations, together with the aggregate amount recovered by the purchaser in accordance with the indemnification provisions with respect to matters that are subject to the general representations and warranties (other than fundamental representations), will in no event exceed $34.0 million.

We and Exar may have difficulty motivating and retaining key Exar personnel in light of the acquisition.

Uncertainty about the effect of the acquisition on our employees and those of Exar may have an adverse effect on MaxLinear. This uncertainty may impair our ability to retain and motivate them. Employee retention may be particularly challenging as our employees may experience frustrations during the integration process and uncertainty about their future roles with us following completion of the acquisition. MaxLinear must be successful at retaining and motivating key employees in order for the benefits of the transaction to be fully realized. If key employees depart because of issues relating to the uncertainty and difficulty of integration, we may incur significant costs in identifying, hiring, and retaining replacements for departing employees, which could substantially reduce or delay our ability to realize the anticipated benefits of the acquisition and could have a material adverse effect on our business, operating results, and financial condition.

Risks Related to Our Business

We face intense competition and expect competition to increase in the future, which could have an adverse effect on our revenue, revenue growth rate, if any, and market share.

The global semiconductor market in general, and the connected home, wired and wireless infrastructure, and broader industrial and communications analog and mixed-signal markets in particular, are highly competitive. We compete in different target markets to various degrees on the basis of a number of principal competitive factors, including our products’ performance, features and functionality, energy efficiency, size, ease of system design, customer support, product roadmap, reputation, reliability and price. We expect competition to increase and intensify as a result of industry consolidation and the resulting creation of larger semiconductor companies. Large semiconductor companies resulting from industry consolidation could enjoy substantial market power, which they could exert through, among other things, aggressive pricing that could adversely affect our customer relationships and revenues. In addition, we expect the internal resources of large, integrated original equipment manufacturers, or OEMs, may continue to enter our markets. Increased competition could result in price pressure, reduced profitability and loss of market share, any of which could materially and adversely affect our business, revenue, revenue growth rates and operating results.

As our products are integrated into a variety of communications and industrial platforms, our competitors range from large, international merchant semiconductor companies offering a wide range of semiconductor products to smaller companies specializing in narrow markets, to internal or vertically integrated engineering groups within certain of our customers. Our primary merchant semiconductor competitors include Silicon Labs, NXP Semiconductors N.V (which is currently subject to a potential acquisition by Qualcomm Technologies, Inc.), RDA Microelectronics, Inc., Broadcom Ltd, Rafael Microelectronics, Inc., Inphi Corporation, M/A-COM Technology Solutions Holdings, Inc., Semtech Corporation, Qorvo Inc., Microsemi Corporation, Texas Instruments, Sigma Designs, Inc., HiSilicon Technologies Co., Ltd., Analog Devices, Integrated Device Technology, Inc. Renesas Electronics Corporation, Maxim Integrated Products, Inc., Monolithic Power Systems, Microchip Technology, Inc., Ambarella, Inc., and Infineon Technologies AG. It is quite likely that competition in the markets in which we participate will increase in the future as existing competitors improve or expand their product offerings. In addition, it is quite likely that a number of other public and private companies are in the process of developing competing products for our current and target markets. Because our products often are building block semiconductors which provide functions that in some cases can be integrated into more complex integrated circuits, we also face competition from manufacturers of integrated circuits, some of which may be existing customers or platform partners that develop their own integrated circuit products. If we cannot offer an attractive solution for applications where our competitors offer more fully integrated products, we may lose significant market share to our competitors. Certain of our competitors have fully-integrated tuner/demodulator/video processing solutions targeting high-performance cable, satellite, or DTV applications, and thereby potentially provide customers with smaller and cheaper solutions. Some of our targeted customers for our optical interconnect solutions are module makers who are vertically integrated, where we compete with internally supplied components, and we compete with much larger analog and mixed-signal catalog competitors in the multi-market high-performance analog markets.

Our ability to compete successfully depends on factors both within and outside of our control, including industry and general economic trends. During past periods of downturns in our industry, competition in the markets in which we operate intensified as manufacturers of semiconductors reduced prices in order to combat production overcapacity and high inventory levels. Many of our competitors have substantially greater financial and other resources with which to withstand similar adverse economic or market conditions in the future. Moreover, the competitive landscape is changing as a result of consolidation within our industry as some of our competitors have merged with or been acquired by other competitors, and other competitors have begun to collaborate with each other. These developments may materially and adversely affect our current and future target markets and our ability to compete successfully in those markets.

We depend on a limited number of customers, that have undergone or are undergoing consolidation and who themselves are dependent on a consolidating set of service provider customers, for a substantial portion of our revenue, and the loss of, or a significant reduction in orders from one or more of our major customers could have a material adverse effect on our revenue and operating results. In addition, Exar's business is substantially dependent on distributor agreements.

For the nine months ended September 30, 2017, one customer accounted for 27% of our net revenue, and our ten largest customers accounted for 60% of our net revenue. We expect that our operating results for the foreseeable future will continue to show a substantial but declining percentage of sales dependent on a relatively small number of customers and on the ability of these customers to sell products that incorporate our RF receivers or RF receiver SoCs, digital STB video SoCs, DBS ODU, MoCA®, G.hn connectivity solutions and high-performance analog solutions. In the future, these customers may decide not to purchase our products at all, may purchase fewer products than they did in the past, or may defer or cancel purchases or otherwise alter their purchasing patterns. Factors that could affect our revenue from these large customers include the following:

- substantially all of our sales to date have been made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty;
- some of our customers have sought or are seeking relationships with current or potential competitors which may affect their purchasing decisions; and
- service provider and OEM consolidation across cable, satellite, and fiber markets could result in significant changes to our customers' technology development and deployment priorities and roadmaps, which could affect our ability to forecast demand accurately and could lead to increased volatility in our business.

In addition, delays in development could impair our relationships with our strategic customers and negatively impact sales of the products under development. Moreover, it is possible that our customers may develop their own product or adopt a competitor's solution for products that they currently buy from us. If that happens, our sales would decline and our business, financial condition and results of operations could be materially and adversely affected.

Our relationships with some customers may deter other potential customers who compete with these customers from buying our products. To attract new customers or retain existing customers, we may offer these customers favorable prices on our products. In that event, our average selling prices and gross margins would decline. The loss of a key customer, a reduction in sales to any key customer or our inability to attract new significant customers could seriously impact our revenue and materially and adversely affect our results of operations.

Exar derived a substantial portion of its business from two distributors, and we anticipate that sales of our products through these distributors will continue to account for a significant portion of our revenues from sales of Exar's integrated circuit products. In addition, Exar's agreements with these distributors provide protection against price reduction on their inventories of our products. The loss of either or both of these distributors could have a material adverse effect on our business and results of operations, and price reductions associated with their inventories of our products could have a substantial adverse effect on our operating results in the event of a dramatic decline in selling prices for these products.

A significant portion of our revenue is attributable to demand for our products in markets for connected home solutions, and development delays and consolidation trends among cable and satellite television operators could adversely affect our future revenues and operating results.

In the nine months ended September 30, 2017, revenue directly attributable to connected home applications accounted for approximately 72% of our net revenue. Delays in the development of, or unexpected developments in the connected home markets could have an adverse effect on order activity by original equipment manufacturers in these markets and, as a result, on our business, revenue, operating results and financial condition. In addition, consolidation trends among pay-TV and broadband operators may continue, which could have a material adverse effect on our future operating results and financial condition. Most recently, we experienced sharper than previously anticipated declines in our legacy video SoC revenues as a result of the acquisition of Time Warner Cable by Charter Communications.

If we fail to penetrate new applications and markets, our revenue, revenue growth rate, if any, and financial condition could be materially and adversely affected.

We sell most of our products to manufacturers of televisions, terrestrial set-top boxes for sale in various markets worldwide including, but not limited to, cable broadband voice and data modems and gateways, pay-TV set-top boxes and gateways into cable and satellite operator markets, satellite outdoor units or LNB's, optical modules for long-haul and metro telecommunications markets, and RF transceivers and modem solutions for wireless infrastructure markets. With the acquisition of Exar, we expanded our product offerings to include power management and interface technologies which are ubiquitous functions in new and existing markets such as wireless and wireline communications infrastructure, broadband access, industrial, enterprise network, and automotive applications. Our future revenue growth, if any, will depend in part on our ability to further penetrate into, and expand beyond, these markets with analog and mixed-signal solutions targeting the markets for high-speed optical interconnects for datacenter, metro, and long-haul optical modules, telecommunications wireless infrastructure, and cable DOCSIS 3.1 network infrastructure products. Each of these markets presents distinct and substantial risks. If any of these markets do not develop as we currently anticipate, or if we are unable to penetrate them successfully, it could materially and adversely affect our revenue and revenue growth rate, if any.

Broadband data modems and gateways and pay-TV and satellite set-top boxes and video gateways continue to represent our largest North American and European revenue generator. The North American and European pay-TV market is dominated by only a few OEMs, including Technicolor, Arris Group, Inc., Humax Co., Ltd., and Samsung Electronics Co., Ltd. These OEMs are large multinational corporations with substantial negotiating power relative to us and are undergoing significant consolidation. Securing design wins with any of these companies requires a substantial investment of our time and resources. Even if we succeed, additional testing and operational certifications will be required by the OEMs' customers, which include large pay-TV television companies such as Comcast Corporation, Liberty Global plc, Charter Communications, AT&T and EchoStar Corporation. In addition, our products will need to be compatible with other components in our customers' designs, including components produced by our competitors or potential competitors. There can be no assurance that these other companies will support or continue to support our products.

If we fail to penetrate these or other new markets upon which we target our resources, our revenue and revenue growth rate, if any, likely will decrease over time and our financial condition could suffer.

We may be unable to make the substantial and productive research and development investments which are required to remain competitive in our business.

The semiconductor industry requires substantial investment in research and development in order to develop and bring to market new and enhanced technologies and products. Many of our products originated with our research and development efforts and we believe have provided us with a significant competitive advantage. In the nine months ended September 30, 2017, our research and development expense was $82.2 million. We continue to maintain or increase our research and development expenditures as part of our strategy of devoting focused research and development efforts on the development of innovative and sustainable product platforms. We are committed to investing in new product development internally in order to stay competitive in our markets and plan to maintain research and development and design capabilities for new solutions in advanced semiconductor process nodes such as 28nm and 16nm and beyond. We do not know whether we will have sufficient resources to maintain the level of investment in research and development required to remain competitive as semiconductor process nodes continue to shrink and become increasingly complex. In addition, we cannot assure you that the technologies which are the focus of our research and development expenditures will become commercially successful.

We may not sustain our growth rate, and we may not be able to manage future growth effectively.

We have been experiencing significant growth in a short period of time. Our net revenue increased from approximately $133.1 million in 2014, to $300.4 million in 2015 and $387.8 million in 2016, in part due to acquisitions. We may not achieve similar growth rates in future periods. You should not rely on our operating results for any prior quarterly or annual periods as an indication of our future operating performance. If we are unable to maintain adequate revenue growth, our financial results could suffer and our stock price could decline.

To manage our growth successfully and handle the responsibilities of being a public company, we believe we must effectively, among other things:

- recruit, hire, train and manage additional qualified engineers for our research and development activities, especially in the positions of design engineering, product and test engineering and applications engineering;
- add sales personnel and expand customer engineering support offices;
- implement and improve our administrative, financial and operational systems, procedures and controls; and
- enhance our information technology support for enterprise resource planning and design engineering by adapting and expanding our systems and tool capabilities, and properly training new hires as to their use.

If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities or develop new products and we may fail to satisfy customer requirements, maintain product quality, execute our business plan or respond to competitive pressures.

The complexity of our products could result in unforeseen delays or expenses caused by undetected defects or bugs, which could reduce the market acceptance of our new products, damage our reputation with current or prospective customers and adversely affect our operating costs.

Highly complex products like our broadband RF receivers and RF receiver SoCs, physical medium devices for optical modules, RF transceiver and modem solutions for wireless infrastructure markets, and high-performance analog solutions may contain defects and bugs when they are first introduced or as new versions are released. Where any of our products, including legacy acquired products, contain defects or bugs, or have reliability, quality or compatibility problems, we may not be able to successfully correct these problems. Consequently, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers and attract new customers, and our financial results. In addition, these defects or bugs could interrupt or delay sales to our customers. If any of these problems are not found until after we have commenced commercial production of a new product (as in the case of the legacy Entropic products experiencing warranty claims), we may be required to incur additional development costs and product recall, repair or replacement costs, and our operating costs could be adversely affected. These problems may also result in warranty or product liability claims against us by our customers or others that may require us to make significant expenditures to defend these claims or pay damage awards. In the event of a warranty claim, we may also incur costs if we compensate the affected customer. We maintain product liability insurance, but this insurance is limited in amount and subject to significant deductibles. There is no guarantee that our insurance will be available or adequate to protect against all claims. We also may incur costs and expenses relating to a recall of one of our customers' products containing one of our devices. The process of identifying a recalled product in devices that have been widely distributed may be lengthy and require significant resources, and we may incur significant replacement costs, contract damage claims from our customers and reputational harm. Costs or payments made in connection with warranty and product liability claims and product recalls could materially affect our financial condition and results of operations.

Average selling prices of our products could decrease rapidly, which could have a material adverse effect on our revenue and gross margins.

We may experience substantial period-to-period fluctuations in future operating results due to the erosion of our average selling prices. From time to time, we have reduced the average unit price of our products due to competitive pricing pressures, new product introductions by us or our competitors, and for other reasons, and we expect that we will have to do so again in the future. In particular, we believe that industry consolidation has provided a number of larger semiconductor companies with substantial market power, which has had an adverse impact on selling prices in some of our markets. If we are unable to offset any reductions in our average selling prices by increasing our sales volumes or introducing new products with higher margins, our revenue and gross margins will suffer. To support our gross margins, we must develop and introduce new products and product enhancements on a timely basis and continually reduce our and our customers' costs. Our inability to do so would cause our revenue and gross margins to decline. In addition, under Exar's agreements with key distributors, we provide protection for reductions in selling prices of the distributors' inventory, which could have a significant adverse effect on our operating results if the selling prices for those products fell dramatically.

If we fail to develop and introduce new or enhanced products on a timely basis, our ability to attract and retain customers could be impaired and our competitive position could be harmed.

We operate in a dynamic environment characterized by rapidly changing technologies and industry standards and technological obsolescence. To compete successfully, we must design, develop, market and sell new or enhanced products that provide increasingly higher levels of performance and reliability and meet the cost expectations of our customers. The introduction of new products by our competitors, the market acceptance of products based on new or alternative technologies, or the emergence of new industry standards could render our existing or future products obsolete. Our failure to anticipate or timely develop new or enhanced products or technologies in response to technological shifts could result in decreased revenue and our competitors winning more competitive bid processes, known as "design wins." In particular, we may experience difficulties with product design, manufacturing, marketing or certification that could delay or prevent our development, introduction or marketing of new or enhanced products. If we fail to introduce new or enhanced products that meet the needs of our customers or penetrate new markets in a timely fashion, we will lose market share and our operating results will be adversely affected.

In particular, we believe that we will need to develop new products in part to respond to changing dynamics and trends in our end user markets, including (among other trends) consolidation among cable and satellite operators, potential industry shifts away from the hardware devices and other technologies that incorporate our products, and changes in consumer television viewing habits and how consumers access and receive broadcast content and digital broadband services. We cannot predict how these trends will continue to develop or how or to what extent they may affect our future revenues and operating results. We believe that we will need to continue to make substantial investments in research and development in an attempt to ensure a product roadmap that anticipates these types of changes; however, we cannot provide any assurances that we will accurately predict the direction in which our markets will evolve or that we will be able to develop, market, or sell new products that respond to such changes successfully or in a timely manner, if at all.

We have settled in the past and are currently a party to intellectual property litigation and may face additional claims of intellectual property infringement. Current litigation and any future litigation could be time-consuming, costly to defend or settle and result in the loss of significant rights.

The semiconductor industry is characterized by companies that hold large numbers of patents and other intellectual property rights and that vigorously pursue, protect and enforce intellectual property rights. Third parties have in the past and may in the future assert against us and our customers and distributors their patent and other intellectual property rights to technologies that are important to our business. In particular, from time to time, we receive correspondence from competitors seeking to engage us in discussions concerning potential claims against us, and we receive correspondence from customers seeking indemnification for potential claims related to infringement claims asserted against down-stream users of our products. We investigate these requests as received and could be required to enter license agreements with respect to third party intellectual property rights or indemnify third parties, either of which could have an adverse effect on our future operating results.

On January 21, 2014, CrestaTech Technology Corporation, or CrestaTech, filed a complaint for patent infringement against us in the United States District Court of Delaware, or the District Court Litigation. In its complaint, CrestaTech alleges that we infringe U.S. Patent Nos. 7,075,585, or the '585 Patent, and 7,265,792, or the '792 Patent. In addition to asking for compensatory damages, CrestaTech alleges willful infringement and seeks a permanent injunction. CrestaTech also names Sharp Corporation, Sharp Electronics Corp. and VIZIO, Inc. as defendants based upon their alleged use of our television tuners.

On January 28, 2014, CrestaTech filed a complaint with the U.S. International Trade Commission, or ITC, again naming, among others, us, Sharp, Sharp Electronics, and VIZIO, or the ITC Investigation. On May 16, 2014, the ITC granted CrestaTech's motion to file an amended complaint adding six OEM Respondents, namely, SIO International, Inc., Hon Hai Precision Industry Co., Ltd., Wistron Corp., Wistron Infocomm Technology (America) Corp., Top Victory Investments Ltd. and TPV International (USA), Inc. which are collectively referred to with us, Sharp and VIZIO as the Company Respondents. CrestaTech's ITC complaint alleged a violation of 19 U.S.C. § 1337 through the importation into the United States, the sale for importation, or the sale within the United States after importation of Maxlinear's accused products that CrestaTech alleged infringe the same two patents asserted in the Delaware action. Through its ITC complaint, CrestaTech sought an exclusion order preventing entry into the United States of certain of our television tuners and televisions containing such tuners from Sharp, Sharp Electronics, and VIZIO. CrestaTech also sought a cease and desist order prohibiting the Company Respondents from engaging in the importation into, sale for importation into, the sale after importation of, or otherwise transferring within the United States certain of our television tuners or televisions containing such tuners.

On March 10, 2014, the court stayed the District Court Litigation pending resolution of the ITC Investigation.

On December 15, 2014, the ITC held a trial in the ITC Investigation. On February 27, 2015, the Administrative Law Judge, or the ALJ, issued a written Initial Determination, or ID, ruling that MaxLinear, Sharp, Sharp Electronics, and VIZIO did not violate 19 U.S.C § 1337 in connection with CrestaTech's asserted patents because CrestaTech failed to satisfy the economic prong of the domestic industry requirement pursuant to Section 1337(a)(2). In addition, the ID stated that certain of our television tuners and televisions incorporating those tuners manufactured and sold by certain customers infringe three claims of the '585 Patent, and these three claims were not determined to be invalid. On April 30, 2015, the ITC issued a notice indicating that it intended to review portions of the ID finding no violation of Section 1337, including the ID's findings of infringement with respect to, and validity of, the '585 Patent, and the ID's finding that CrestaTech failed to establish the existence of a domestic industry within the meaning of Section 1337.

The ITC subsequently issued its opinion, which terminated its investigation. The opinion affirmed the findings of the ALJ that no violation of Section 1337 had occurred because CrestaTech had failed to establish the economic prong of the domestic industry requirement. The ITC also affirmed the ALJ's finding of infringement with respect to the three claims of the '585 Patent that were not held to be invalid.

On November 30, 2015, CrestaTech filed an appeal of the ITC decision with the United States Court of Appeals for the Federal Circuit, or the Federal Circuit. On March 7, 2016, CrestaTech voluntarily dismissed its appeal, resulting in a final determination of the ITC Investigation in our favor.

In addition, we have filed four petitions for inter partes review, or IPR, by the US Patent Office, two for each of the CrestaTech patents asserted against us. The Patent Trial and Appeal Board, or the PTAB, did not institute two of these IPRs as being redundant to IPRs filed by another party that were already underway for the same CrestaTech patent. The remaining two petitions were instituted or instituted-in-part and, together with the IPRs filed by third parties, there are currently six pending IPR proceedings involving the two CrestaTech patents asserted against us.

In October 2015, the PTAB issued final decisions in two of the six pending IPR proceedings (one for each of the two asserted patents), holding that all of the reviewed claims are unpatentable. Included in these decisions was one of the three claims of the '585 Patent mentioned above in connection with the ITC's final decision. CrestaTech appealed the PTAB's decisions at the Federal Circuit. On November 8, 2016, the Federal Circuit issued an opinion affirming the PTAB's finding of unpatentability.

In August 2016, the PTAB issued final written decisions in the remaining four pending IPR proceedings (two for each of the asserted patents), holding that many of the reviewed claims - including the two remaining claims of the '585 Patent which the ITC held were infringed - are unpatentable. As a result of these IPR decisions, all 13 claims that CrestaTech asserted against us in the ITC Investigation have been found to be unpatentable by the PTAB. The parties have appealed the two decisions related to the '585 Patent; however, no appeals were filed as to the PTAB's rulings for the '792 Patent. Briefing is complete in these appeals, but the Federal Circuit has yet to schedule oral argument for these appeals.

On March 18, 2016, CrestaTech filed a petition for Chapter 7 bankruptcy in the Northern District of California. As a result of this proceeding, all rights in the CrestaTech asserted patents, including the right to control the pending litigation, were assigned to CF Crespe LLC, or CF Crespe. CF Crespe is now the named party in the pending IPRs, the Federal Circuit appeal and District Court Litigation.

Per the Court's request, on April 19, 2017, the parties submitted a status report in the District Court Litigation. In their report, the parties suggested that the District Court Litigation remain stayed pending the Federal Circuit's decision in the appeal of the '585 IPRs, and any subsequent appeal thereof.

We cannot predict the outcome of any appeal by CF Crespe or CrestaTech, the District Court Litigation, or the IPRs. Any adverse determination in the District Court Litigation could have a material adverse effect on our business and operating results.

Claims that our products, processes or technology infringe third-party intellectual property rights, regardless of their merit or resolution and including the CrestaTech claims, are costly to defend or settle and could divert the efforts and attention of our management and technical personnel. In addition, many of our customer and distributor agreements require us to indemnify and defend our customers or distributors from third-party infringement claims and pay damages in the case of adverse rulings. Claims of this sort also could harm our relationships with our customers or distributors and might deter future customers from doing business with us. In order to maintain our relationships with existing customers and secure business from new customers, we have been required from time to time to provide additional assurances beyond our standard terms. If any future proceedings result in an adverse outcome, we could be required to:

- cease the manufacture, use or sale of the infringing products, processes or technology;
- pay substantial damages for infringement;
- expend significant resources to develop non-infringing products, processes or technology;
- license technology from the third-party claiming infringement, which license may not be available on commercially reasonable terms, or at all;
- cross-license our technology to a competitor to resolve an infringement claim, which could weaken our ability to compete with that competitor; or
- pay substantial damages to our customers or end users to discontinue their use of or to replace infringing technology sold to them with non-infringing technology.

Any of the foregoing results could have a material adverse effect on our business, financial condition and results of operations.

We utilize a significant amount of intellectual property in our business. If we are unable to protect our intellectual property, our business could be adversely affected.

Our success depends in part upon our ability to protect our intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, copyrights, trademarks and trade secrets in the United States and in selected foreign countries where we believe filing for such protection is appropriate. Effective patent, copyright, trademark and trade secret protection may be unavailable, limited or not applied for in some countries. Some of our products and technologies are not covered by any patent or patent application. We cannot guarantee that:

- any of our present or future patents or patent claims will not lapse or be invalidated, circumvented, challenged or abandoned;
- our intellectual property rights will provide competitive advantages to us;
- our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties;
- any of our pending or future patent applications will be issued or have the coverage originally sought;
- our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak;
- any of the trademarks, copyrights, trade secrets or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged or abandoned; or
- we will not lose the ability to assert our intellectual property rights against or to license our technology to others and collect royalties or other payments.

In addition, our competitors or others may design around our protected patents or technologies. Effective intellectual property protection may be unavailable or more limited in one or more relevant jurisdictions relative to those protections available in the United States, or may not be applied for in one or more relevant jurisdictions. If we pursue litigation to assert our intellectual property rights, an adverse decision in any of these legal actions could limit our ability to assert our intellectual property rights, limit the value of our technology or otherwise negatively impact our business, financial condition and results of operations.

Monitoring unauthorized use of our intellectual property is difficult and costly. Unauthorized use of our intellectual property may have occurred or may occur in the future. Although we have taken steps to minimize the risk of this occurring, any such failure to identify unauthorized use and otherwise adequately protect our intellectual property would adversely affect our business. Moreover, if we are required to commence litigation, whether as a plaintiff or defendant as has occurred with CrestaTech, not only will this be time-consuming, but we will also be forced to incur significant costs and divert our attention and efforts of our employees, which could, in turn, result in lower revenue and higher expenses.

We also rely on customary contractual protections with our customers, suppliers, distributors, employees and consultants, and we implement security measures to protect our trade secrets. We cannot assure you that these contractual protections and security measures will not be breached, that we will have adequate remedies for any such breach or that our suppliers, employees or consultants will not assert rights to intellectual property arising out of such contracts.

In addition, we have a number of third-party patent and intellectual property license agreements. Some of these license agreements require us to make one-time payments or ongoing royalty payments. Also, a few of our license agreements contain most-favored nation clauses or other price restriction clauses which may affect the amount we may charge for our products, processes or technology. We cannot guarantee that the third-party patents and technology we license will not be licensed to our competitors or others in the semiconductor industry. In the future, we may need to obtain additional licenses, renew existing license agreements or otherwise replace existing technology. We are unable to predict whether these license agreements can be obtained or renewed or the technology can be replaced on acceptable terms, or at all.

When we settled a trademark dispute with Linear Technology Corporation, we agreed not to register the “MAXLINEAR” mark or any other marks containing the term “LINEAR”. We may continue to use “MAXLINEAR” as a corporate identifier, including to advertise our products and services, but may not use that mark on our products. The agreement does not affect our ability to use our registered trademark “MxL”, which we use on our products. Due to our agreement not to register the “MAXLINEAR” mark, our ability to effectively prevent third parties from using the “MAXLINEAR” mark in connection with similar products or technology may be affected. If we are unable to protect our trademarks, we may experience difficulties in achieving and maintaining brand recognition and customer loyalty.

We may be subject to information technology failures, including data protection breaches and cyber-attacks, that could disrupt our operations, damage our reputation and adversely affect our business, operations, and financial results.

We rely on our information technology systems for the effective operation of our business and for the secure maintenance and storage of confidential data relating to our business and third party businesses. Although we have implemented security controls to protect our information technology systems, experienced programmers or hackers may be able to penetrate our security controls, and develop and deploy viruses, worms and other malicious software programs that compromise our confidential information or that of third parties and cause a disruption or failure of our information technology systems. In addition, we have in the past and may in the future be subject to "phishing" attacks in which third parties send emails purporting to be from reputable companies in order to obtain personal information and infiltrate our systems to initiate wire transfers or otherwise obtain proprietary or confidential information. A number of large, public companies have recently experienced losses based on phishing attacks. Any compromise of our information technology systems could result in the unauthorized publication of our confidential business or proprietary information, result in the unauthorized release of customer, supplier or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation, cause us to incur direct losses if attackers access our bank or investment accounts, or damage our reputation. The cost and operational consequences of implementing further data protection measures either as a response to specific breaches or as a result of evolving risks, could be significant. In addition, our inability to use or access our information systems at critical points in time could adversely affect the timely and efficient operation of our business. Any delayed sales, significant costs or lost customers resulting from these technology failures could adversely affect our business, operations and financial results.

Third parties with which we conduct business, such as foundries, assembly and test contractors, and distributors, have access to certain portions of our sensitive data. In the event that these third parties do not properly safeguard our data that they hold, security breaches could result and negatively impact our business, operations and financial results.

We rely on a limited number of third parties to manufacture, assemble and test our products, and the failure to manage our relationships with our third-party contractors successfully could adversely affect our ability to market and sell our products.

We do not have our own manufacturing facilities. We operate an outsourced manufacturing business model that utilizes third-party foundry and assembly and test capabilities. As a result, we rely on third-party foundry wafer fabrication, including sole sourcing for many components or products. Currently, the majority of our products are manufactured by United Microelectronics Corporation, or UMC, Silterra Malaysia Sdn Bhd, Global Foundries, Semiconductor Manufacturing International Corporation, or SMIC, Taiwan Semiconductor Manufacturing Corp, or TSMC, Tower-Jazz Semiconductor, and WIN Semiconductor at foundries in Taiwan, Singapore, Malaysia, China, and the United States. We also use third-party contractors for all of our assembly and test operations.

Relying on third party manufacturing, assembly and testing presents significant risks to us, including the following:

- failure by us, our customers, or their end customers to qualify a selected supplier;
- capacity shortages during periods of high demand;
- reduced control over delivery schedules and quality;
- shortages of materials;
- misappropriation of our intellectual property;
- limited warranties on wafers or products supplied to us; and
- potential increases in prices.

The ability and willingness of our third-party contractors to perform is largely outside our control. If one or more of our contract manufacturers or other outsourcers fails to perform its obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and our reputation could suffer. For example, in the event that manufacturing capacity is reduced or eliminated at one or more facilities, including as a response to the recent worldwide decline in the semiconductor industry, manufacturing could be disrupted, we could have difficulties fulfilling our customer orders and our net revenue could decline. In addition, if these third parties fail to deliver quality products and components on time and at reasonable prices, we could have difficulties fulfilling our customer orders, our net revenue could decline and our business, financial condition and results of operations would be adversely affected.

Additionally, our manufacturing capacity may be similarly reduced or eliminated at one or more facilities due to the fact that our fabrication and assembly and test contractors are all located in the Pacific Rim region, principally in China, Taiwan, Singapore and Malaysia. The risk of earthquakes in these geographies is significant due to the proximity of major earthquake fault lines, and Taiwan in particular is also subject to typhoons and other Pacific storms. Earthquakes, fire, flooding, or other natural disasters in Taiwan or the Pacific Rim region, or political unrest, war, labor strikes, work stoppages or public health crises, such as outbreaks of H1N1 flu, in countries where our contractors' facilities are located could result in the disruption of our foundry, assembly or test capacity. Any disruption resulting from these events could cause significant delays in shipments of our products until we are able to shift our manufacturing, assembly or test from the affected contractor to another third-party vendor. There can be no assurance that alternative capacity could be obtained on favorable terms, if at all.

We do not have any long-term supply contracts with our contract manufacturers or suppliers, and any disruption in our supply of products or materials could have a material adverse effect on our business, revenue and operating results.

We currently do not have long-term supply contracts with any of our third-party vendors, including but, not limited to UMC, Silterra Malaysia Sdn Bhd, Global Foundries, SMIC, TSMC, Jazz Semiconductor, and WIN Semiconductor. We make substantially all of our purchases on a purchase order basis, and our contract manufacturers are not required to supply us products for any specific period or in any specific quantity. Foundry capacity may not be available when we need it or at reasonable prices. Availability of foundry capacity has in the past been reduced from time to time due to strong demand. Foundries can allocate capacity to the production of other companies' products and reduce deliveries to us on short notice. It is possible that foundry customers that are larger and better financed than we are, or that have long-term agreements with our foundry, may induce our foundry to reallocate capacity to them. This reallocation could impair our ability to secure the supply of components that we need. We generally place orders for products with some of our suppliers approximately four to five months prior to the anticipated delivery date, with order volumes based on our forecasts of demand from our customers. Accordingly, if we inaccurately forecast demand for our products, we may be unable to obtain adequate and cost-effective foundry or assembly capacity from our third-party contractors to meet our customers' delivery requirements, or we may accumulate excess inventories. On occasion, we have been unable to adequately respond to unexpected increases in customer purchase orders and therefore were unable to benefit from this incremental demand. None of our third-party contractors has provided any assurance to us that adequate capacity will be available to us within the time required to meet additional demand for our products.

We may have difficulty accurately predicting our future revenue and appropriately budgeting our expenses particularly as we seek to enter new markets where we may not have prior experience.

Our recent operating history has focused on developing integrated circuits for specific terrestrial, cable and satellite television, and broadband voice and data applications, and as part of our strategy, we seek to expand our addressable market into new product categories. For example, we previously expanded into the market for satellite set-top and gateway boxes and outdoor units and physical medium devices for the optical interconnect markets, and through the Broadcom and Microsemi business line acquisitions in 2016, we have entered the markets for wireless telecommunications infrastructure. Through the acquisition of the G.hn business of Marvell in April 2017, we are currently expanding into the wired whole-home broadband connectivity market. With our acquisition of Exar in May 2017, we also entered the markets for power management and interface technologies which are ubiquitous functions in wireless and wireline communications infrastructure, broadband access, industrial, enterprise network, and automotive applications. Our limited operating experience in these new markets or potential markets we may enter, combined with the rapidly evolving nature of our markets in general, substantial uncertainty concerning how these markets may develop and other factors beyond our control, reduces our ability to accurately forecast quarterly or annual revenue. If our revenue does not increase as anticipated, we could incur significant losses due to our higher expense levels if we are not able to decrease our expenses in a timely manner to offset any shortfall in future revenue.

If we are unable to attract, train and retain qualified personnel, especially our design and technical personnel, we may not be able to execute our business strategy effectively.

Our future success depends on our ability to retain, attract and motivate qualified personnel, including our management, sales and marketing and finance, and especially our design and technical personnel. We do not know whether we will be able to retain all of these personnel as we continue to pursue our business strategy. Historically, we have encountered difficulties in hiring and retaining qualified engineers because there is a limited pool of engineers with the expertise required in our field. Competition for these personnel is intense in the semiconductor industry. As the source of our technological and product innovations, our design and technical personnel represent a significant asset. The loss of the services of one or more of our key employees, especially our key design and technical personnel, or our inability to retain, attract and motivate qualified design and technical personnel, could have a material adverse effect on our business, financial condition and results of operations.

Our business would be adversely affected by the departure of existing members of our senior management team.

Our success depends, in large part, on the continued contributions of our senior management team. None of our senior management team is bound by written employment contracts to remain with us for a specified period. In addition, we have not entered into non-compete agreements with members of our senior management team. The loss of any member of our senior management team could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate.

Our customers require our products and our third-party contractors to undergo a lengthy and expensive qualification process which does not assure product sales.

Prior to purchasing our products, our customers require that both our products and our third-party contractors undergo extensive qualification processes, which involve testing of the products in the customer's system and rigorous reliability testing. This qualification process may continue for six months or more. However, qualification of a product by a customer does not assure any sales of the product to that customer. Even after successful qualification and sales of a product to a customer, a subsequent revision our solutions, or changes in our customer's manufacturing process or our selection of a new supplier may require a new qualification process, which may result in delays and in us holding excess or obsolete inventory. After our products are qualified, it can take six months or more before the customer commences volume production of components or devices that incorporate our products. Despite these uncertainties, we devote substantial resources, including design, engineering, sales, marketing and management efforts, to qualifying our products with customers in anticipation of sales. If we are unsuccessful or delayed in qualifying any of our products with a customer, sales of this product to the customer may be precluded or delayed, which may impede our growth and cause our business to suffer.

We are subject to risks associated with our distributors' product inventories and product sell-through. Should any of our distributors cease or be forced to stop distributing our products, our business would suffer.

We currently sell a significant portion of our products to customers through our distributors, who maintain their own inventories of our products. For the nine months ended September 30, 2017, sales through distributors accounted for 31% of our net revenue. For some of these distributor transactions, revenue is not currently recognized until product is shipped to the end customer and the amount that will ultimately be collected is fixed or determinable. Upon shipment of product to these distributors, title to the inventory transfers to the distributor and the distributor is invoiced, generally with 30 to 60 day terms. On shipments to our distributors where revenue is not recognized, we record a trade receivable for the selling price as there is a legally enforceable right to payment, relieving the inventory for the carrying value of goods shipped since legal title has passed to the distributor, and record the corresponding gross profit in the consolidated balance sheet as a component of deferred revenue and deferred profit, representing the difference between the receivable recorded and the cost of inventory shipped. Future pricing credits and/or stock rotation rights from our distributors may result in the realization of a different amount of profit included our future consolidated statements of operations than the amount recorded as deferred profit in our consolidated balance sheets.

If our distributors are unable to sell an adequate amount of their inventories of our products in a given quarter to manufacturers and end users or if they decide to decrease their inventories of our products for any reason, our sales through these distributors and our revenue may decline. In addition, if some distributors decide to purchase more of our products than are required to satisfy end customer demand in any particular quarter, inventories at these distributors would grow in that quarter. These distributors likely would reduce future orders until inventory levels realign with end customer demand, which could adversely affect our product revenue in a subsequent quarter.

Our reserve estimates with respect to the products stocked by our distributors are based principally on reports provided to us by our distributors, typically on a weekly basis. To the extent that this resale and channel inventory data is inaccurate or not received in a timely manner, we may not be able to make reserve estimates for future periods accurately or at all.

We are subject to order and shipment uncertainties, and differences between our estimates of customer demand and product mix and our actual results could negatively affect our inventory levels, sales and operating results.

Our revenue is generated on the basis of purchase orders with our customers rather than long-term purchase commitments. In addition, our customers can cancel purchase orders or defer the shipments of our products under certain circumstances. Our products are manufactured using a silicon foundry according to our estimates of customer demand, which requires us to make separate demand forecast assumptions for every customer, each of which may introduce significant variability into our aggregate estimate. We have limited visibility into future customer demand and the product mix that our customers will require, which could adversely affect our revenue forecasts and operating margins. Moreover, because our target markets are relatively new, many of our customers have difficulty accurately forecasting their product requirements and estimating the timing of their new product introductions, which ultimately affects their demand for our products. Historically, because of this limited visibility, actual results have been different from our forecasts of customer demand. Some of these differences have been material, leading to excess inventory or product shortages and revenue and margin forecasts above those we were actually able to achieve. These differences may occur in the future, and the adverse impact of these differences between forecasts and actual results could grow if we are successful in selling more products to some customers. In addition, the rapid pace of innovation in our industry could render significant portions of our inventory obsolete. Excess or obsolete inventory levels could result in unexpected expenses or increases in our reserves that could adversely affect our business, operating results and financial condition. Conversely, if we were to underestimate customer demand or if sufficient manufacturing capacity were unavailable, we could forego revenue opportunities, potentially lose market share and damage our customer relationships. In addition, any significant future cancellations or deferrals of product orders or the return of previously sold products due to manufacturing defects could materially and adversely impact our profit margins, increase our write-offs due to product obsolescence and restrict our ability to fund our operations.

Winning business is subject to lengthy competitive selection processes that require us to incur significant expenditures. Even if we begin a product design, customers may decide to cancel or change their product plans, which could cause us to generate no revenue from a product and adversely affect our results of operations.

We are focused on securing design wins to develop RF receivers and RF receiver SoCs, MoCA and G.hn SoCs, DBS-ODU SoCs, physical medium devices for optical modules, interface and power management devices, and SoC solutions targeting infrastructure opportunities within the telecommunications, wireless, and cable operator markets for use in our customers' products. These selection processes typically are lengthy and can require us to incur significant design and development expenditures and dedicate scarce engineering resources in pursuit of a single customer opportunity. We may not win the competitive selection process and may never generate any revenue despite incurring significant design and development expenditures. These risks are exacerbated by the fact that some of our customers' products likely will have short life cycles. Failure to obtain a design win could prevent us from offering an entire generation of a product, even though this has not occurred to date. This could cause us to lose revenue and require us to write off obsolete inventory, and could weaken our position in future competitive selection processes. After securing a design win, we may experience delays in generating revenue from our products as a result of the lengthy development cycle typically required. Our customers generally take a considerable amount of time to evaluate our products. The typical time from early engagement by our sales force to actual product introduction runs from nine to twelve months for the consumer market, to as much as 36 months or more for the cable operator and telecommunications infrastructure markets, and beyond 36 months in the wired and wireless infrastructure markets. The delays inherent in these lengthy sales cycles increase the risk that a customer will decide to cancel, curtail, reduce or delay its product plans, causing us to lose anticipated sales. In addition, any delay or cancellation of a customer's plans could materially and adversely affect our financial results, as we may have incurred significant expense and generated no revenue. Finally, our customers' failure to successfully market and sell their products could reduce demand for our products and materially and adversely affect our business, financial condition and results of operations. If we were unable to generate revenue after incurring substantial expenses to develop any of our products, our business would suffer.

Our operating results are subject to substantial quarterly and annual fluctuations and may fluctuate significantly due to a number of factors that could adversely affect our business and our stock price.

Our revenue and operating results have fluctuated in the past and are likely to fluctuate in the future. These fluctuations may occur on a quarterly and on an annual basis and are due to a number of factors, many of which are beyond our control. These factors include, among others:

- changes in end-user demand for the products manufactured and sold by our customers;
- the receipt, reduction or cancellation of significant orders by customers;
- fluctuations in the levels of component inventories held by our customers;
- the gain or loss of significant customers;
- market acceptance of our products and our customers' products;
- our ability to develop, introduce and market new products and technologies on a timely basis;
- the timing and extent of product development costs;
- new product announcements and introductions by us or our competitors;
- incurrence of research and development and related new product expenditures;
- seasonality or cyclical fluctuations in our markets;
- currency fluctuations;
- fluctuations in IC manufacturing yields;
- significant warranty claims, including those not covered by our suppliers;
- changes in our product mix or customer mix;
- intellectual property disputes;
- loss of key personnel or the shortage of available skilled workers;
- impairment of long-lived assets, including masks and production equipment; and
- the effects of competitive pricing pressures, including decreases in average selling prices of our products.

These factors are difficult to forecast, and these, as well as other factors, could materially adversely affect our quarterly or annual operating results. We typically are required to incur substantial development costs in advance of a prospective sale with no certainty that we will ever recover these costs. A substantial amount of time may pass between a design win and the generation of revenue related to the expenses previously incurred, which can potentially cause our operating results to fluctuate significantly from period to period. In addition, a significant amount of our operating expenses are relatively fixed in nature due to our significant sales, research and development costs. Any failure to adjust spending quickly enough to compensate for a revenue shortfall could magnify its adverse impact on our results of operations.

We are subject to the cyclical nature of the semiconductor industry.

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. Any future downturns may result in diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. Furthermore, any upturn in the semiconductor industry could result in increased competition for access to third-party foundry and assembly capacity. We are dependent on the availability of this capacity to manufacture and assemble our all of our products. None of our third-party foundry or assembly contractors has provided assurances that adequate capacity will be available to us in the future. A significant downturn or upturn could have a material adverse effect on our business and operating results.

The use of open source software in our products, processes and technology may expose us to additional risks and harm our intellectual property.

Our products, processes and technology sometimes utilize and incorporate software that is subject to an open source license. Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on unfavorable terms or at no cost. This can subject previously proprietary software to open source license terms.

While we monitor the use of all open source software in our products, processes and technology and try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product, processes or technology when we do not wish to do so, such use could inadvertently occur. Additionally, if a third-party software provider has incorporated certain types of open source software into software we license from such third party for our products, processes or technology, we could, under certain circumstances, be required to disclose the source code to our products, processes or technology. This could harm our intellectual property position and have a material adverse effect on our business, results of operations and financial condition.

We rely on third parties to provide services and technology necessary for the operation of our business. Any failure of one or more of our partners, vendors, suppliers or licensors to provide these services or technology could have a material adverse effect on our business.

We rely on third-party vendors to provide critical services, including, among other things, services related to accounting, billing, human resources, information technology, network development, network monitoring, in-licensing and intellectual property that we cannot or do not create or provide ourselves. We depend on these vendors to ensure that our corporate infrastructure will consistently meet our business requirements. The ability of these third-party vendors to successfully provide reliable and high quality services is subject to technical and operational uncertainties that are beyond our control. While we may be entitled to damages if our vendors fail to perform under their agreements with us, our agreements with these vendors limit the amount of damages we may receive. In addition, we do not know whether we will be able to collect on any award of damages or that these damages would be sufficient to cover the actual costs we would incur as a result of any vendor's failure to perform under its agreement with us. Any failure of our corporate infrastructure could have a material adverse effect on our business, financial condition and results of operations. Upon expiration or termination of any of our agreements with third-party vendors, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

Additionally, we incorporate third-party technology into and with some of our products, and we may do so in future products. The operation of our products could be impaired if errors occur in the third-party technology we use. It may be more difficult for us to correct any errors in a timely manner if at all because the development and maintenance of the technology is not within our control. There can be no assurance that these third parties will continue to make their technology, or improvements to the technology, available to us, or that they will continue to support and maintain their technology. Further, due to the limited number of vendors of some types of technology, it may be difficult to obtain new licenses or replace existing technology. Any impairment of the technology or our relationship with these third parties could have a material adverse effect on our business.

Unanticipated changes in our tax rates or unanticipated tax obligations could affect our future results.

We are subject to income taxes in the United States and various foreign jurisdictions. The amount of income taxes we pay is subject to our interpretation and application of tax laws in jurisdictions in which we file. Changes in current or future laws or regulations, the imposition of new or changed tax laws or regulations or new interpretations by taxing authorities or courts could affect our results of operations and lead to volatility with respect tax expenses and liabilities from period to period. The application of tax laws and related regulations is subject to legal and factual interpretation, judgment and uncertainty. We cannot determine whether any legislative proposals may be enacted into law or what, if any, changes may be made to such proposals prior to their being enacted into law. If U.S. or international tax laws change in a manner that increases our tax obligation, it could result in a material adverse impact on our net income and our financial position. We are subject to examinations and tax audits. There can be no assurance that the outcome from these audits will not have an adverse effect on our operating results or financial position.

We adopted amendments to U.S. generally accepted accounting principles related to stock-based compensation in the second quarter of 2016 and included excess tax benefits associated with employee stock-based compensation in income tax expense. However, since the amount of such excess tax benefits and deficiencies depend on the fair market value of our common stock, our income tax provision is now subject to volatility in our stock price and in the future, could unfavorably affect our future effective tax rate.

Our future effective tax rate could be unfavorably affected by unanticipated changes in the valuation of our deferred tax assets and liabilities, and the ultimate use and depletion of these various tax credits and net operating loss carryforwards. Changes in our effective tax rate could have a material adverse impact on our results of operations. We record a valuation allowance to reduce our net deferred tax assets to the amount that we believe is more likely than not to be realized. In making such determination, the Company considers all available positive and negative evidence quarterly, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. To the extent we believe it is more likely than not that some portion of our deferred tax assets will not be realized, we record a valuation allowance against the deferred tax asset. Realization of our deferred tax assets is dependent primarily upon future taxable income in the applicable jurisdiction. During the quarter ended June 30, 2017, we released the valuation allowance against U.S. federal deferred tax assets. Based upon our review of all positive and negative evidence, we concluded that a full valuation allowance should continue to be recorded against our state and certain foreign net deferred tax assets at September 30, 2017. On a periodic basis we evaluate our deferred tax assets for realizability. The impact of releasing some or all of such valuation allowance in a future period could be material in the period in which such release occurs.

Our corporate income tax liability could materially increase if tax incentives we have negotiated in Singapore cease to be effective or applicable or if we are challenged on our use of such incentives.

Effective in the second quarter of 2017, we began to operate under certain favorable tax incentives in Singapore which are effective through March 2022 and may be extended through March 2027. Such incentives allow certain qualifying income earned in Singapore to be taxed at reduced rates and are conditional upon our meeting certain employment and investment thresholds over time. If we fail to satisfy the conditions for receipt of these tax incentives, or to the extent US or other tax authorities challenge our operation under these favorable tax incentive programs or our intercompany transfer pricing agreements, our taxable income could be taxed at higher federal or foreign statutory rates and our income tax liability and expense could materially increase beyond our projections. Each of our Singapore tax incentives is separate and distinct from the others, and may be granted, withheld, extended, modified, truncated, complied with or terminated independently without any effect on the other incentives. The tax incentives are presently scheduled to expire at various dates generally beginning in 2027, subject in certain cases to potential extensions, which we may or may not be able to obtain. Absent these tax incentives, our corporate income tax rate in Singapore is expected to be 17%. We are also subject to operating and other compliance requirements to maintain our favorable tax incentives. If we fail to comply with such requirements, we would lose the tax benefits and could possibly be required to refund previously realized material tax benefits. Additionally, in the future, we may fail to qualify for renewal of our favorable tax incentives or such incentives may not be available to us, which could also cause our future taxable income to increase and be taxed at higher statutory rates. Loss of one more of our tax incentives could cause us to modify our tax strategies and our operational structure, which could cause disruption in our business and have a material adverse impact on our results of operations. Further, there can be no guarantee that such modification in our tax strategy will yield tax incentives as favorable as those we have negotiated with Singapore. Our interpretations and conclusions regarding the tax incentives are not binding on any taxing authority, and if our assumptions about tax and other laws are incorrect or if these tax incentives are substantially modified or rescinded we could suffer material adverse tax and other financial consequences, which would increase our expenses, reduce our profitability and adversely affect our cash flows.

Global economic conditions, including factors that adversely affect consumer spending for the products that incorporate our integrated circuits, could adversely affect our revenues, margins, and operating results.

Our products are incorporated in numerous consumer devices, and demand for such products will ultimately be driven by consumer demand for products such as televisions, personal computers, automobiles, cable modems, smartphones, and set-top boxes. Many of these purchases are discretionary. Global economic volatility and economic volatility in the specific markets in which the devices that incorporate our products are ultimately sold can cause extreme difficulties for our customers and third-party vendors in accurately forecasting and planning future business activities. This unpredictability could cause our customers to reduce spending on our products, which would delay and lengthen sales cycles. Furthermore, during challenging economic times our customers may face challenges in gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. These events, together with economic volatility that may face the broader economy and, in particular, the semiconductor and communications industries, may adversely affect, our business, particularly to the extent that consumers decrease their discretionary spending for devices deploying our products.

Our business, financial condition and results of operations could be adversely affected by the political and economic conditions of the countries in which we conduct business and other factors related to our international operations.

We sell our products throughout the world. Products shipped to Asia accounted for 90% of our net revenue in the nine months ended September 30, 2017, respectively. In addition, as of September 30, 2017, approximately 50% of our employees are located outside of the United States. The majority of our products are manufactured, assembled and tested in Asia, and all of our major distributors are located in Asia. Multiple factors relating to our international operations and to particular countries in which we operate could have a material adverse effect on our business, financial condition and results of operations. These factors include:

- changes in political, regulatory, legal or economic conditions;
- restrictive governmental actions, such as restrictions on the transfer or repatriation of funds and foreign investments and trade protection measures, including export duties and quotas and customs duties and tariffs;
- disruptions of capital and trading markets;
- changes in import or export licensing requirements;
- transportation delays;
- civil disturbances or political instability;
- geopolitical turmoil, including terrorism, war or political or military coups;
- public health emergencies;
- differing employment practices and labor standards;
- limitations on our ability under local laws to protect our intellectual property;
- local business and cultural factors that differ from our customary standards and practices;
- nationalization and expropriation;
- changes in tax laws;
- currency fluctuations relating to our international operating activities; and
- difficulty in obtaining distribution and support.

In addition to a significant portion of our wafer supply coming from Taiwan, Singapore, China and Malaysia, substantially all of our products undergo packaging and final testing in Taiwan, Singapore, China, South Korea, and the Philippines. Any conflict or uncertainty in these countries, including due to natural disaster or public health or safety concerns, could have a material adverse effect on our business, financial condition and results of operations. In addition, if the government of any country in which our products are manufactured or sold sets technical standards for products manufactured in or imported into their country that are not widely shared, it may lead some of our customers to suspend imports of their products into that country, require manufacturers in that country to manufacture products with different technical standards and disrupt cross-border manufacturing relationships which, in each case, could have a material adverse effect on our business,

financial condition and results of operations. We also are subject to risks associated with international political conflicts involving the U.S. government. For example, in 2008, we were instructed by the U.S. Department of Homeland Security to cease using Polar Star International Company Limited, a distributor based in Hong Kong, that delivered third-party products, to a political group that the U.S. government did not believe should have been provided with the products in question. As a result, we immediately ceased all business operations with that distributor. Similarly, we ceased business operations with entities affiliated with ZTE Corp. when the Bureau of Industry and Security at the U.S. Department of Commerce imposed an export licensing requirement, which was subsequently suspended through March 28, 2017. Such suspension was lifted as of March 29, 2017. We cannot provide assurances that similar disruptions in the future of distribution arrangements or the imposition of governmental prohibitions on selling our products to particular customers will not adversely affect our revenues and operating results. Loss of a key distributor or customer under similar circumstances could have an adverse effect on our business, revenues and operating results.

If we suffer losses to our facilities or distribution system due to catastrophe, our operations could be seriously harmed.

Our facilities and distribution system, and those of our third-party contractors, are subject to risk of catastrophic loss due to fire, flood or other natural or man-made disasters. A number of our facilities and those of our contract manufacturers are located in areas with above average seismic activity. The risk of an earthquake in the Pacific Rim region or Southern California is significant due to the proximity of major earthquake fault lines. Any catastrophic loss to any of these facilities would likely disrupt our operations, delay production, shipments and revenue and result in significant expenses to repair or replace the facility. The majority of the factories we use for Foundry, Assembly and Test, and warehousing services, are located in Asia. Our corporate headquarters is located in Southern California.

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

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

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

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

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

Investor confidence may be adversely impacted if we are unable to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and as a result, our stock price could decline.

We are subject to rules adopted by the Securities Exchange Commission, or SEC, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, which require us to include in our Annual Report on Form 10-K our management's report on, and assessment of the effectiveness of, our internal controls over financial reporting.

If we fail to maintain the adequacy of our internal controls, there is a risk that we will not comply with all of the requirements imposed by Section 404. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our consolidated financial statements and could result in investigations or sanctions by the SEC, the New York Stock Exchange, or NYSE, or other regulatory authorities or in stockholder litigation. Any of these factors ultimately could harm our business and could negatively impact the market price of our securities. Ineffective control over financial reporting could also cause investors to lose confidence in our reported financial information, which could adversely affect the trading price of our common stock.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Our products must conform to industry standards in order to be accepted by end users in our markets.

Generally, our products comprise only a part or parts of a communications device. All components of these devices must uniformly comply with industry standards in order to operate efficiently together. We depend on companies that provide other components of the devices to support prevailing industry standards. Many of these companies are significantly larger and more influential in driving industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly, and competing standards may emerge that may be preferred by our customers or end users. If larger companies do not support the same industry standards that we do, or if competing standards emerge, market acceptance of our products could be adversely affected, which would harm our business.

Products for communications applications are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products developed by other suppliers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards for a significant period of time, we could miss opportunities to achieve crucial design wins. We may not be successful in developing or using new technologies or in developing new products or product enhancements that achieve market acceptance. Our pursuit of necessary technological advances may require substantial time and expense.

Risks Relating to Our Common Stock

Our management team may use our available cash, cash equivalents, and liquid investment assets in ways with which you may not agree or in ways which may not yield a return.

We use our cash, cash equivalents, and liquid investment assets for general corporate purposes, including working capital and for repayment of outstanding long-term debt. We may also use a portion of these assets to acquire complementary businesses, products, services or technologies. Our management has considerable discretion in the application of our cash, cash equivalents, and investment resources, and you will not have the opportunity to assess whether these liquid assets are being used in a manner that you deem best to maximize your return. We may use our available resources for corporate purposes that do not increase our operating results or market value. In addition, our cash, cash equivalents, and liquid investment resources may be placed in investments that do not produce significant income or that may lose value.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our certificate of incorporation and bylaws, as amended and restated, may have the effect of delaying or preventing a change of control or changes in our management. These provisions provide for the following:

- authorize our Board of Directors to issue, without further action by the stockholders, up to 25,000,000 shares of undesignated preferred stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;

- specify that special meetings of our stockholders can be called only by our Board of Directors, our Chairman of the Board of Directors, or our President;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our Board of Directors;
- establish that our Board of Directors is divided into three classes, Class I, Class II and Class III, with each class serving staggered terms;
- provide that our directors may be removed only for cause;
- provide that vacancies on our Board of Directors may be filled only by a majority of directors then in office, even though less than a quorum;
- specify that no stockholder is permitted to cumulate votes at any election of directors; and
- require supermajority votes of the holders of our common stock to amend specified provisions of our charter documents.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder.

Our share price may be volatile as a result of limited trading volume and other factors.

Our common stock began trading on the New York Stock Exchange in March 2010. An active public market for our shares on the New York Stock Exchange may not be sustained. In particular, we have experienced limited trading volumes and liquidity in the past, and similar issues in the future could limit the ability of stockholders to purchase or sell our common stock in the amounts and at the times they wish. Trading volume in our common stock is sometimes modest relative to our total outstanding shares, and the price of our common stock may fluctuate substantially (particularly in percentage terms) without regard to news about us or general trends in the stock market. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

In addition, the trading price of our common stock could become highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in this “Risk Factors” section of the Quarterly Report on Form 10-Q and others such as:

- actual or anticipated fluctuations in our financial condition and operating results;
- overall conditions in the semiconductor market;
- addition or loss of significant customers;
- changes in laws or regulations applicable to our products;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements of technological innovations by us or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- competition from existing products or new products that may emerge;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;

- disputes or other developments related to proprietary rights, including patents, litigation matters and our ability to obtain intellectual property protection for our technologies;
- the recently completed acquisitions may not be accretive and may cause dilution to our earnings per shares;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us or our stockholders;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and
- general economic and market conditions.

Furthermore, the stock markets recently have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We have been and may continue to be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Future sales of our common stock in the public market could cause our share price to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. As of September 30, 2017, we had 66.9 million shares of common stock outstanding.

All shares of common stock are freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act.

Our Executive Incentive Bonus Plan permits the settlement of awards under the plan in the form of shares of our common stock. We have issued shares of our common stock to settle such bonus awards for our employees, including executives, for the 2014, 2015 and 2016 performance periods, and we intend to continue this practice in the foreseeable future. We issued 0.2 million shares of our common stock for the July 1, 2016 to December 31, 2016 performance period on February 17, 2017. These shares may be freely sold in the public market immediately following the issuance of such shares and the issuance of such shares may have an adverse effect on our share price once they are issued.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our Board of Directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Risks Relating to Our Recent Acquisitions

In addition to our recent acquisitions, we may, from time to time, make additional business acquisitions or investments, which involve significant risks.

In addition to our recent acquisition of Exar, which we acquired in May 2017, we also acquired the G.hn business of Marvell Technology Group Ltd., or Marvell, which we completed in April 2017, the wireless infrastructure backhaul business of Broadcom Corporation, or Broadcom, which we completed in the third quarter of fiscal 2016, the wireless infrastructure access business of Microsemi Storage Solutions, Inc., or Microsemi, which we completed in the second quarter of fiscal 2016, Entropic Communications, Inc., or Entropic, which we completed in the second quarter of fiscal 2015, and Physpeed, Co., Ltd., or Physpeed, which we completed in the fourth quarter of fiscal 2014. We may, from time to time, make acquisitions, enter into alliances or make investments in other businesses to complement our existing product offerings, augment our market coverage or enhance our technological capabilities. However, any such transactions could result in:

- issuances of equity securities dilutive to our existing stockholders;
- substantial cash payments;
- the incurrence of substantial debt and assumption of unknown liabilities;
- large one-time write-offs;
- amortization expenses related to intangible assets;
- a limitation on our ability to use our net operating loss carryforwards;
- the diversion of management's time and attention from operating our business to acquisition integration challenges;
- stockholder or other litigation relating to the transaction;
- adverse tax consequences; and
- the potential loss of key employees, customers and suppliers of the acquired business.

Additionally, in periods subsequent to an acquisition, we must evaluate goodwill and acquisition-related intangible assets for impairment. If such assets are found to be impaired, they will be written down to estimated fair value, with a charge against earnings.

Integrating acquired organizations and their products and services, including the integration of completed acquisitions, may be expensive, time-consuming and a strain on our resources and our relationships with employees, customers, distributors and suppliers, and ultimately may not be successful. The benefits or synergies we may expect from the acquisition of complementary or supplementary businesses may not be realized to the extent or in the time frame we initially anticipate. Some of the risks that may affect our ability to successfully integrate acquired businesses, including Exar, the G.hn business of Marvell, the wireless infrastructure backhaul business of Broadcom, the wireless infrastructure access business of Microsemi, Entropic and Physpeed, include those associated with:

- failure to successfully further develop the acquired products or technology;
- conforming the acquired company's standards, policies, processes, procedures and controls with our operations;
- coordinating new product and process development, especially with respect to highly complex technologies;
- loss of key employees or customers of the acquired company;
- hiring additional management and other critical personnel;
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- increasing the scope, geographic diversity and complexity of our operations;
- consolidation of facilities, integration of the acquired company's accounting, human resource and other administrative functions and coordination of product, engineering and sales and marketing functions;
- the geographic distance between the companies;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and

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

On or about August 2, 2016, Trango Systems, Inc., or Trango, filed a complaint in the Superior Court of California, County of San Diego, Central Division, against defendants Broadcom and us, collectively, Defendants. Trango is a purchaser that alleges various fraud, breach of contract, and interference with economic relations claims in connection with the discontinuance of a chip line we acquired from Broadcom in 2016. Trango seeks unspecified general and special damages, pre-judgment interest, expenses and costs, attorneys' fees, punitive damages, and unspecified injunctive and equitable relief. We intend to vigorously defend against the lawsuit. On June 23, 2017, the Court sustained our demurrer to each cause of action in the second amended complaint, filed on or about December 6, 2016. Trango filed its third amended complaint on or about July 13, 2017. On August 17, 2017 we filed a demurrer to each cause of action against us in the third amended complaint, as well as a motion to strike certain allegations. Trango's oppositions to our demurrer and motion to strike are due on November 27, 2017 and the court hearing on our demurrer and motion to strike is scheduled for December 8, 2017.

Also, on April 18, 2017, The Vladimir Gusinsky Revocable Trust filed a complaint in the United States District Court for the Northern District of California against Exar, its board of directors, MaxLinear, and Eagle Acquisition Corporation (a wholly owned subsidiary of MaxLinear). Another similar lawsuit was filed by Richard E. Marshall on April 25, 2017. The *Marshall* lawsuit did not name MaxLinear or Eagle Acquisition Corp. as defendants. The complaints generally alleged that the merger with Exar offered inadequate consideration to Exar's shareholders and that the Schedule 14D-9 filed by Exar in connection with the merger omitted material information. The complaints purported to bring class claims for violation of sections 14(e), 14(d), and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 14d-9. The complaints sought certification of a class; an injunction barring the merger or, if defendants enter into the merger, an order rescinding it or awarding rescissory damages; declaratory relief; and plaintiff's costs, including attorneys' fees and experts' fees.

On or about May 3, 2017, the parties to the above-referenced lawsuits reached an agreement whereby plaintiffs voluntarily dismissed the claims brought by Mr. Marshall and The Vladimir Gusinsky Revocable Trust with prejudice (but without prejudice as to other members of the putative class), defendants made certain supplemental disclosures, and the plaintiffs would receive a mootness fee. On May 3, 2017, Exar made the supplemental disclosures contemplated by this agreement. On October 24, 2017, the parties entered a Settlement Agreement Regarding Claim for Mootness Fees pursuant to which we agreed to pay counsel for the plaintiffs a mootness fee. We have now paid the fee, and with the execution of the settlement agreement, this litigation has been resolved.

We cannot predict the outcome of the Trango litigation. Any adverse determination in the Trango litigation could have a material adverse effect on our business and operating results.

Actual financial and operating results could differ materially from any expectations or guidance provided by us concerning future results, including (without limitation) expectations or guidance with respect to the financial impact of any cost savings and other potential synergies resulting from our recent acquisitions.

We currently expect to continue realizing material cost savings and other synergies as a result of recent acquisitions, and as a result, we currently believe that these acquisitions will continue to be accretive to our earnings per share, excluding upfront non-recurring charges, transaction related expenses, and the amortization of purchased intangible assets. The expectations and guidance we have provided with respect to the potential financial impact of the acquisitions are subject to numerous assumptions, however, including assumptions derived from our diligence efforts concerning the status of and prospects for the acquired businesses, and assumptions relating to the near-term prospects for the semiconductor industry generally and the markets for the legacy acquired products in particular. Additional assumptions we have made relate to numerous matters, including (without limitation) the following:

- projections of future revenues in the legacy acquired businesses;
- the anticipated financial performance of legacy acquired products and products currently in development;
- anticipated cost savings and other synergies associated with the acquisitions, including potential revenue synergies;
- the amount of goodwill and intangibles that will result from the acquisitions;
- certain other purchase accounting adjustments that we have recorded in our financial statements in connection with the acquisitions;

- acquisition costs, including restructuring charges and transactions costs payable to our financial, legal, and accounting advisors; and
- our ability to maintain, develop, and deepen relationships with customers of the legacy acquired businesses.

We cannot provide any assurances with respect to the accuracy of our assumptions, including our assumptions with respect to future revenues or revenue growth rates, if any, of the legacy acquired businesses, and we cannot provide assurances with respect to our ability to realize further cost savings. Risks and uncertainties that could cause our actual results to differ materially from currently anticipated results include, but are not limited to, risks relating to our ability to integrate the legacy acquired business successfully; currently unanticipated additional incremental costs that we may incur in connection with integrating the two companies; risks relating to our ability to continue to realize incremental revenues from the acquisition in the amounts that we currently anticipate; risks relating to the willingness of legacy acquired customers and other partners to continue to conduct business with MaxLinear; and numerous risks and uncertainties that affect the semiconductor industry generally and the markets for our products and those of the legacy acquired businesses specifically. Any failure to integrate the legacy acquired businesses successfully and to continue to realize the financial benefits we currently anticipate from the acquisition would have a material adverse impact on our future operating results and financial condition and could materially and adversely affect the trading price or trading volume of our common stock.

Failure to integrate our business and operations successfully with those of acquired businesses in the expected time-frame or otherwise may adversely affect our operating results and financial condition.

Our history of acquiring businesses is recent, and prior to our acquisition of Entropic, we had never pursued an acquisition of that size and complexity. We may complete larger-scale acquisitions in the future. The success of our recent and future acquisitions depends, in substantial part, on our ability to integrate acquired business and operations efficiently and successfully with those of MaxLinear and to realize fully the anticipated benefits and potential synergies from combining our companies, including, among others, cost savings from eliminating duplicative functions; operational efficiencies in our respective supply chains and in research and development investments; and revenue growth resulting from the addition of acquired product portfolios. If we are unable to achieve these objectives, the anticipated benefits and potential synergies from the acquisition may not be realized fully, or may take longer to realize than expected. Any failure to timely realize these anticipated benefits would have a material adverse effect on our business, operating results, and financial condition.

We completed our recent acquisitions in April 2015, April 2016, July 2016, April 2017 and May 2017. While we believe the integration process is substantially complete for our acquisitions which we closed in 2016 and prior, we are in the process of integrating our 2017 acquisitions. We cannot ensure that implementation of integration objectives will not adversely affect our operating results. In connection with the integration process, we could experience the loss of key customers, decreases in revenues relative to current expectations and increases in operating costs, as well as the disruption of our ongoing businesses, any or all of which could limit our ability to achieve the anticipated benefits and potential synergies from the acquisition and have a material adverse effect on our business, operating results, and financial condition.

Our business relationships, including customer relationships, and those of our acquired businesses may be subject to disruption due to uncertainty associated with the acquisitions.

In response to the completion of our recent acquisitions, customers, vendors, licensors, and other third parties with whom we do business or the acquired entities did business or otherwise have relationships may experience uncertainty associated with the acquisitions, and this uncertainty could materially affect their decisions with respect to existing or future business relationships with us. Moreover, with respect to Entropic’s prior acquisition of certain television and set-top box assets from Trident Microsystems, Inc., or Trident, we were unable to conduct substantial diligence with respect to certain licenses and intellectual property rights because Entropic acquired these assets through Trident’s bankruptcy proceedings. As a result, we are in many instances unable to evaluate the impact of the acquisition on certain assumed contract rights and obligations, including intellectual property rights.

These business relationships may be subject to disruption as customers and others may elect to delay or defer purchase or design-win decisions or switch to other suppliers due to the uncertainty about the direction of our offerings, any perceived unwillingness on our part to support existing legacy acquired products, or any general perceptions by customers or other third parties that impute operational or business challenges to us arising from the acquisition. In addition, customers or other third parties may attempt to negotiate changes in existing business relationships, which may result in additional obligations imposed on us. These disruptions could have a material adverse effect on our business, operating results, and financial condition. Any loss of customers, customer products, design win opportunities, or other important strategic relationships could have a material adverse effect on our business, operating results, and financial condition and could have a material and adverse effect on the trading price or trading volume of our common stock.

We have incurred and expect to continue to incur substantial expenses related to the operational integration of our recent acquisitions.

We have incurred and expect to continue to incur substantial expenses in connection with integrating the operations, technologies, and business systems of MaxLinear and acquired businesses. Business systems integration between the companies requires, and we expect it to continue to require into the foreseeable future, substantial management attention, including integration of information management, purchasing, accounting and finance, sales, and regulatory compliance functions. Our 2017 acquisitions may also involve running duplicate or parallel systems and processes in short-term periods as we integrate. Numerous factors, many of which, are beyond our control, could affect the total cost or the timing of expected integration expenses. Moreover, many of the expenses that will be incurred are by their nature difficult to estimate accurately at the present time. These expenses could reduce the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses. These integration expenses have resulted in MaxLinear’s taking significant charges against earnings following the completion of the acquisition.

We have recorded goodwill and other intangible assets that could become impaired and adversely affect our future operating results.

Our business acquisitions are accounted for under the acquisition method of accounting by MaxLinear in accordance with accounting principles generally accepted in the United States. Under the acquisition method of accounting, the assets and liabilities of acquired businesses are recorded, as of completion, at their respective fair values and added to our existing assets and liabilities. Our reported financial condition and results of operations after completion of the acquisition reflect acquired businesses' balances and results but are not restated retroactively to reflect the historical financial position or results of operations of acquired businesses for periods prior to the acquisition. As a result, comparisons of future results against prior period results will be more difficult for investors.

Under the acquisition method of accounting, the total purchase price is allocated to tangible assets and liabilities and identifiable intangible assets of acquired businesses based on their fair values as of the date of completion of the acquisition. The excess of the purchase price over those fair values is recorded as goodwill. Our acquisitions have resulted in the creation of goodwill based upon the application of the acquisition method of accounting. To the extent the value of goodwill or other intangible assets become impaired, we may be required to incur material charges relating to such impairment. We conduct our annual goodwill impairment analysis on October 31, or more frequently if we believe indicators of impairment exist. In addition, there can be no guarantee that acquired intangible assets, particularly in-process research and development, will generate revenues or profits that we include in our forecast that is the basis for their fair values as of the acquisition date. Any impairment charges relating to goodwill or other intangible assets could have a material impact on our operating results in future periods, and the announcement of a material impairment could have an adverse effect on the trading price and trading volume of our common stock. For example, in the nine months ended September 30, 2017, we recognized IPR&D impairment losses of $2.0 million related principally to acquired Exar assets, in the year ended December 31, 2016, we recognized IPR&D impairment losses of $1.3 million related principally to acquired wireless infrastructure access assets, and in the year ended December 31, 2015, we recognized IPR&D impairment losses of $21.6 million related principally to acquired Entropic assets. As of September 30, 2017, our balance sheet reflected goodwill of $239.7 million and other intangible assets of $332.4 million, including IPR&D intangible assets of $21.5 million. We could recognize further impairment charges in the future.

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

Recent Sales of Unregistered Securities

In the three months ended March 31, 2017, we issued an aggregate of 0.1 million shares of our Class B common stock, respectively, to certain employees upon the exercise of options awarded under our 2004 Stock Plan. We received aggregate proceeds of approximately $0.1 million as a result of the exercise of these options in the three months ended March 31, 2017.

We believe these transactions were exempt from the registration requirements of the Securities Act in reliance on Rule 701 thereunder as transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. On March 29, 2017, all Class B common stock underlying then outstanding Class B stock options under the 2004 Stock Plan were converted on a one-for-one basis to a single class of common stock. We subsequently registered the underlying shares post-conversion with the U.S. Securities and Exchange Commission on Form S-8, which we filed on March 30, 2017.

The sales and issuances of securities in the transactions described above were deemed to be exempt from registration prior to the conversion under the Securities Act of 1933, as amended, in reliance upon Rule 701 promulgated under Section 3(b) of the Securities Act of 1933, as amended, as transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. All recipients had adequate access, through employment or other relationships, to information about us. All certificates representing the securities issued in these transactions included appropriate legends setting forth that the securities had not been offered or sold pursuant to a registration statement and describing the applicable restrictions on transfer of the securities. There were no underwriters employed in connection with any of the transactions set forth above. Prior to the conversion, each share of our Class B common stock was convertible at any time at the option of the holder into one share of our Class A common stock. In addition, each share of our Class B common stock would have converted automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our certificate of incorporation.

Recent Repurchases of Equity Securities

On February 16, 2017, we repurchased 12,500 shares of Class A common stock from a member of our board of directors, Steven C. Craddock, at $26.76 per share, which represents the closing price of our Class A common stock on the date of repurchase, for aggregate proceeds of $0.3 million. These shares were immediately cancelled upon repurchase. Such repurchase was approved by our Board of Directors. No plan or agreement exists with respect to future repurchases, either from Mr. Craddock or other directors.

The following table sets forth our repurchases of equity securities for the nine months ended September 30, 2017:

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
January 1, 2017 to January 31, 2017	—	—	—	—
February 1, 2017 to February 28, 2017	12,500	$ 26.76	—	—
March 1, 2017 to March 31, 2017	—	—	—	—
April 1, 2017 to April 30, 2017	—	—	—	—
May 1, 2017 to May 31, 2017	—	—	—	—
June 1, 2017 to June 30, 2017	—	—	—	—
July 1, 2017 to July 31, 2017	—	—	—	—
August 1, 2017 to August 31, 2017	—	—	—	—
September 1, 2017 to September 30, 2017	—	—	—	—
Total	12,500		—	—

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Title
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(*)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(*) In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management’s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished pursuant to this item will not be deemed “filed” for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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.

MAXLINEAR, INC.

(Registrant)

Date: November 7, 2017	By: /s/ Adam C. Spice Adam C. Spice Chief Financial Officer and Vice President (Principal Financial Officer and Duly Authorized Officer)

EXHIBITS INDEX

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EXHIBIT 31.1

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kishore Seendripu, Ph.D., certify that:

1. I have reviewed this Form 10-Q of MaxLinear, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 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: November 7, 2017

/s/ Kishore Seendripu, Ph.D.

Kishore Seendripu, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Adam C. Spice, certify that:

1. I have reviewed this Form 10-Q of MaxLinear, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 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: November 7, 2017

/s/ Adam C. Spice

Adam C. Spice
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

I, Kishore Seendripu, Ph.D., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of MaxLinear, Inc. on Form 10-Q for the fiscal quarter ended September 30, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of MaxLinear, Inc.

Date:	November 7, 2017	By:	/s/ Kishore Seendripu, Ph.D.
		Name:	Kishore Seendripu, Ph.D.
		Title:	President and Chief Executive Officer

I, Adam C. Spice, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of MaxLinear, Inc. on Form 10-Q for the fiscal quarter ended September 30, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of MaxLinear, Inc.

Date:	November 7, 2017	By:	/s/ Adam C. Spice
		Name:	Adam C. Spice
		Title:	Chief Financial Officer