Prestige Brands Holdings, Inc.
Form DEF 14A
June 30, 2011

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to §240.14a-12

Prestige Brands Holdings, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
[X] No fee required.
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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRESTIGE BRANDS HOLDINGS, INC.
90 North Broadway
Irvington, New York 10533
Telephone: (800) 831-7105

Dear Stockholder: June 30, 2011

You are cordially invited to attend our 2011 Annual Meeting of Stockholders, which will be held on Tuesday, August 2, 2011, at 10:00 a.m. (Eastern Daylight Time), at our office at 90 North Broadway, Irvington, New York 10533. This letter accompanies a copy of our Annual Report for the fiscal year ended March 31, 2011; Notice of Annual Meeting of Stockholders; Proxy Statement; and Proxy Card. These materials provide further information concerning the Annual Meeting.

At this year's Annual Meeting, the agenda includes the following four proposals:

(i) the election of the five directors named in our Proxy Statement;
(ii) the ratification of the appointment of our independent registered public accounting firm;
(iii) a non-binding resolution to approve the compensation of our named executive officers as disclosed in our Proxy Statement; and
(iv) a non-binding proposal as to the frequency with which stockholders will vote on a non-binding resolution to approve the compensation of our named executive officers in future years.

The Board of Directors recommends that you vote FOR the proposals set forth above in clauses (i) through (iii) and vote in favor of an annual frequency vote for the non-binding stockholder vote on named executive officer compensation in clause (iv) above.

Members of the Board of Directors, our executive officers and representatives from our independent registered public accounting firm will be present at the Annual Meeting to answer any questions you may have.

It is important that your shares be represented and voted at the Annual Meeting, regardless of the size of your holdings. Accordingly, please complete, sign and date the enclosed Proxy Card and return it promptly in the enclosed envelope to ensure that your shares will be represented. If you do attend the Annual Meeting, you may, of course, withdraw your Proxy should you wish to vote in person.

We look forward to seeing you at the Annual Meeting.

Sincerely,

/s/ Matthew M. Mannelly
Matthew M. Mannelly
President and Chief Executive Officer

Prestige Brands Holdings, Inc.
90 North Broadway
Irvington, New York 10533
Telephone: (800) 831-7105

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
August 2, 2011
10:00 a.m. Eastern Daylight Time

The 2011 Annual Meeting of Stockholders of Prestige Brands Holdings, Inc. will be held on Tuesday, August 2, 2011, at 10:00 a.m. (Eastern Daylight Time), at our office at 90 North Broadway, Irvington, New York 10533. The Annual Meeting is being held for the following purposes:

1. To elect the five directors named in the accompanying Proxy Statement to serve until the 2012 Annual Meeting of Stockholders or until their earlier death, removal or resignation;

2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of Prestige Brands Holdings, Inc. for the fiscal year ending March 31, 2012;

3. To vote on a non-binding resolution to approve the compensation of our named executive officers as disclosed in our Proxy Statement;

4. To vote on a non-binding proposal as to the frequency with which stockholders will vote on the compensation of our named executive officers in future years; and

5. To conduct other business as may properly be brought before the Annual Meeting or any adjournment or postponement thereof, including proposals to adjourn or postpone the meeting.

Accompanying this Notice of Annual Meeting of Stockholders is a Proxy Statement, related Proxy Card with a return envelope and our Annual Report for our fiscal year ended March 31, 2011. The Annual Report contains financial and other information that is not incorporated into the Proxy Statement and is not deemed to be a part of the Proxy soliciting material.
By Order of the Board of Directors

/s/ Eric S. Klee
Eric S. Klee
Secretary and General Counsel

June 30, 2011
WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE PROMPTLY COMPLETE, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON BY FOLLOWING THE INSTRUCTIONS ON PAGE 3 OF THE PROXY STATEMENT. If you own shares in a brokerage account, your vote is even more important to us this year because of recent New York Stock Exchange rule changes. Your broker can not vote your shares in proposals regarding the election of our directors, approval of the compensation of our named executive officers or the selection of the frequency for voting in future years on the compensation of our

named executive officers unless you provide voting instructions to your broker. Therefore, it is very important that you exercise your right as a stockholder and vote on all proposals.

ANNUAL MEETING OF STOCKHOLDERS
OF
PRESTIGE BRANDS HOLDINGS, INC.

PROXY STATEMENT

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ANNUAL MEETING OF STOCKHOLDERS
OF
PRESTIGE BRANDS HOLDINGS, INC.
90 North Broadway
Irvington, New York 10533
Telephone: (800) 831-7105

PROXY STATEMENT

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON AUGUST 2, 2011: THIS PROXY STATEMENT, PROXY CARD AND THE 2011 ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT THE INVESTOR RELATIONS TAB OF WWW.PRESTIGEBRANDS.COM, OUR INTERNET WEBSITE.
YOU CAN SUBMIT A REQUEST FOR A COPY OF THE PROXY STATEMENT, ANNUAL REPORT AND FORM OF PROXY FOR ANY FUTURE STOCKHOLDER MEETINGS (INCLUDING THE STOCKHOLDER MEETING TO BE HELD ON AUGUST 2, 2011) TO 1-800-831-7105, PROXY@PRESTIGEBRANDS.COM OR THE CONTACT TAB AT WWW.PRESTIGEBRANDS.COM. YOU CAN ALSO CONTACT US AT THE PHONE NUMBER, E-MAIL ADDRESS AND WEBSITE SET FORTH ABOVE TO REQUEST DIRECTIONS TO THE LOCATION OF THE ANNUAL MEETING OF STOCKHOLDERS SO THAT YOU MAY ATTEND THE MEETING AND VOTE IN PERSON.

GENERAL INFORMATION

What is this document?

This document is the Proxy Statement of Prestige Brands Holdings, Inc. for the Annual Meeting of Stockholders to be held at 10:00 a.m., Eastern Daylight Time, on Tuesday, August 2, 2011. A form of Proxy Card is included. This Proxy Statement and the form of Proxy Card are first being mailed or given to stockholders on or about June 30, 2011. This Proxy Statement is available free of charge on the SEC's website, www.sec.gov and at the Investor Relations tab of our website, www.prestigebrands.com.

We have tried to make this document simple and easy to understand. The Securities and Exchange Commission (“SEC”) encourages companies to use “plain English” and we will always try to communicate with you clearly and effectively. We refer to our company throughout this document as “we” or “us” or the “Company.” In addition, throughout this document, “2012” refers to our fiscal year ending March 31, 2012, “2011” refers to our fiscal year ended March 31, 2011, “2010” refers to our fiscal year ended March 31, 2010 and “2009” refers to our fiscal year ended March 31, 2009.

Why am I receiving this document?

You are receiving this document because you were one of our stockholders on June 17, 2011, the record date for our 2011 Annual Meeting. We are furnishing this Proxy Statement and the form of Proxy Card to you to solicit your Proxy (i.e., your permission) to vote your stock in connection with certain matters at the Annual Meeting.

What is a Proxy?

It is your legal designation of another person, called a “Proxy,” to vote the stock you own. The document that designates someone as your Proxy is also called a Proxy or a Proxy Card.

Who is paying the costs to prepare this document and solicit my Proxy?

We will pay all expenses associated with soliciting your Proxy, including the cost of preparing and mailing this Proxy Statement and the form of a Proxy Card.

Who is soliciting my Proxy and will anyone be compensated to solicit my Proxy?

Our Board of Directors is making this solicitation of Proxies. In addition to solicitation by use of the mail, our directors, officers and employees may solicit Proxies in person or by telephone, electronic mail, facsimile transmission or other means of communication. Our directors, officers and employees will not receive additional compensation for their Proxy solicitation efforts, but may be reimbursed for out-of-pocket expenses in connection with any solicitation. We also may reimburse custodians, nominees and fiduciaries for their expenses in sending Proxies and Proxy material to beneficial owners of our stock. We may also employ a Proxy solicitation agent in connection with this Proxy solicitation and we will pay all costs of that solicitor.

Who may attend the Annual Meeting?
Only stockholders, their Proxy holders and our invited guests may attend the meeting. If your shares are held in "street name" by a broker, bank or other nominee, please bring a copy of the account statement reflecting your ownership as of June 17, 2011 so that we may verify your stockholder status and have you check in at the registration desk at the meeting. For security reasons, we also may require photo identification for admission.
What if I have a disability?
If you are disabled and would like to participate in the Annual Meeting, we can provide reasonable assistance. Please send any request for assistance to Prestige Brands Holdings, Inc., 90 North Broadway, Irvington, New York 10533, Attention: Secretary, at least two weeks before the meeting.
What is Prestige Brands Holdings and where is it located?
Prestige Brands Holdings, Inc. is a holding company incorporated under the laws of the State of Delaware that, through its wholly-owned subsidiaries, sells well-recognized, brand name over-the-counter healthcare and household cleaning products. Our leading brands in each of these segments, respectively, are Chloraseptic®, Clear Eyes®, Compound W®, Dramamine®, Efferdent®, Effergrip®, Little Remedies®, Luden's® and PediaCare® and Comet®, Chore Boy® and Spic and Span®. Our principal executive offices are located at 90 North Broadway, Irvington, New York 10533. Our telephone number is (800) 831-7105.
Where is our common stock traded?
Our common stock is traded and quoted on the New York Stock Exchange ("NYSE") under the symbol "PBH."
VOTING MATTERS

What am I voting on?

You will be voting on the following:

- the election of the five directors named as nominees in this Proxy Statement;
- the ratification of the appointment of our independent registered public accounting firm for 2012;
- a non-binding resolution approving the compensation of our named executive officers as disclosed in this Proxy Statement; and
- a non-binding proposal as to the frequency with which stockholders will vote on the compensation of our named executive officers in future years.

Who is entitled to vote?
You may vote if you owned shares of our common stock at the close of business on June 17, 2011. Each share of common stock is entitled to one vote. As of June 17, 2011, there were 50,224,635 shares of our common stock outstanding. A list of our stockholders will be open to the examination of any stockholder, for any purpose relevant to the meeting, at our headquarters for a period of 10 days prior to the Annual Meeting.
May other matters be raised at the Annual Meeting; how will the meeting be conducted?
We currently are not aware of any business to be acted upon at the Annual Meeting other than the four matters described above. Under federal securities laws, Delaware law and our governing documents, no other business aside from procedural matters may be raised at the Annual Meeting unless proper notice has been given to the Company by the stockholders. If other business is properly raised, your Proxies have authority to vote as they think best, including to adjourn the meeting.
The Chairman of the meeting has broad authority to conduct the Annual Meeting so that the business of the meeting is carried out in an orderly and timely manner. In doing so, he has broad discretion to establish reasonable rules for discussion, comments and questions during the meeting. The Chairman of the meeting is also entitled to rely upon applicable law regarding disruptions or disorderly conduct to ensure that the Annual Meeting proceeds in a manner that is fair to all participants.
How do I vote?
If you own shares registered directly with the Company's transfer agent, Proxies may be voted by telephone, by the Internet, or by returning the printed Proxy Card. For more information about how to vote your Proxy, please see the

instructions on your Proxy Card.

If your shares are held in “street name,” your bank or brokerage firm will forward these Proxy materials, as well as a voting instruction card, to you. Please follow the instructions on the voting instruction card to vote your shares.

In addition to voting by Proxy, you may vote in person at the Annual Meeting. Beneficial owners who hold shares in “street name” and who wish to vote in person at the Annual Meeting must bring a power of attorney or Proxy from the bank, broker or other nominee.

However, in order to assist us in tabulating votes at the Annual Meeting, we encourage you to vote by Proxy even if you plan to be present at the Annual Meeting.

What materials are available on the Internet?

This Proxy Statement, our Annual Report on Form 10-K, our Annual Report to Stockholders and other financial documents are available free of charge at the Investor Relations tab on our corporate website at www.prestigebrands.com. The Proxy Statement and our Annual Report on Form 10-K also are available free of charge on the SEC's website, www.sec.gov.

How will my Proxy be voted?

The individuals named on the Proxy Card will vote your Proxy in the manner you indicate on the Proxy Card. If your Proxy Card is signed but does not contain specific instructions, your Proxy will be voted "FOR" the election of the directors named as nominees in this Proxy Statement, the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2012, the approval of the compensation of our named executive officers disclosed in this Proxy Statement, and an annual advisory vote by stockholders on the compensation of our named executive officers in future years.

Can I change my mind and revoke my Proxy?

Yes. To revoke a Proxy given pursuant to this solicitation, you must:

- Cast a new vote by telephone or the Internet prior to the Annual Meeting or sign another Proxy Card with a later date and return it to our Secretary at or before the Annual Meeting;
- provide our Secretary with a written notice of revocation dated later than the date of the Proxy at or before the Annual Meeting; or
- attend the Annual Meeting and vote in person. Note that attendance at the Annual Meeting will not revoke a Proxy if you do not actually vote at the Annual Meeting.

What if I receive more than one copy of these Proxy materials?

The receipt of multiple copies of these Proxy materials means that you have more than one account with brokers or our transfer agent. Please vote all of your shares. We also recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is Computershare, Ltd., 250 Royall Street, Canton, MA 02021 and it may be reached at (781) 575-3400. In addition, any stockholders who share an address and are receiving multiple copies of our Proxy materials can request delivery of a single copy of our Proxy materials by sending a written request addressed to Prestige Brands Holdings, Inc., 90 North Broadway, Irvington, New York 10533, Attention: Secretary.

How many votes must be present to hold the Annual Meeting?

A quorum must be present at the Annual Meeting for any business to be conducted. A quorum exists when the holders of a majority of the 50,224,635 shares of our common stock outstanding on June 17, 2011 and entitled to vote at the Annual Meeting are present in person or by Proxy at the meeting. The shares represented by withhold votes, abstentions and broker non-votes (as defined below) regarding proposals in the Proxy Statement will be considered present for quorum purposes.

How are votes counted for each proposal in the Proxy Statement?

- Election of Directors

The affirmative vote of a plurality of the votes cast in person or by Proxy is necessary for the election of directors. This means that the five director nominees receiving the greatest number of affirmative votes will be elected. You may vote in favor of all nominees, withhold your vote as to all nominees or withhold your vote as to specific nominees. If you withhold your vote as to all or specific nominees, your shares will not be voted with respect to the nominee or nominees indicated.

• Ratify Appointment of PricewaterhouseCoopers LLP as Our Independent Registered Public Accounting Firm

The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the shares present in person or by Proxy and entitled to vote on the proposal.

- Approval of Compensation of our Named Executive Officers as Disclosed in this Proxy Statement

The approval of the non-binding resolution to approve the compensation of our named executive officers requires the affirmative vote of a majority of the shares present in person or by Proxy and entitled to vote on this proposal. If this proposal is not approved by the required majority vote, the Board of Directors and the Compensation Committee will take into account the result of the vote when

determining future executive compensation arrangements, particularly if the votes cast against the resolution exceed the number of votes cast in favor of the resolution.

- Selection of the Frequency for a Stockholder Vote on the Compensation of our Named Executive Officers in Future Years

You may select a frequency of one, two or three years, or abstain from voting, on this non-binding proposal as to the frequency with which stockholders will vote on the compensation of our named executive officers in future years. The selection of one of the three frequency options requires the affirmative vote of a majority of the shares present in person or by Proxy and entitled to vote on this proposal. If none of the three frequency alternatives receives the approval of a majority vote, the Board of Directors will view as the selection of the stockholders the frequency alternative that receives the greatest number of votes.

What is the effect of not voting?

If you are a stockholder of record and submit a signed Proxy without specifying a choice on any given matter to be considered at the Annual Meeting, the Proxy holders will vote your shares according to the Board of Director's recommendation on the matter. If you are a stockholder of record and you do not submit a Proxy Card or vote at the Annual Meeting, your un-voted shares will not count toward the quorum requirement or any proposal considered at the Annual Meeting.

If you hold shares in a brokerage account, then, under NYSE rules and Delaware corporation law:

- Election of Directors

With respect to the election of directors, your broker is not entitled to vote your shares on this matter if no instructions are received from you. If your broker does not vote (a “broker non-vote”), this is not considered a vote cast and, therefore, will have no effect on the election of directors.

- Ratify Appointment of PricewaterhouseCoopers LLP as Our Independent Registered Public Accounting Firm

With respect to ratification of the appointment of an independent registered accounting firm, your broker is entitled to vote your shares on this matter if no instructions are received from you so there will be no broker non-votes on this proposal. Abstentions will be counted against this matter.

- Approval of Compensation of our Named Executive Officers as Disclosed in this Proxy Statement

With respect to the advisory vote on the compensation of our Named Executive Officers as disclosed in this Proxy Statement, your broker is not entitled to vote your shares on this matter if no instructions are received from you. Broker non-votes will be counted neither for nor against this matter. Abstentions will be counted against this matter.

- Selection of the Frequency for a Stockholder Vote on the Compensation of our Named Executive Officers in Future Years

With respect to the advisory vote on the selection of the frequency with which stockholders will vote on the compensation of our named executive officers in future years, your broker is not entitled to vote your shares on this matter if no instructions are received from you. Broker non-votes will be counted neither for nor against any frequency alternative. Abstentions will be counted as a vote against all of the frequency alternatives.

How many votes do I have and can I cumulate my votes?

You have one vote for every share of our common stock that you own. Cumulative voting is not allowed.

Will my vote be confidential?

Yes. We will continue our practice of keeping the votes of all stockholders confidential. Specific stockholder votes will not be disclosed to our directors, officers, employees or agents, except:

- as necessary to meet applicable legal requirements;
- in a dispute regarding authenticity of Proxies and ballots;
- in the case of a contested Proxy solicitation, if the other party soliciting Proxies does not agree to comply with the confidential voting policy; or
- when a stockholder makes a written comment on the Proxy Card or otherwise communicates the vote to management.

PROPOSAL NO. 1 - ELECTION OF DIRECTORS

What is the structure of our Board of Directors?
The number of directors on our Board of Directors is fixed from time to time by resolution adopted by the affirmative vote of a majority of the total number of directors then in office. Currently, our Board of Directors is comprised of five directors. All current members of the Board of Directors are standing for reelection, to hold office until the next Annual Meeting of Stockholders.
How are nominees evaluated; what are the minimum qualifications?
We believe that our directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the interests of the stockholders. They must also have an inquisitive and objective perspective, practical wisdom, mature judgment and demonstrated leadership skills. We also endeavor to have a Board of Directors representing a range of experiences in areas that are relevant to the Company's business activities.

Below we identify and describe the key experience, qualifications and skills our directors bring to the Board that are important in light of the Company's business and structure. The directors' experiences, qualifications and skills that the Nominating and Corporate Governance Committee considered in their nominations are included in their individual biographies.

- Leadership Experience. We believe that directors with experience in significant leadership positions over an extended period, especially chief executive officer positions, provide the Company with valuable insights and strategic thinking. These people generally possess extraordinary leadership qualities and the ability to identify and develop those qualities in others. They demonstrate a practical understanding of organizations, processes, strategy, risk management and the methods to drive change and growth.

- Finance Experience. We believe that an understanding of finance and the financial reporting process is important for our directors. We measure our operating and strategic performance by reference to financial targets. In addition, accurate financial reporting and robust auditing are critical to our success and developing stockholders' confidence in our reporting processes under the Sarbanes-Oxley Act of 2002. We expect all of our directors to be financially literate.

- Consumer Products Experience. We seek to have directors with experience as executives, directors or in other leadership positions in the industries in which we participate. We seek directors that have experience in managing consumer product businesses.

- Marketing Experience. The Company seeks to grow organically by identifying and developing opportunities for expanding distribution of its existing product offerings while also developing and launching new products to sell into the market. Therefore, marketing expertise is important to us.

What role does diversity play in the selection of members of the Board?

In evaluating potential candidates for Board membership, the Nominating and Corporate Governance Committee considers, among other things, independence, character, ability to exercise sound judgment, diversity of age, gender and ethnic background and professional experience. Although the Board has not established specific goals with respect to diversity, the Board believes in a governing style that emphasizes respect for diversity in perspective and includes individuals from diverse backgrounds. The Board believes that diversity is important because various points of view contribute to a more effective, engaged Board and better decision-making processes.

Who are the nominees this year?

The nominees for the Board of Directors consist of five nominees who were elected at our 2010 Annual Meeting of Stockholders. If elected, each nominee would hold office until the 2012 Annual Meeting of Stockholders and until his respective successor is elected and qualified or until his earlier death, removal or resignation. These nominees, their ages at the date of this Proxy Statement and the year in which they first became directors are set forth in the table below. The Board of Directors has affirmatively determined that each of these nominees, other than Mr. Mannelly, is independent from the Company and its management.

Name	Age	Director Since
Matthew M. Mannelly	53	September 2009
Gary E. Costley	67	November 2004
John E. Byom	57	January 2006
Charles J. Hinkaty	61	May 2010
Patrick M. Lonergan	76	May 2005

What are the backgrounds and qualifications of this year's nominees?

Matthew M. Mannelly, Director, President and Chief Executive Officer, has served as President and Chief Executive Officer of the Company since September 2009. Prior to joining the Company, he served as the President and Chief Executive Officer of Cannondale Bicycle Corporation from 2005 to 2008 and President from 2003 to 2004. From 2002 to 2003, Mr. Mannelly served as President of the Americas for Paxar Corporation. From 2000 to 2002, he served as Chief Marketing Officer for the United States Olympic Committee. From 1993 to 2000, Mr. Mannelly held positions with increasing responsibility at Nike, Inc. where he was Global Director of Retail Development from 1996 to 2000, Category Business Director for the Tennis Division from 1994 to 1996, and General Manager of Sport Specialties from 1993 to 1994. Mr. Mannelly received a B.S. in Economics from Boston College and an M.B.A. in Marketing from the University of North Carolina at Chapel Hill.

Director Qualifications:

- Leadership Experience - Served as President and Chief Executive Officer of Cannondale Bicycle Corporation; President of the Americas for Paxar Corporation; held various leadership positions at Nike, Inc.

- Financial Experience - Served as President and Chief Executive Officer of Cannondale Bicycle Corporation; as President of the Americas for Paxar Corporation where he was responsible for profit and loss management

- Marketing Experience - Served as Chief Marketing Officer for United States Olympic Committee; Director of Marketing for Gatorade®; received an M.B.A. in Marketing; recipient of 2008 Academy of Marketing Science Distinguished Marketer of the Year

- Consumer Products Experience - Has extensive experience in packaged goods, sports, fitness, and apparel for world class consumer brand names including Cannondale, Nike®, Quaker Oats® and Gatorade®

Gary E. Costley, Ph.D., Lead Director, has served as a director since November 2004 and lead director since September 2009. Most recently, Dr. Costley served as managing partner at C&G Capital and Management, a private investment company, which he joined in July 2004. He previously served from 2001 to June 2004 as Chairman and Chief Executive Officer of International Multifoods Corporation and from 1997 to 2001 as its Chairman, President and Chief Executive Officer. From 1995 to 1996, Dr. Costley served as Dean of the Graduate School of Marketing at Wake Forest University. Prior to that time, Dr. Costley spent 24 years with the Kellogg Company where he held various positions of increasing responsibility, including his most recent role as President of Kellogg North America. Dr. Costley earned a B.S. in Animal Science and both an M.S. and Ph.D. in Nutrition from Oregon State University.

Dr. Costley is currently a director of Principal Financial Group Inc., Tiffany & Co. and Covance Inc. Dr. Costley has served on the boards of Pharmacopeia Inc. and Accelyrs, Inc.

Director Qualifications:

- Leadership Experience - Former managing partner of C&G Capital and Management; served as Chief Executive Officer of International Multifoods Corporation; former President of Kellogg North America
- Financial Experience - Former managing partner of C&G Capital and Management; served as Chief Executive Officer of International Multifoods Corporation; former President of Kellogg North America

- Marketing Experience - Served as Dean of the Graduate School of Marketing at Wake Forest University
- Consumer Products Experience - Served as Chief Executive Officer of International Multifoods Corporation; former President of Kellogg North America

John E. Byom, Director, was appointed as director in January 2006. Mr. Byom is currently Chief Executive Officer of Classic Provisions Inc. which he joined in October 2007. Mr. Byom was previously the Chief Financial Officer of International Multifoods Corporation. He left International Multifoods Corporation in March 2005 after 26 years, including four years as Vice President Finance and Chief Financial Officer, from March 2000 to June 2004. Subsequent to the sale of International Multifoods Corporation to The J.M. Smucker Company in June 2004, Mr. Byom was President of Multifoods Foodservice and Bakery Products. Prior to his time as Chief Financial Officer, Mr. Byom was President of U.S. Manufacturing from July 1999 to March 2000, and Vice President Finance of IT for the North American Foods Division from 1993 to 1999. Prior to 1993 he held various positions in finance and was an internal auditor for International Multifoods Corporation from 1979 to 1981. Mr. Byom earned his B.A. in Accounting from Luther College. Mr. Byom is currently a director of MGP Ingredients Inc.

Director Qualifications:

- Leadership Experience - Chief Executive Officer of Classic Provisions Inc.; served as President of Multifoods Foodservice and Bakery Products and U.S. Manufacturing for International Multifoods Corporation
- Financial Experience - Served as Chief Financial Officer of International Multifoods Corporation; held several leadership positions in finance; served as internal auditor for International Multifoods Corporation
- Consumer Products Experience - Chief Executive Officer of Classic Provisions Inc.; served as Chief Financial Officer of International Multifoods Corporation; served as President of Multifoods Foodservice and Bakery Products and U.S. Manufacturing for International Multifoods Corporation

Charles J. Hinkaty, Director, was appointed as a director in May 2010. Mr. Hinkaty was the President and Chief Executive Officer of Del Laboratories, Inc. from August 2005 through his retirement in January 2008. Prior to that, Mr. Hinkaty was the Chief Operating Officer of Del Laboratories, Inc. from January 2005 to August 2005, and Vice President of Del Laboratories, Inc. and President of its subsidiary, Del Pharmaceuticals, Inc., from 1985 to January 2005. Mr. Hinkaty earned a B.S. and M.S. in Mathematics from Polytechnic Institute of New York University, and presently serves as Trustee of New York University. Mr. Hinkaty is currently a director of Lornamead Ltd., Physicians Formula Holdings, Inc., Renfro, Inc. and W.F. Young, Inc. Mr. Hinkaty served as a director of Del Laboratories, Inc. from 1986 to 2008, FGX International, Inc. and Sterling Infosystems, Inc. He also led the Consumer Healthcare Products Association as its Chairman from 1999 to 2001.

Director Qualifications:

- Leadership Experience/Financial Experience/ Consumer Products Experience - Served as President and Chief Executive Officer and Chief Operating Officer of Del Laboratories, Inc.
- Marketing Experience - Served as President and Chief Executive Officer and Chief Operating Officer of Del Laboratories, Inc.; twelve years of marketing experience at Bristol Myers Squibb Company in which he served in positions of increasing responsibility, including Director of Marketing and Director of Strategic Planning and Development

Patrick M. Lonergan, Director, was appointed as a director in May 2005. Mr. Lonergan is the co-founder, Chief Executive Officer and President of Numark Laboratories, Inc. since January 1989. Prior to founding Numark Laboratories, Inc., Mr. Lonergan was employed from 1959 to 1989 in various senior capacities by Johnson & Johnson, including Vice President & General Manager. Mr. Lonergan earned a B.S. in Business from Northern Illinois

University. Mr. Lonergan served on the Board of Directors of Johnson & Johnson Products Inc., where he was the Chairman of the Health Care Division Management Committee. Mr. Lonergan also served as a director of Ventus Medical, Inc. and Zila Pharmaceuticals, Inc. Mr. Lonergan is currently Vice Chairman of the Board of Directors of the Consumer Healthcare Products Association, a director of AccuDial Pharmaceutical, Inc. and a trustee for St. Hubert's Animal Welfare.

Director Qualifications:

- Leadership Experience/Marketing Experience/Consumer Products Experience - Co-founder and Chief Executive Officer of Numark Laboratories, Inc.; served as Vice President and General Manager of Johnson & Johnson

How are our directors compensated?

Annually, the Compensation Committee reviews and recommends to the Board of Directors any changes in compensation for directors. Unless changed, each of our directors other than Mr. Mannelly receives the following cash and equity compensation for his services as a director:

- a one-time grant of our common stock equal to $20,000 awarded on the date of the first Annual Meeting of Stockholders after appointment;

- an annual grant of restricted stock units valued at $50,000 awarded on the date of each Annual Meeting of Stockholders, which restricted stock units vest one year after the date of grant so long as membership on the Board of Directors continues through the vesting date with settlement in common stock to occur on the earliest of the director's death, disability or the six month anniversary of the date on which the director's Board membership ceases for reasons other than death or disability;

- a $25,000 annual retainer fee paid in equal quarterly installments; and

- attendance fees in accordance with the following table:

Meeting	Fee
Board of Directors (in person)	$1,500
Committee (in person)	$1,000
Board of Directors and Committee (by telephone)	$750

The Chairman of each of our standing committees and our Lead Director receive the additional fees set forth in the following table for their services in their respective capacities:

Position	Annual Fee
Chairman of the Audit Committee	$7,500
Chairman of the Compensation Committee	$5,000
Chairman of the Nominating and Corporate Governance Committee	$5,000
Lead Director	$45,000

Our directors are also reimbursed for out-of-pocket expenses incurred in connection with Board of Directors and/or Committee participation.

Please see the Director Compensation table later in this Proxy Statement for information regarding the compensation paid to our directors during 2011.

Are there any family relationships between our directors and executive officers?

There are no family relationships between or among any of our directors and executive officers.

How many votes are needed to elect directors?

The affirmative vote of a plurality of the votes cast in person or by Proxy at the Annual Meeting of Stockholders is necessary for the election of directors (assuming a quorum of a majority of the outstanding shares of common stock is present). This means that the director nominee with the most affirmative votes for a particular slot is elected for that slot. You may vote in favor of all nominees, withhold your vote as to all nominees or withhold your vote as to specific nominees.

What does the Board of Directors recommend?

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR NAMED ABOVE.

GOVERNANCE OF THE COMPANY

What is Corporate Governance and how do we implement it?

Corporate governance is a set of rules established by the Company to ensure that its directors, executive officers and employees conduct the Company's business in a legal, impartial and ethical manner. Our Board of Directors has a strong commitment to sound and effective corporate governance practices. Our management and our Board of Directors have reviewed and continue to monitor our corporate governance practices in light of Delaware corporate law, United States federal securities laws, the listing requirements of the NYSE and other best practices.

What documents establish and implement our Corporate Governance practices?
The Code of Conduct Policy, the Code of Ethics for Senior Financial Employees, the Policy and Procedures for Complaints Regarding Accounting, Internal Controls and Auditing Matters, the Corporate Governance Guidelines, the Related Persons Transaction Policy, the Stock Ownership Guidelines, the Clawback Policy and the Charters of our Audit, Compensation and Nominating and Corporate Governance Committees were adopted by the Company for the purpose of transparency in our governance practices, as well as promoting honest and ethical conduct, full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the Company, and compliance with all applicable rules and regulations that apply to the Company and its officers, employees and directors.

Are our directors and executive officers required to own a minimum amount of our common stock?
The Board of Directors has adopted Stock Ownership Guidelines for the Board of Directors and executive officers of the Company in order to align their interests with the Company's stockholders. Each person subject to the Stock Ownership Guidelines is expected to be fully compliant by the later of the fifth anniversary of the event requiring compliance or February 5, 2013, the fifth anniversary of the date of adoption of the Stock Ownership Guidelines by the Board of Directors. The following equity interests are included for purposes of determining compliance with the Stock Ownership Guidelines:

- Shares of the Company purchased on the open market or in privately negotiated transactions
- Shares of the Company acquired by inheritance or gift
- Shares of the Company held by immediate family members
- Vested Founder Shares
- Shares of the Company held in trust for the benefit of the director or executive officer or the director's or executive officer's immediate family members
- Vested Restricted Stock and Restricted Stock Units of the Company
- Vested Performance Share Units
- Vested “in-the-money” stock options

The following equity interests are not included for purposes of determining compliance with the Stock Ownership Guidelines:

- Unvested Restricted Stock and Restricted Stock Units
- Unvested stock options
- Vested but “not-in-the-money” stock options

The Stock Ownership Guidelines are summarized as follows:

Office	Value of Stockholdings Required to be Owned
Non-Employee Director	5X Annual Cash Retainer (exclusive of meeting fees and expense payments)
Chief Executive Officer	4X Annual Salary (exclusive of annual bonus)
Chief Financial Officer, Chief Marketing Officer and General Counsel	3X Annual Salary (exclusive of annual bonus)
Remaining senior executive officers	2X Annual Salary (exclusive of annual bonus)

Do we have a policy regarding the recovery of incentive-based compensation paid to executive officers if we restate our financial statements?

Yes. On May 10, 2011, the Board of Directors formalized the Company's prior unwritten Clawback Policy by adopting a written Clawback Policy which is available at the Investor Relations tab on the Company's corporate website at www.prestigebrands.com. Pursuant to the Clawback Policy, in the event that the Company is required to restate its financial statements due to material non-compliance with any financial reporting requirement under the United States federal securities laws, the Company shall, subject to the terms of the Clawback Policy, seek to recover from senior management any incentive-based compensation (which is granted on or after May 10, 2011) paid to or received by, or to be paid to, senior management for the three years immediately preceding the period for which the Company is required to restate its financial statements insofar as such incentive compensation is a result of errors within the financial statements that are required to be restated. The amount of the incentive-based compensation that the Company shall seek to recover shall be the difference between the amount of the incentive-based compensation received by senior management based on the erroneous financial statements and the amount of incentive-based compensation that would have been paid to senior management based on the financial statements as restated.

Where can I access the Company's Corporate Governance documents?

The documents described in the second question of this Governance of the Company Section may be accessed at the Investor Relations tab of www.prestigebrands.com, our Internet website. In addition, you may request, without charge, a copy of the foregoing documents by submitting a written request for any of such materials to: Prestige Brands Holdings, Inc., 90 North Broadway, Irvington, New York 10533, Attention: Secretary.

How often did the Board of Directors meet in 2011?
The Board of Directors held ten meetings during 2011. Each director is expected to attend each meeting of the Board of Directors and those Committees on which he serves. Each of our directors attended 75% or more of the total number of meetings of the Board of Directors and those Committees on which he served during the last fiscal year. The Board of Directors expects that its members will attend the Annual Meetings of Stockholders. All directors who were members of our Board of Directors at the time of the 2010 Annual Meeting of Stockholders attended such meeting.
Do we have a Chairman of the Board?
No. The Board of Directors has not appointed anyone to serve as the Chairman of the Board. However, the Board of Directors has appointed Dr. Costley as Lead Director. The Board of Directors has considered how to structure its leadership and determined that appointing Dr. Costley as its independent and non-executive Lead Director optimizes the effectiveness of the Board of Directors and the implementation of the Company's corporate governance policies through independent leadership. We also believe that the current structure of our Board of Directors allows the independent directors to effectively oversee Company management and key issues related to strategy, risk and integrity.

What are the responsibilities of a Lead Director?
The Lead Director acts in a leadership capacity with respect to the Board of Directors and consults with the Chief Executive Officer of the Company between meetings of the Board of Directors. The Lead Director presides over non-management and executive sessions of the Board of Directors.

What Committees have been established by the Board of Directors?
The Board of Directors currently has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. As required by the NYSE, all members of the Audit, Compensation and Nominating and Corporate Governance Committees are independent directors. The following table sets forth the current membership of the Company's standing committees:

Committee	Membership
Audit Committee	John E. Byom (Chairman) Gary E. Costley Charles J. Hinkaty Patrick M. Lonergan
Compensation Committee	Charles J. Hinkaty (Chairman) John E. Byom Gary E. Costley Patrick M. Lonergan
Nominating and Corporate Governance Committee	Patrick M. Lonergan (Chairman) John E. Byom Gary E. Costley Charles J. Hinkaty

Who are our independent directors?

In accordance with the NYSE's listing requirements, the Board of Directors has evaluated each of its member's independence from the Company and its management. In its review of each director's independence, the Board of Directors reviewed whether any transactions or relationships exist currently or, existed during the past three years, between each director and the Company and its subsidiaries, affiliates, equity investors or independent auditors. The Board of Directors also examined whether there were any transactions or relationships between each director and members of the senior management of the Company or their affiliates. Based on the review of the Board of Directors and the NYSE's definition of "independence," the Board of Directors has determined that a majority of the Board of Directors is "independent." The independent directors currently are Messrs. Byom, Costley, Hinkaty and Lonergan.

The Board of Directors has also determined that each of the members of our Audit Committee is "independent" for purposes of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that Mr. Byom is an "audit committee financial expert" as that term is defined by SEC regulations.

Does the Board of Directors evaluate itself and its committees?

Yes. Every year the Board of Directors and its Committees complete a self-evaluation of their performance through written questionnaires and follow-up discussion by the Board of Directors and the respective Committees. In the event the Board of Directors or its Committees determine that modifications to their practices are required, they will promptly institute the required changes to the Company's corporate governance practices and the documents through which such practices are effectuated.

What role does the Board play in the oversight of risk management?

The Board implements its risk oversight function both as a whole and through its Committees. Throughout the year, the Board and the Committees to which it has delegated responsibility conduct risk assessments and discuss identified risks and how to eliminate or mitigate such risks.

Management communicates routinely with the Board and its Committees on significant risks and how they are being managed, and directors are free to communicate directly with senior management. Management believes that the Company has developed effective internal control processes to identify and manage risks.

The Audit Committee has primary responsibility for overseeing the Company's risk management. It oversees risks related to the Company's financial statements, the financial reporting process, accounting and legal matters. The Audit Committee oversees the internal audit function and the Company's ethics and compliance program. The Compensation Committee evaluates the risks associated with the Company's compensation philosophy and programs. The Nominating and Corporate Governance Committee oversees risks associated with its areas of responsibility, including, along with the Audit Committee, the Company's Code of Conduct and Code of Ethics. In addition, the Board is routinely informed of developments at the Company that could affect the Company's risk profile and business in general.

How can I communicate with the Board of Directors?

Stockholders and other interested parties may send communications to the Board of Directors or any Committee thereof or any individual director by writing to the Board of Directors, such Committee or such individual director at Prestige Brands Holdings, Inc., 90 North Broadway, Irvington, New York 10533, Attention: Secretary. The Secretary will distribute all stockholder and other interested party communications to the intended recipients and/or distribute to the entire Board of Directors, as appropriate.

In addition, stockholders and other interested parties may also contact the Lead Director or the non-management directors as a group by writing to the Lead Director c/o Prestige Brands Holdings, Inc., 90 North Broadway, Irvington, New York 10533, Attention: Secretary. The Secretary will forward all stockholder and other interested party communications to the Lead Director who will review and distribute, if addressed to the non-management directors, all stockholder and other interested party communications to the non-management directors as a group.

What are our Complaint Procedures?

Complaints and concerns about accounting, internal accounting controls or auditing or related matters pertaining to the Company may be submitted by writing to the Chairman of the Audit Committee c/o Prestige Brands Holdings, Inc., 90 North Broadway, Irvington, New York 10533. Complaints may be submitted on a confidential and anonymous basis by sending them in a sealed envelope marked "Confidential." Alternatively, complaints and concerns about accounting, internal accounting controls or auditing or related matters pertaining to the Company may be submitted by our employees confidentially and anonymously by contacting the Company's TeleSentry Hotline. TeleSentry is an independent third party that the Company has retained to receive anonymous complaints from the Company's employees. TeleSentry may be reached by telephone at (888) 883-1499 or by mail at P.O. Box 161, Westport, CT 06881. TeleSentry may also be contacted by e-mail at resp@telesentry.org.

What are the responsibilities of the Audit Committee?

The Audit Committee is responsible for, among other things:

(1) the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm engaged for the purpose of preparing and issuing an audit report on our annual financial statements;

(2) reviewing the independence of the independent registered public accounting firm and taking, or recommending that our Board of Directors take, appropriate action to oversee their independence;

(3) approving, in advance, all audit and non-audit services to be performed by the independent registered public accounting firm;
(4) overseeing our accounting and financial reporting processes and the audits of our financial statements;
(5) establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal control or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
(6) engaging independent counsel and other advisers as the Audit Committee deems necessary;
(7) determining compensation of the independent registered public accounting firm, compensation of advisors hired by the Audit Committee and ordinary administrative expenses;
(8) reviewing and assessing the adequacy of the Audit Committee's formal written charter on an annual basis;
(9) reviewing policies for risk assessment and risk management and management's monitoring and controlling of risk exposure, including the structure and sufficiency of the Company's risk control organization, any significant changes to corporate risk control policies and significant risk control issues; and
(10) handling such other matters as are specifically delegated to the Audit Committee by our Board of Directors from time to time.

Our Board of Directors adopted a written charter for our Audit Committee, which is available to our stockholders and other interested parties at the Investor Relations tab on our website at www.prestigebrands.com or is also available in print to any stockholder or other interested party who makes such a request to the Company's Secretary.

PricewaterhouseCoopers LLP currently serves as our independent registered public accounting firm. The Audit Committee met nine times during 2011.

What are the responsibilities of the Compensation Committee?

The Compensation Committee is responsible for, among other things:
(1) determining, or recommending to our Board of Directors for determination, the compensation and benefits of all of our executive officers and non-employee directors;
(2) reviewing our compensation and benefit plans to ensure that they meet corporate objectives, as well as evaluating the risk associated with the compensation and benefit plans;
(3) administering our stock plans and other incentive compensation plans; and
(4) handling such other matters as are specifically delegated to the Compensation Committee by our Board of Directors from time to time.

Our Board of Directors adopted a written charter for our Compensation Committee, which is available to our stockholders and other interested parties at the Investor Relations tab on our website at www.prestigebrands.com or is also available in print to any stockholder or other interested party who makes such a request to the Company's Secretary. Pursuant to the charter, the Compensation Committee may delegate its authority and duties to one or more subcommittees, individual members of the Compensation Committee, other members of the Board or management, as it deems appropriate, in accordance with applicable laws and regulations. In addition, the Compensation Committee may, in its sole discretion and at the Company's expense, retain and terminate such independent consultants or experts as it deems necessary or appropriate in the performance of its duties. The Compensation Committee met five times during 2011.

What are the responsibilities of the Nominating and Corporate Governance Committee?

The Nominating and Corporate Governance Committee is responsible for, among other things:
(1) selecting, or recommending to our Board of Directors for selection, nominees for election to our Board of Directors;
(2) making recommendations to our Board of Directors regarding the size and composition of the Board of Directors and its Committees and retirement procedures affecting members of the Board of Directors;
(3) monitoring our performance in meeting our obligations in internal and external matters and our principles of corporate governance;
(4) monitoring risks related to its areas of responsibility, including, along with the Audit Committee, the Company's Code of Conduct and Code of Ethics; and

(5) handling such other matters as are specifically delegated to the Nominating and Corporate Governance Committee by our Board of Directors from time to time.
Our Board of Directors adopted a written charter for our Nominating and Corporate Governance Committee, which is available to our stockholders and other interested parties at the Investor Relations tab on our website at www.prestigebrands.com or is also available in print to any stockholder or other interested party who makes such a request to the Company's Secretary. The Nominating and Corporate Governance Committee met four times during 2011.
The Nominating and Corporate Governance Committee will consider as potential nominees for director individuals properly recommended by stockholders. Recommendations concerning individuals proposed for consideration by the Nominating and Corporate Governance Committee should be addressed to Prestige Brands Holdings, Inc., 90 North Broadway, Irvington, New York 10533, Attention: Secretary. Each recommendation should include a personal biography of the suggested nominee, an indication of the background or experience that qualifies the person for consideration, and a statement that the person has agreed to serve if nominated and elected. Stockholders who themselves wish to effectively nominate a person for election to the Board of Directors, as contrasted with recommending a potential nominee to the Nominating and Corporate Governance Committee for its consideration, are required to comply with the advance notice and other requirements set forth in the Company's Amended and Restated Bylaws, as amended (the “Amended and Restated Bylaws”), and any applicable requirements of the Exchange Act.
The Nominating and Corporate Governance Committee identifies potential candidates for nomination as directors based on recommendations by our executive officers or directors. Generally, candidates have significant leadership, finance, consumer products and marketing experience. As noted above, the Nominating and Corporate Governance Committee considers properly submitted stockholder recommendations for candidates for the Board of Directors. In evaluating candidates for nomination, the Nominating and Corporate Governance Committee will consider the factors it believes to be appropriate, which would generally include the candidate's personal and professional integrity, business judgment, relevant experience and skills, and potential to be an effective director in conjunction with the rest of the Board of Directors in collectively serving the interests of our stockholders. The Nominating and Corporate Governance Committee does not evaluate potential nominees for director differently based on whether they are recommended to the Nominating and Corporate Governance Committee by officers or directors of the Company or by a stockholder.

PROPOSAL NO. 2 - RATIFICATION OF APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Who has the Audit Committee selected as our independent accounting firm for 2012?
The Audit Committee has reappointed PricewaterhouseCoopers LLP as the independent registered public accounting firm to audit the Company's financial statements and evaluate its systems of internal control over financial reporting for 2012. However, the Audit Committee may, in its discretion decide to engage another independent registered public accounting firm as the Company's auditor for 2012. In making the decision to reappoint PricewaterhouseCoopers LLP, the Audit Committee has considered whether the provision of the non-audit services rendered by PricewaterhouseCoopers LLP is incompatible with maintaining that firm's independence from the Company.
Is stockholder approval required for the appointment of an independent accounting firm for 2012?
Stockholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm is not required by applicable legal requirements. However, the Board of Directors is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice. In the event the stockholders do not ratify the appointment of PricewaterhouseCoopers LLP, the appointment will be reconsidered by the Audit Committee and the Board of Directors. However, the Audit Committee and the Board of Directors may, in their discretion, still direct the appointment of PricewaterhouseCoopers LLP. Likewise, stockholder ratification of the selection of PricewaterhouseCoopers LLP would not prevent the Audit Committee, in its discretion, from selecting and engaging another independent registered public accounting firm.

Will representatives of PricewaterhouseCoopers LLP attend the Annual Meeting?

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting of Stockholders, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Principal Accountant Fees and Services

What fees were paid to our independent accounting firm in 2011 and 2010?

For 2011 and 2010, the following fees were billed by PricewaterhouseCoopers LLP to the Company for the indicated services:

	2011	2010
Audit Fees	$799,000	$694,900
Audit-Related Fees	$231,577	—
Tax Fees	—	—
All Other Fees	—	$82,250
Total Independent Accountant's Fees	$1,030,577	$777,150

Audit Fees. Consisted of fees billed for professional services rendered for (i) the audit of our consolidated financial statements and internal control over financial reporting; (ii) the review of the interim consolidated financial statements included in quarterly reports; and (iii) the services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. Consisted of fees billed for services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees." These services included the audit of the financial statements for Blacksmith Brands Holdings, Inc. which we acquired on November 1, 2010 and due diligence services provided by PricewaterhouseCoopers LLP during 2011.

Tax Fees. Consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, customs and duties and tax planning.

All Other Fees. Consisted of fees for products and services, other than the services reported above, for accounting services provided in connection with our debt refinancing which was consummated on March 24, 2010.

Has the Audit Committee determined PricewaterhouseCoopers LLP's independence from the Company?

The Audit Committee has considered the non-audit services provided by PricewaterhouseCoopers LLP and determined that the provision of such services had no effect on PricewaterhouseCoopers LLP's independence from the Company.

How does the Audit Committee pre-approve services provided by the independent accounting firm?

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. During 2011, all audit and non-audit services were approved in accordance with the Audit Committee's pre-approval policy.

How many votes are needed to ratify the appointment of our independent accounting firm for 2012?

Approval of the proposal to ratify the appointment of PricewaterhouseCoopers LLP requires the affirmative vote of a majority of the shares present at the Annual Meeting of Stockholders and entitled to vote on the proposal (assuming a quorum of a majority of the outstanding shares of common stock is present).

What does the Board of Directors recommend?
THE BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF PricewaterhouseCoopers LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012.

PROPOSAL NO. 3 - ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

Why are we submitting this matter to you?

We are required by the SEC's proxy rules and by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) to provide our stockholders with the opportunity to approve, on an advisory, non-binding basis, the compensation of our named executive officers contained in this Proxy Statement. This proposal, commonly known as a “Say-on-Pay” proposal, gives our stockholders the opportunity to express their views on our executive compensation as described in this Proxy Statement. Our executive compensation program is described in the Compensation Discussion and Analysis (“CD&A”), executive compensation tables and other narrative executive compensation disclosures required by the disclosure rules of the SEC, all of which are found in this Proxy Statement. In particular, the CD&A, beginning on page 23 of this Proxy Statement, describes the Company's executive compensation program in detail, and we encourage you to review it.

What are you being asked to vote on?
Stockholders are being asked to vote either for or against the following resolution:

RESOLVED, that the stockholders of Prestige Brands Holdings, Inc. approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures included in this Proxy Statement.

Is this vote binding?

No. As provided by the Dodd-Frank Act, this vote will not be binding on the Board of Directors or the Compensation Committee and may not be construed as overruling a decision by the Board of Directors or the Compensation Committee or creating or implying any additional fiduciary duty for the Board. Further, it will not affect any compensation paid or awarded to any executive officer. The Compensation Committee and the Board will, however, take into account the outcome of the vote when considering future executive compensation arrangements.

What vote is required for approval of the Say-on-Pay proposal?

The approval of this proposal requires the affirmative vote of a majority of the shares present at the Annual Meeting and entitled to vote on this proposal (assuming a quorum of a majority of the outstanding shares of common stock is present). However, even if this proposal is not approved by the required vote, the Board and the Compensation Committee will take into account the result of the vote when determining future executive compensation arrangements, particularly if the votes cast against the resolution exceed the number of votes cast in favor of the resolution.

What does the Board recommend?

For all of the reasons discussed in our CD&A beginning on Page 23 of this Proxy Statement, our Board of Directors unanimously recommends a vote FOR the approval, in a non-binding advisory vote, of the compensation of our named executive officers as described in this Proxy Statement.

PROPOSAL NO. 4 - ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

Why are we submitting this matter to stockholders?

We are required by the SEC's proxy rules and by the Dodd-Frank Act to provide our stockholders with the opportunity to vote on whether future “Say-on-Pay” votes, such as that in Proposal 3 above, should be presented to stockholders every one, two or three years. We refer to this vote as a “Say-When-on-Pay” proposal. Additionally, we are required to present a Say-When-on-Pay vote to stockholders at least once every six years.

What are you being asked to vote on?

Stockholders are being asked to vote on whether future “Say-on-Pay” votes, such as that in Proposal 3 above, should be presented to stockholders every one, two, or three years. Stockholders may indicate whether they would prefer a “Say-on-Pay” advisory vote every one, two or three years. In addition, stockholders may abstain from voting.

Is this vote binding?

No. The Say-When-on-Pay vote is advisory only and will not be binding on the Board or the Compensation Committee. However, the Board of Directors and the Compensation Committee recognize the importance of receiving input from our stockholders on important issues such as executive compensation and will take into account the outcome of the vote when considering the frequency with which future “Say-on-Pay” votes will be held.

What vote is required for approval of the frequency vote?

The selection of one of the three frequency options requires the affirmative vote of a majority of the shares present at the Annual Meeting and entitled to vote on this proposal (assuming a quorum of a majority of the outstanding shares of common stock is present). However, if this proposal does not receive the required majority vote, the option of one year, two years or three years that receives the greatest number of votes cast will be deemed the frequency for the “Say-on-Pay” votes that stockholders prefer.

What should stockholders consider in determining what they consider to be the most appropriate frequency vote?

Stockholders should consider what they believe to be the optimal frequency for a Say-on-Pay vote from a corporate governance perspective. Our Board of Directors has recommended an annual Say-on-Pay vote for executive compensation which ensures timely and frequent feedback from our stockholders regarding executive compensation. Our Board of Directors believes that an annual Say-on-Pay vote for executive compensation is a critical component of corporate governance which will provide timely and frequent insight to the Board of Directors as it develops executive compensation programs on an annual basis.
Stockholders who have concerns about executive compensation during the interval between Say-on-Pay votes are welcome to bring their specific concerns to the attention of our Board of Directors. Please refer to “How can I communicate with the Board of Directors?” on Page 13 of this Proxy Statement for information about communicating with our Board.

What consideration will the Board give to the outcome of the frequency vote?

We understand that our stockholders may have different views as to what is an appropriate frequency for advisory votes on executive compensation. We look forward to the input that our stockholders will provide through this frequency vote, and we will carefully consider and take into account our stockholders' votes and any additional insights that we obtain into the voting results when determining how often to conduct future Say-on-Pay votes. We will periodically reassess how often to hold a Say-on-Pay vote and may decide that it is in the best interests of our stockholders to conduct future Say-on-Pay votes on a more or less frequent basis than that preferred by our stockholders. Factors that might cause the Board of Directors to vary its practice include discussions with stockholders and the adoption of material changes to compensation programs.
What frequency does the Board recommend for Say-on-Pay votes?
Our Board of Directors recommends, after careful consideration, that a Say-on-Pay vote should be held EVERY YEAR at the Annual Meeting of Stockholders.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of June 17, 2011 by: (1) each of the executive officers named in the Summary Compensation table on page 34-35 ("Named Executive Officer"); (2) each of our directors; (3) all directors and executive officers as a group; and (4) each person or entity known to us to be the beneficial owner of more than five percent of our outstanding shares of common stock. All information with respect to beneficial ownership of a five percent beneficial owner of our common stock was obtained from such beneficial owner's Schedule 13G filed with the SEC. Unless otherwise indicated, (i) each person or entity named below has sole voting and investment power with respect to the number of shares set forth opposite his, her or its name; and (ii) the address of each person named in the table below is c/o Prestige Brands Holdings, Inc., 90 North Broadway, Irvington, New York 10533.

	Shares Beneficially Owned		
Name of Beneficial Owner	Number (1)	Percentage (2)	
5% Stockholders:			
FMR LLC (3)	7,505,743	14.9	%
Wells Fargo & Company (4)	4,597,013	9.2	%
First Manhattan Co. (5)	3,126,426	6.2	%
Dimensional Fund Advisors LP (6)	3,763,292	7.5	%
Directors and Named Executive Officers:			
Matthew M. Mannelly (7)	240,424	*	
Peter J. Anderson (8)	—	—	
Timothy J. Connors (9)	33,333	*	
Eric S. Klee (10)	18,635	*	
Ronald M. Lombardi	—	*	
John Parkinson (11)	65,648	*	
John E. Byom	16,249	*	
Gary E. Costley	20,352	*	
Charles J. Hinkaty	2,478	*	
Patrick M. Lonergan	21,552	*	
All directors and executive officers as a group (11 persons)	485,245 (12)	1	%

* Denotes less than one percent.

(1) As used in this table, a beneficial owner of a security includes any person who, directly or indirectly, through contract, arrangement, understanding, relationship or otherwise has or shares (a) the power to vote, or direct the voting of, such security; or (b) investment power which includes the power to dispose, or to direct the disposition, of such security. In addition, a person is deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security within 60 days of June 17, 2011. Any security not within the foregoing classifications has been excluded from this table.

(2) Percent is based on 50,224,635 shares of our common stock outstanding as of June 17, 2011.

(3) The address for FMR LLC is 82 Devonshire Street, Boston, Massachusetts 02109. FMR LLC has sole voting power with respect to 716,907 shares and sole dispositive power with respect to 7,505,743 shares. Edward C. Johnson 3d has sole dispositive power with respect to all such shares. The information disclosed herein was obtained from the Schedule 13G/A jointly filed with the SEC by FMR LLC and Edward C. Johnson 3d on February 14, 2011.

(4) The address for Wells Fargo & Company is 420 Montgomery Street, San Francisco, California 94104. Wells Fargo & Company has sole voting power with respect to 4,032,718 shares, sole dispositive power with respect to 4,542,191 shares, and shared dispositive power with respect to 26,608 shares. Wells Capital Management Incorporated holds sole voting power with respect to 931,677 shares and sole dispositive power with respect to 4,503,185 shares. Wells Fargo Funds Management, LLC has sole voting power with respect to 3,005,065 shares and sole dispositive power with respect to 26,216 shares. The information disclosed herein was obtained from the Schedule 13G/A filed with the SEC by Wells Fargo & Company on behalf of itself and Wells Capital Management Incorporated, Wells Fargo Funds Management, LLC, Wells Fargo Bank, N.A., and Wells Fargo Advisors LLC, on January 20, 2011.

(5) The address for First Manhattan Co. is 437 Madison Avenue, New York, New York 10022. First Manhattan Co. has sole voting and dispositive power with respect to 911,600 shares, shared voting power with respect to 2,054,533 shares, and shared dispositive power with respect to 2,214,826 shares. The information disclosed herein was obtained from the Schedule 13G/A filed with the SEC by First Manhattan Co. on February 14, 2011.

(6) The address for Dimensional Fund Advisors LP is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746. Dimensional Fund Advisors LP has sole voting power with respect to 3,634,637 shares and sole dispositive power with respect to all of the reported shares. Dimensional Fund Advisors LP serves as investment advisor, sub-advisor and/or manager to certain investment companies, group trusts and accounts that own all of the reported shares. Dimensional Fund Advisors LP disclaims beneficial ownership of such shares. The information disclosed herein was obtained from the Schedule 13G/A filed with the SEC by Dimensional Fund Advisors LP on February 11, 2011.

(7) Includes 225,000 shares of the Company's common stock underlying a stock option that vested and became exercisable on September 2, 2010.

(8) Mr. Anderson's employment with the Company ceased on December 2, 2010; as a result thereof, the Company has no knowledge of Mr. Anderson's ownership of the Company's common stock as of June 17, 2011.

(9) Includes 33,333 shares of the Company's common stock underlying a stock option that vested and became exercisable on April 19, 2011.

(10) Includes (i) 738 shares of the Company's common stock underlying a stock option that vested and became exercisable on May 25, 2008, 2009 and 2010; (ii) 851 shares of the Company's common stock underlying a stock option that vested and became exercisable on May 30, 2009; (iii) 850 shares of the Company's common stock underlying a stock option that vested and became exercisable on May 30, 2010 and 2011; and (iii) 11,600 shares of the Company's common stock underlying a stock option that partially vested and became exercisable on of April 8, 2011.

(11) Includes (i) 6,796 shares of the Company's common stock underlying a stock option that vested and became exercisable on May 25, 2008; (ii) 6,795 shares of the Company's common stock underlying a stock option that vested and became exercisable on May 25, 2009 and 2010; (iii) 7,381 shares of the Company's common stock

underlying a stock option that vested and became exercisable on May 30, 2009, 2010 and 2011; and (iv) 10,069 shares of the Company's common stock underlying a stock option that partially vested and became exercisable on of April 8, 2011.

(12) Includes the number of shares of the Company's common stock underlying currently exercisable stock options held by Jean A. Boyko, Ph.D., the Company's Senior Vice President, Science and Technology.

SECURITIES AUTHORIZED FOR ISSUANCE
UNDER EQUITY COMPENSATION PLANS

Equity Compensation Plan Information
The following table sets forth certain information regarding our 2005 Long-Term Equity Incentive Plan as of March 31, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,621,486 (1)	$8.19	2,858,308 (2)
Equity compensation plans not approved by security holders	—	—	—
Total	1,621,486	$8.19	2,858,308

(1) Consists of outstanding stock options.

(2) There are 275,447 shares of common stock reserved for issuance pursuant to grants of non-vested restricted common stock and restricted stock units. The weighted-average grant date price of the non-vested restricted common stock and restricted stock units is $8.46 per share.

Since the Company recently granted equity awards to certain employees of the Company on May 10, 2011, certain restricted common stock vested on May 30, 2011 and stock options were recently exercised, the Company decided to supplement the table above with the table below for transparency and full disclosure purposes. The following table sets forth certain information regarding our 2005 Long-Term Equity Incentive Plan as of June 17, 2011.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,869,274 (1)	$8.62	2,457,363 (2)
Equity compensation plans not approved by security holders	—	—	—
Total	1,869,274	$8.62	2,448,384

(1) Consists of outstanding stock options.

(2) There are 298,848 shares of common stock reserved for issuance pursuant to grants of non-vested restricted common stock and restricted stock units. The weighted-average grant date price of the non-vested restricted common stock and restricted stock units is $8.77 per share.

COMPENSATION DISCUSSION AND ANALYSIS

The following section is a discussion and analysis of our compensation for our Named Executive Officers listed below:

- Matthew M. Mannelly, our President and Chief Executive Officer;
- Peter J. Anderson, our former Chief Financial Officer;
- Ronald M. Lombardi, our Chief Financial Officer;
- Timothy J. Connors, our Executive Vice President, Sales and Marketing;
- Eric S. Klee, our Secretary and General Counsel; and
- John F. Parkinson, our Senior Vice President, International.

Mr. Anderson's employment with the Company ended on December 2, 2010. Mr. Lombardi's employment with the Company commenced on December 6, 2010.

Executive Summary

The following is a brief overview of the information provided in this section.

Our Performance During 2011. During 2011, the Company's net sales were $297,800,000 and earnings before interest, income taxes, depreciation and amortization (“EBITDA”) were $94,700,000.

Brief Summary of our Compensation Program for 2011.

- The objective of our executive compensation program is to attract, motivate and retain talented management while ensuring that our executive officers are compensated in a way that advances the interests of the Company and its stockholders.

- Compensation for our executive officers for 2011 included base salary, annual cash incentive awards, and long-term equity awards.

- Annual cash incentive awards were earned based on the Company's achievement of pre-determined performance goals related to net sales and EBITDA. In certain cases, incentive compensation was increased or decreased based on individual performance reviews.

- In 2011, certain of our executive officers also received discretionary bonuses related to the Company's performance in 2011.

- In 2011, long-term equity awards to our executive officers were comprised of restricted stock units that vest on the three-year anniversary of the date of grant and stock options that vest in three equal annual installments commencing on the first anniversary of the date of grant.

- Each of our executive officers has an employment agreement that provides severance upon a termination of employment without cause or a resignation for good reason.

- We entered into a Retirement Agreement with Mr. Anderson that provides severance benefits and accelerated vesting of certain equity awards.

Policies and Practices

- Pursuant to our stock ownership guidelines, our executive officers are required to own a specified value of stock based on a multiple of base salary (4x, in the case of our Chief Executive Officer; 3x, in the case of our Chief Financial Officer, Chief Marketing Officer, and General Counsel; and 2x, in the case of our other senior executive officers.) Please see page 10 of this Proxy Statement for additional information regarding our Stock Ownership Guidelines.

- Pursuant to our clawback policy, in the event that the Company is required to restate its financial statements, the Company will seek to recover from senior management any incentive-based compensation granted on and after May 10, 2011, for the three years immediately preceding the period for which the Company is required to restate, if such incentive compensation is a result of errors within the financial statements that are required to be restated.

What is the purpose of the Compensation Discussion and Analysis?

This Compensation Discussion and Analysis has been prepared in order to provide a summary of the policies and procedures established by the Company in reviewing and determining compensation for its executive officers. Specifically, the following discussion will outline, among other things, the objectives of executive compensation, the elements of executive compensation, how determinations are made as to specific elements of, and total, executive compensation, severance and change-in-control payments, and executive officer involvement in setting executive compensation.

It is the intent of the Company, through the efforts of the Compensation Committee, to:

- Motivate our leaders to deliver a high degree of business performance and ensure that their interests are closely aligned with those of our investors;
- Attract and retain highly qualified senior leaders who can drive a global enterprise to success in today's competitive marketplace;
- Differentiate compensation so that it varies based on individual and team performance;
- Establish executive compensation that is competitive with the compensation offered by similarly-situated companies;
- Focus management on both the Company's short-term and long-term strategy, performance and success; and
- Assess the Company's risks, if any, related to its compensation practices and programs.

What are the overall objectives of our executive compensation programs?
The Compensation Committee is responsible for setting and administering the policies which govern executive compensation. The general philosophy of our executive compensation programs is to attract, motivate and retain talented management while ensuring that our executive officers are compensated in a way that advances the interests of the Company and its stockholders. The Company uses the following types of cash and equity compensation to compensate and reward its executive officers for their performance: base salary, a cash-based annual incentive plan and long-term equity awards comprised of restricted stock or restricted stock units and stock options. The Compensation Committee believes that the elements of compensation that it selected creates a flexible compensation package that focuses and rewards executives for short and long-term performance while aligning the interests of our executive officers with the interests of the Company's stockholders.

Each element of executive compensation described above is determined based on:

- The executive's level of responsibility and function within the Company;
- The executive's performance within the Company;
- The overall performance and profitability of the Company; and
- Executive compensation offered to similarly-situated executives at peer companies.

Through a combination of salary, incentive-based cash awards and other equity awards, the Compensation Committee desires to provide attractive and competitive compensation to the executive officers, a significant portion of which is contingent upon the Company's performance.

How are our executive compensation programs structured in order to address our objectives?

Performance. Our executive compensation includes a significant amount of performance-based, or at-risk, compensation. The Compensation Committee believes that the use of performance-based compensation allows the Company to tailor the compensation paid to the executive officers to the Company's performance and maintain a compensation system that significantly affects executive compensation in the event the Company does not meet the pre-determined performance goals. Furthermore, by utilizing threshold performance targets as a part of executive compensation, in the event the Company does not meet these targets, performance-based incentive compensation is entirely at-risk and is not paid to the executive officers; however, the Compensation Committee and Board of Directors generally retain and are entitled to exercise their discretion to increase or decrease the size of an award to an employee based on the employee's individual performance or to pay awards that were not earned when the circumstances warrant - i.e., for employee morale and retention purposes.

Alignment. By motivating and incentivizing the executive officers with regard to the Company's short and long-term goals, the Compensation Committee believes that the interests of the executive officers and the Company's stockholders are properly aligned.

Does the Compensation Committee use the services of an independent consultant?

Yes. During 2011, the Compensation Committee retained Compensation Advisory Partners LLC ("CAP"), to conduct an analysis of the Company's total compensation package for executive officers as well as design a long-term incentive program that will assist in driving the Company's strategy and focus key individuals on the long-term success of the Company. CAP benchmarked compensation for the top executives and developed a new sales incentive program for the Company's sales force aimed at facilitating the Company's strategy of profitable revenue growth.

Does the Compensation Committee benchmark use a peer group of companies?

Yes. The group of peer companies identified by CAP, and approved by the Compensation Committee, is currently comprised of the following publicly-traded companies:

- Elizabeth Arden, Inc.
- Hain Celestial Group, Inc.
- Helen of Troy Limited
- Inter Parfums, Inc.
- Lifetime Brands, Inc.
- Maidenform Brands, Inc.
- Smart Balance, Inc.
- WD-40 Company
- Bare Essentials, Inc.
- Zep, Inc.

The peer group was developed by selecting consumer products companies that have a similar revenue base and market capitalization as the Company.

[continues on next page]

What are the elements of our executive compensation program and why do we pay them?

The following table provides additional information regarding the various elements of our executive compensation.

Pay Element	What the Pay Element Is Intended to Reward	Purpose of the Pay Element
Base Salary	Skills, experience, competence, performance, responsibility, leadership and contribution to the Company	Fixed element of compensation designed to recognize the level of job scope and complexity, and the skills, experience, leadership and sustained performance required by the executive.
Annual Cash Incentive Plan	Efforts to achieve annual target revenue and profitability	Variable element of compensation designed to reward the achievement of annual financial targets; ensures compensation is properly tailored to financial performance, including being completely at risk for failure to meet annual financial threshold targets.
Long-Term Incentives	Restricted Stock, Restricted Stock Units and Stock Options Efforts to achieve long-term revenue growth and profitability over the three or five year vesting period Ability to increase and maintain stock price Continued employment with the Company during the three or five year vesting period	Variable element of compensation designed to (i) provide a mix of long-term incentive awards; (ii) reward achievement of long-term financial performance and strategic corporate initiatives; and (iii) provide a competitive mix of incentives to attract and retain top talent and to further reinforce alignment between the interests of management and stockholders.

How do we determine the types and amounts of executive compensation?

In structuring executive compensation, the Compensation Committee has offered compensation packages targeted at the median level of total executive compensation offered to similarly-situated executive officers at companies in the Company's peer group. In establishing the specific components of executive compensation, the Compensation Committee has based such decisions on the market data and recommendations based on such data provided to it by its independent compensation consultant as well as the strategic planning by the Compensation Committee and the Board of Directors.

Base Salary. Base salary for our executive officers is determined based on the scope of work, skills, experience, responsibilities, performance and seniority of the executive, peer group salaries for similarly-situated positions and the recommendation of the Chief Executive Officer (except in the case of his own compensation which is determined by the Compensation Committee and the Board of Directors). Except where an existing agreement establishes an executive's salary, the Compensation Committee reviews executive officers' salaries annually at the end of the fiscal year and establishes the base salaries for the upcoming fiscal year. The Company views base salary as a fixed component of executive compensation that compensates the executive officer for the daily responsibilities assumed in keeping the Company operating throughout the year. The base salaries paid to our Named Executive Officers during

2011 are set forth in the "Salary" column of the Summary Compensation table on pages 34-35 of this Proxy Statement. The following table sets forth the base salaries to be paid to our Named Executive Officers during 2012:

Name	2012 Salary
Mr. Mannelly	$530,000
Mr. Lombardi	$370,000
Mr. Connors	$350,000
Mr. Klee	$250,000
Mr. Parkinson	$228,500

Annual Cash Incentive Plan. As part of our executive compensation, we have established an annual cash incentive plan which provides our executive officers with the ability to receive additional cash compensation based on a percentage of base salary and the Company's performance. At the start of a fiscal year, management and the Compensation Committee establish performance measures for the annual cash incentive plan. Following the close of the fiscal year, management assesses the Company's actual performance against certain pre-determined performance targets for net sales and EBITDA on an annual basis and determines the amount, if any, of additional cash compensation earned by the executive officers. In order to be eligible to receive cash incentive compensation, the executive must be employed with the Company at the end of the Company's fiscal year.

The Company views the Annual Cash Incentive Plan as a performance-based component of executive compensation that motivates and incentivizes the executive officers for achieving the short-term goals of the Company and its stockholders.

The following table indicates, for the 2011 Annual Cash Incentive Plan, the 2011 net sales, EBITDA and payout levels approved by the Compensation Committee that correspond to the threshold, target and maximum performance by the Company. In determining the amount of any payment under the 2011 Cash Incentive Plan, net sales performance against the net sales target is weighted 20% and EBITDA performance against the EBITDA target is weighted 80%.

Performance Level (Percent of Plan)	Net Sales	EBITDA	Payout (Percent of Annual Cash Incentive Payment) Amount
Threshold (95%)	$271,700,000	$81,100,000	50%
Target (100%)	$286,000,000	$85,400,000	100%
Maximum (105%)	$300,300,000	$89,700,000	200%

Our 2011 net sales and EBITDA were $297,800,000 and $94,700,000, respectively. Pursuant to the 2011 Annual Cash Incentive Plan, our Named Executive Officers received a bonus payout in an amount equal to 197% of their target bonus, subject to certain percentage increases or decreases based on individual performance reviews. The 2011 Annual Cash Incentive Plan payouts to our Named Executive Officers are set forth in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation table on pages 34-35 of this Proxy Statement.

Performance Matrix for 2012. For the 2012 Annual Cash Incentive Plan, we have developed a performance matrix in which the threshold payout is 50% of target bonus, the target amount is 100% of the target bonus and the maximum payout is 200% of target bonus. Furthermore, the performance goals established under the 2012 Annual Cash Incentive Plan are exclusive of any acquisitions or divestitures that the Company may make during such time period. As a result, in the event the Company consummates an acquisition or a divestiture in 2012, the Compensation Committee has the discretion to modify the performance goals after considering the effect of such acquisition or divestiture on the expected financial performance of the Company.

Equity Awards. Executive officers of the Company are eligible to receive equity awards under our 2005 Long-Term Equity Incentive Plan. Awards under the 2005 Long-Term Equity Incentive Plan help relate a significant portion of an executive officer's long-term compensation directly to stock price appreciation realized by all of our stockholders and aligns an executive officer's interests with those of our stockholders. Under the 2005 Long-Term Equity Incentive Plan, our executive officers have received restricted common stock, restricted stock units and stock options. Equity grants consisting of restricted stock and stock options were made to certain executive officers and additional employees on May 30, 2008 and May 10, 2011. Equity grants consisting of restricted stock units and stock options were made to the Company's executive officers and a limited number of other employees on April 8, 2010.

On May 30, 2011, the grants of performance-based restricted common stock made on May 30, 2008 to certain executive officers and additional employees of the Company partially vested based on the Company's performance in 2009, 2010 and 2011 and the applicable performance matrixes for such years.

The following table indicates, for the third tranche of the performance-based restricted common stock granted on May 30, 2008, the 2011 net sales, EBITDA and payout levels approved by the Compensation Committee that correspond to the threshold, target and maximum performance by the Company.

Performance Level (Percent of Plan)	Net Sales	EBITDA	Payout (Percent of Common Stock Eligible to be Earned) Amount
Threshold (90%)	$271,700,000	$81,100,000	75%
Target (100%)	$286,000,000	$85,400,000	100%
Maximum (105%)	$300,300,000	$89,700,000	150%

Our 2011 net sales and EBITDA were $297,800,000 and $94,700,000, respectively. Pursuant to the performance matrix for 2011, the recipients of the May 30, 2008 performance-based restricted common stock award earned an equity payout in an amount equal to 148% of the numbers of shares of restricted common stock eligible to be earned based on the Company's performance in 2011. Based on the Company's performance in 2009, 2010 and 2011, the performance-based restricted common stock granted on May 30, 2008 vested on May 30, 2011 at 91% of the initial stock grant amount for each individual grantee remaining as an employee on May 30, 2011.

The number of shares received by our Named Executive Officers on May 30, 2011, pursuant to the May 30, 2008 grant of performance-based restricted common stock based on our performance in 2009, 2010 and 2011 and the applicable performance matrixes, is set forth below.

Named Executive Officer	Number of Shares Earned in 2009	Auction rate securities	$		$		$	5,761	$	5,761
Total		$		$		$	5,761	$	5,761	
Total		$	161,600	$	361,267	$	5,761	$	528,628	

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)		Fair Value Measurements at December 29, 2018 Using Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total	
Assets:								
Cash equivalents:								
Money market funds	$	74,990	$		$		$	74,990
Corporate debt securities				18,820				18,820
Government debt securities		9,338						9,338
Total cash equivalents	$	84,328	$	18,820	$		$	103,148
Short-term investments:								
Government debt securities	$	48,141	$	99,211	$		$	147,352
Corporate debt securities				269,427				269,427
Total short-term investments	$	48,141	$	368,638	$		$	416,779
Other assets, net:								
Auction rate securities	$		$		$	5,759	$	5,759
Total	$		$		$	5,759	$	5,759
Total	$	132,469	$	387,458	$	5,759	$	525,686

Valuation methodology

The Company s cash equivalents and short-term investments that are classified as Level 2 are valued using non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments in active markets; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. Investments classified as Level 3 are valued using a discounted cash flow model. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, amount of cash flows, expected holding periods of the securities and a discount to reflect the Company s inability to liquidate the securities. The Company s derivative instruments are valued using discounted cash flow models. The assumptions used in preparing the valuation models include foreign exchange rates, forward and spot prices for currencies, and market observable data of similar instruments.

Available-for-sale investments

The Company s investments are reported at fair value, with unrealized gains and losses, net of tax, recorded as a component of accumulated other comprehensive loss in the Consolidated Balance Sheet. The following summarizes the contractual underlying maturities of the Company s available-for-sale investments at March 30, 2019 (in thousands):

	Cost	Fair Value
Due in one year or less	$ 363,143	$ 362,990
Due after one year through ten years	159,416	159,877
Due after ten years	6,000	5,761
	$ 528,559	$ 528,628

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

The available-for-sale investments that were in a continuous unrealized loss position, aggregated by length of time that individual securities have been in a continuous loss position, were as follows (in thousands):

	Less Than 12 Months		12 Months or Greater		Total	
As of March 30, 2019	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Government debt securities	$ 11,437	$ (3)	$ 72,515	$ (325)	$ 83,952	$ (328)
Corporate debt securities	31,053	(33)	43,724	(179)	74,777	(212)
Auction rate securities			5,761	(239)	5,761	(239)
	$ 42,490	$ (36)	$ 122,000	$ (743)	$ 164,490	$ (779)

	Less Than 12 Months		12 Months or Greater		Total	
As of December 29, 2018	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Government debt securities	$ 13,278	$ (10)	$ 88,696	$ (583)	$ 101,974	$ (593)
Corporate debt securities	112,699	(273)	76,310	(448)	189,009	(721)
Auction rate securities			5,759	(241)	5,759	(241)
	$ 125,977	$ (283)	$ 170,765	$ (1,272)	$ 296,742	$ (1,555)

The gross unrealized losses as of March 30, 2019 and December 29, 2018 were due primarily to changes in market interest rates and the illiquidity of the Company s auction-rate securities. The Company s auction-rate securities have been illiquid since 2008 when auctions for the securities failed because sell orders exceeded buy orders. These securities have a contractual maturity date of 2046. The Company is unable to predict if these funds will become available before their maturity date.

The Company considers the declines in market value of its marketable securities investment portfolio to be temporary in nature. When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the severity and duration of the impairment, changes in underlying credit ratings, forecasted recovery, the Company s intent to sell or the likelihood that it would be required to sell the investment before its anticipated recovery in market value and the probability that the scheduled cash payments will continue to be made. As of March 30, 2019, the Company has determined that no other-than-temporary impairment losses existed.

At March 30, 2019 and December 29, 2018, there were no material unrealized gains associated with the Company s available-for-sale investments.

Level 3 fair value measurements

The following summarizes quantitative information about Level 3 fair value measurements.

Auction rate securities

Fair Value at March 30, 2019 (000s)		Valuation Technique	Unobservable Input	Weighted Average
$	5,761	Discounted cash flow	Estimated yield	3.42%
			Expected holding period	10 years
			Estimated discount rate	3.43%

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

The Company has followed an established internal control procedure used in valuing auction rate securities. The procedure involves the analysis of valuation techniques and evaluation of unobservable inputs commonly used by market participants to price similar instruments, and which have been demonstrated to provide reasonable estimates of prices obtained in actual market transactions. Outputs from the valuation process are assessed against various market sources when they are available, including marketplace quotes, recent trades of similar illiquid securities, benchmark indices and independent pricing services. The technique and unobservable input parameters may be recalibrated periodically to achieve an appropriate estimation of the fair value of the securities.

Significant changes in any of the unobservable inputs used in the fair value measurement of auction rate securities in isolation could result in a significantly lower or higher fair value measurement. An increase in expected yield would result in a higher fair value measurement, whereas an increase in expected holding period or estimated discount rate would result in a lower fair value measurement. Generally, a change in the assumptions used for expected holding period is accompanied by a directionally similar change in the assumptions used for estimated yield and discount rate.

The following summarizes the activity in Level 3 financial instruments for the three months ended March 30, 2019 (in thousands):

Assets

Auction Rate Securities		**Three Months Ended**
Beginning balance	$	5,759
Gain included in other comprehensive income (loss)		2
Balance at March 30, 2019	$	5,761

Fair values of other financial instruments

The Company s debt is recorded at cost, but is measured at fair value for disclosure purposes. The fair value of the Company s convertible senior notes is determined using observable market prices. The notes are traded in less active markets and are therefore classified as a Level 2 fair value measurement. As of March 30, 2019 and December 29, 2018, the fair value of the convertible senior notes was $433.8 million and $419.0 million, respectively.

The Company s other financial instruments, including cash, accounts receivable and accounts payable, are recorded at amounts that approximate their fair values due to their short maturities.

4. Derivative Financial Instruments

The Company uses derivative financial instruments to manage certain exposures to the variability of foreign currency exchange rates. The Company s objective is to offset increases and decreases in expenses resulting from these exposures with gains and losses on the derivative contracts, thereby reducing volatility of earnings. The Company does not use derivative contracts for speculative or trading purposes. The Company recognizes derivatives, on a gross basis, in the Consolidated Balance Sheet at fair value. Cash flows from derivatives are classified according to the nature of the cash receipt or payment in the Consolidated Statement of Cash Flows.

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

Cash Flow Hedges

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts to reduce the earnings impact that exchange rate fluctuations have on operating expenses denominated in currencies other than the U.S. dollar. Changes in the fair value of the contracts are recorded in accumulated other comprehensive loss in the Consolidated Balance Sheet and subsequently reclassified into earnings in the period during which the hedged transaction is recognized. The reclassified amount is reported in the same financial statement line item as the hedged item. If the foreign currency forward contracts are terminated or can no longer qualify as hedging instruments prior to maturity, the fair value of the contracts recorded in accumulated other comprehensive loss may be recognized in the Consolidated Statement of Income based on an assessment of the contracts at the time of termination.

The Company has entered into foreign currency forward contracts for a portion of its forecasted operating expenses denominated in the Norwegian Krone. As of March 30, 2019, the contracts had maturities of one to twelve months and an aggregate notional value of $8.9 million. Losses expected to be reclassified into earnings in the next 12 months were not material. The fair value of the contracts, contract losses recognized in other comprehensive income (loss) and amounts reclassified from accumulated other comprehensive loss into earnings were not material for any of the periods presented.

Non-designated Hedges

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts to reduce the earnings impact that exchange rate fluctuations have on non-U.S. dollar balance sheet exposures. The Company recognizes gains and losses on the foreign currency forward contracts in interest income and other, net in the Consolidated Statement of Income in the same period as the remeasurement loss and gain of the related foreign currency denominated asset or liability. The Company does not apply hedge accounting to these foreign currency forward contracts.

As of March 30, 2019, the Company held one foreign currency forward contract denominated in Singapore Dollars with a notional value of $6.6 million. The fair value of the contract and contract losses recognized in income were not material for any of the periods presented.

5. Balance Sheet Details

The following shows the details of selected Condensed Consolidated Balance Sheet items (in thousands):

Inventories

	March 30, 2019	December 29, 2018
Work in progress	$ 46,996	$ 50,983
Finished goods	23,493	23,989
	$ 70,489	$ 74,972

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

6. Debt

1.375% Convertible Senior Notes

On March 6, 2017, the Company completed a private offering of $400 million principal amount convertible senior notes (the Notes). The Notes bear interest semi-annually at a rate of 1.375% per year and will mature on March 1, 2022, unless repurchased, redeemed or converted at an earlier date. The Company used $72.5 million of the proceeds to pay off the then remaining balance under its credit agreement.

The Notes are convertible at an initial conversion rate of 10.7744 shares of common stock per $1,000 principal amount of the Notes, or approximately 4.3 million shares of common stock, which is equivalent to a conversion price of approximately $92.81 per share. The conversion rate is subject to adjustment under certain circumstances. Holders may convert the Notes under the following circumstances: during any calendar quarter after the calendar quarter ended on June 30, 2017 if the closing price of the Company s common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the conversion price of the Notes; during the five business day period after any ten consecutive trading day period (the measurement period) in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the closing sale price of our common stock and the conversion rate on each such trading day; if specified distributions or corporate events occur; if the Notes are called for redemption; or at any time after December 1, 2021. The Company may redeem all or any portion of the Notes, at its option, on or after March 6, 2020, if the last reported sale price of the Company s common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period. Upon conversion, the Notes may be settled in cash, shares of the Company s common stock or a combination of cash and shares, at the Company s election.

The principal balance of the Notes was separated into liability and equity components, and was recorded initially at fair value. The excess of the principal amount of the liability component over its carrying amount represents the debt discount, which is amortized to interest expense over the term of the Notes using the effective interest method. The carrying amount of the liability component was estimated by discounting the contractual cash flows of similar non-convertible debt at an appropriate market rate at the date of issuance.

The Company incurred debt issuance costs of approximately $10.6 million, which was allocated to the liability and equity components in proportion to the allocation of the proceeds. The costs allocated to the liability component are being amortized as interest expense over the term of the Notes using the effective interest method.

The carrying amount of the Notes consisted of the following (in thousands):

	March 30, 2019	December 29, 2018
Liability component		
Principal	$ 400,000	$ 400,000
Unamortized debt discount	(36,412)	(39,298)
Unamortized debt issuance costs	(5,495)	(5,931)
Net carrying amount	$ 358,093	$ 354,771
Equity component		
Net carrying amount	$ 57,735	$ 57,735

The liability component of the Notes is recorded in convertible debt on the Consolidated Balance Sheet. The equity component of the Notes is recorded in additional paid-in capital. The effective interest rate for the liability component was 4.75%. As of March 30, 2019, the remaining period over which the debt discount and debt issuance costs will be amortized was 2.9 years.

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

Interest expense related to the Notes was comprised of the following (in thousands):

	Three Months Ended	
	March 30, 2019	March 31, 2018
Contractual interest expense	$ 1,390	$ 1,390
Amortization of debt discount	2,886	2,753
Amortization of debt issuance costs	435	416
	$ 4,711	$ 4,559

Credit Facility

In connection with the Company s offering of the Notes, it and certain of its domestic subsidiaries (the Guarantors) amended its existing credit agreement and paid off the then remaining balance of $72.5 million. The amended agreement (the Credit Facility) consists of a $300 million revolving credit facility with a maturity date of July 24, 2020. The Credit Facility includes a $25 million letter of credit sublimit and a $10 million swingline loan sublimit. The Company also has an option to increase the size of the borrowing capacity by up to an aggregate of $200 million in additional commitments, subject to certain conditions.

The revolving credit facility, other than swingline loans, will bear interest at the Eurodollar rate plus an applicable margin or, at the option of the Company, a base rate (defined as the highest of the Wells Fargo prime rate, the Federal Funds rate plus 0.50% and the Eurodollar Base Rate plus 1.00%) plus an applicable margin. Swingline loans accrue interest at the base rate plus the applicable margin for base rate loans. The applicable margins for the Eurodollar rate loans range from 1.25% to 2.00% and for base rate loans range from 0.25% to 1.00%, depending in each case, on the leverage ratio as defined in the Credit Facility.

The Credit Facility contains various conditions, covenants and representations with which the Company must be in compliance in order to borrow funds and to avoid an event of default, including financial covenants that the Company must maintain a leverage ratio (funded debt/EBITDA) of no more than 3.00 to 1 and a minimum fixed charge coverage ratio (EBITDA/interest payments, income taxes and capital expenditures) of no less than 1.25 to 1. As of March 30, 2019, the Company was in compliance with all covenants of the Credit Facility. The Company s obligations under the Credit Facility are guaranteed by the Guarantors and are secured by a security interest in substantially all assets of the Company and the Guarantors.

7. Leases

The Company leases certain facilities under operating lease agreements that expire at various dates through 2027. Some of these arrangements contain renewal options and require the Company to pay taxes, insurance and maintenance costs. Lease costs under operating leases were $1.5 million during the three months ended March 30, 2019.

Supplemental Lease Information

Balance Sheet Information (in thousands)		**March 30, 2019**
Operating lease right-of-use assets	$	19,374
Operating lease liabilities	$	21,096

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

Cash Flow Information (in thousands)		**Three Months Ended March 30, 2019**
Cash paid for operating lease liabilities	$	1,671
Right-of-use assets obtained in exchange for operating lease obligations	$	2,488

Operating Lease Information	**March 30, 2019**
Weighted-average remaining lease term	5.0 years
Weighted-average discount rate	5.22%

The maturities of operating lease liabilities as of March 30, 2019 were as follows (in thousands):

Fiscal Year		
2019	$	4,406
2020		5,531
2021		4,401
2022		3,656
2023		3,022
Thereafter		3,609
Total lease payments		24,625
Less imputed interest		(3,529)
Total lease liabilities	$	21,096

8. Commitments and Contingencies

Legal Proceedings

The Company is involved in various legal proceedings that have arisen in the normal course of business. While the ultimate results cannot be predicted with certainty, the Company does not expect them to have a material adverse effect on its Consolidated Financial Statements.

9. Stockholders   Equity

Common Stock

The Company issued 0.4 million shares of common stock during the three months ended March 30, 2019.

Share Repurchase Program

In October 2018, the Board of Directors increased the authorization amount of the existing share repurchase program from $100 million to $200 million and extended the termination date to December 2019. This program allows for repurchases to be made in the open market or in private transactions, including structured or accelerated transactions, subject to applicable legal requirements and market conditions. The Company repurchased 0.2 million shares of its common stock for $15.0 million during the three months ended March 30, 2019. These shares were retired upon repurchase. The Company did not repurchase any shares of its common stock during the three months ended March 31, 2018.

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

Reclassifications From Accumulated Other Comprehensive Loss

The following table summarizes the effect on net income from reclassifications out of accumulated other comprehensive loss (in thousands):

	Three Months Ended			
Reclassification		**March 30, 2019**		**March 31, 2018**
Losses on available-for-sales securities to:				
Interest income and other, net	$		$	(49)
Losses on cash flow hedges to:				
Operating expenses		(237)		
		(237)		(49)
Income tax expense		50		10
Total reclassifications	$	(187)	$	(39)

10. Revenues

The Company groups its revenues into four categories, based on the markets and applications in which its products may be used. The following disaggregates the Company s revenue by product category (in thousands):

	Three Months Ended			
		March 30, 2019		**March 31, 2018**
Internet of Things	$	106,421	$	103,091
Infrastructure		45,823		49,420
Broadcast		26,265		36,065
Access		9,604		16,808
Revenues	$	188,113	$	205,384

A portion of the Company s sales are made to distributors under agreements allowing certain rights of return and/or price protection related to the final selling price to the end customers. These factors impact the timing and uncertainty of revenues and cash flows. The Company recognized revenue of $11.0 million and $12.7 million during the three months ended March 30, 2019 and March 31, 2018, respectively, from performance obligations that were satisfied in previous reporting periods. The following disaggregates the Company s revenue by sales channel (in thousands):

	Three Months Ended	
	March 30, 2019	March 31, 2018
Distributors	$ 134,129	$ 150,271
Direct customers	53,984	55,113
Revenues	$ 188,113	$ 205,384

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Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

11. Stock-Based Compensation

In fiscal 2009, the stockholders of the Company approved the 2009 Stock Incentive Plan (the 2009 Plan) and the 2009 Employee Stock Purchase Plan (the 2009 Purchase Plan). In fiscal 2017, the stockholders of the Company approved amendments to both the 2009 Plan and the 2009 Purchase Plan. These amendments authorized additional shares of common stock for issuance, to comply with changes in applicable law, improve the Company s corporate governance and to implement other best practices.

Stock-based compensation costs are based on the fair values on the date of grant for stock awards and stock options and on the date of enrollment for the employee stock purchase plans. The fair values of stock awards (such as restricted stock units (RSUs), performance stock units (PSUs) and restricted stock awards (RSAs)) are estimated based on their intrinsic values. The fair values of market stock awards (MSUs) are estimated using a Monte Carlo simulation. The fair values of stock options and employee stock purchase plans are estimated using the Black-Scholes option-pricing model.

The following table presents details of stock-based compensation costs recognized in the Condensed Consolidated Statements of Income (in thousands):

	Three Months Ended	
	March 30, 2019	March 31, 2018
Cost of revenues	$ 318	$ 296
Research and development	6,097	5,769
Selling, general and administrative	6,169	6,127
	12,584	12,192
Income tax benefit	3,320	5,219
	$ 9,264	$ 6,973

The Company had approximately $98.8 million of total unrecognized compensation costs related to granted stock options and awards as of March 30, 2019 that are expected to be recognized over a weighted-average period of approximately 2.3 years. There were no significant stock-based compensation costs capitalized into assets in any of the periods presented.

12. Income Taxes

Provision (benefit) for income taxes includes both domestic and foreign income taxes at the applicable tax rates adjusted for non-deductible expenses, research and development tax credits and other permanent differences. Income tax expense (benefit) was $(2.5) million and $(4.4) million for the three months ended March 30, 2019 and March 31, 2018, resulting in effective tax rates of (85.0)% and (19.8)%, respectively. The effective tax rate for the three months ended March 30, 2019 decreased from the prior period primarily due to a change in the proportion of excess tax benefits from stock-based compensation relative to pre-tax book income. The tax benefit in both periods is the result of the windfall benefit on share-based instruments and the Federal research and development tax credit exceeding the Company s tax provision.

On July 27, 2015, the U.S. Tax Court issued an opinion in Altera Corp. v. Commissioner which concluded that related parties in an intercompany cost-sharing arrangement are not required to share costs related to stock-based compensation. In February 2016, the U.S. Internal Revenue Service appealed the decision to the U.S Court of Appeals for the Ninth Circuit (the Ninth Circuit). The Ninth Circuit reversed the 2015 decision of the U.S. Tax Court on July 24, 2018 but on August 7, 2018, withdrew its decision to allow time for a reconstituted panel to confer on the appeal. On October 16, 2018, a rehearing was held; however the Ninth Circuit has not yet issued its final decision. Although the U.S. Treasury has not withdrawn the requirement to include stock-based compensation from its regulations, based on the facts and circumstances of the Tax Court Case, the Company continues to reflect a tax benefit in its financial statements based on the expectation that the Tax Court decision will be upheld on appeal. The Company will continue to monitor ongoing developments and potential impacts to its financial statements.

Silicon Laboratories Inc.

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

Uncertain Tax Positions

As of March 30, 2019, the Company had gross unrecognized tax benefits, inclusive of interest, of $2.1 million which $2.1 million would affect the effective tax rate if recognized. During the three months ended March 30, 2019, the Company released $0.3 million of unrecognized tax benefits.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. These amounts were not material for any of the periods presented.

The Norwegian Tax Administration (NTA) has completed its examination of the Company s Norwegian subsidiary for income tax matters relating to fiscal years 2013, 2014, 2015 and 2016. The Company received a final assessment from the NTA in December 2017 concerning an adjustment to its 2013 taxable income related to the pricing of an intercompany transaction. The Company is currently appealing the assessment. The revised adjustment to the pricing of the intercompany transaction results in approximately $16.4 million additional Norwegian income tax. The Company disagrees with the NTA s assessment and believes the Company s position on this matter is more likely than not to be sustained. The Company plans to exhaust all available administrative remedies, and if unable to resolve this matter through administrative remedies with the NTA, the Company plans to pursue judicial remedies.

The Company believes that it has accrued adequate reserves related to all matters contained in tax periods open to examination. Should the Company experience an unfavorable outcome in the NTA matter, however, such an outcome could have a material impact on its financial statements.

Tax years 2015 through 2019 remain open to examination by the major taxing jurisdictions in which the Company operates. The Company is not currently under audit in any major taxing jurisdiction.

The Company does not believe gross unrecognized tax benefits will decrease in the next 12 months.

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Condensed Consolidated Financial Statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements. Please see the Cautionary Statement above and Risk Factors below for discussions of the uncertainties, risks and assumptions associated with these statements. Our fiscal year-end financial reporting periods are a 52- or 53-week fiscal year that ends on the Saturday closest to December 31. Fiscal 2019 will have 52 weeks and fiscal 2018 had 52 weeks. Our first quarter of fiscal 2019 ended March 30, 2019. Our first quarter of fiscal 2018 ended March 31, 2018.

Overview

We are a leading provider of silicon, software and solutions for a smarter, more connected world. Our award-winning technologies are shaping the future of the Internet of Things (IoT), Internet infrastructure, industrial automation, consumer and automotive markets. Our world-class engineering team creates products focused on performance, energy savings, connectivity and simplicity. Our primary semiconductor products are mixed-signal integrated circuits (ICs), which are electronic components that convert real-world analog signals, such as sound and radio waves, into digital signals that electronic products can process.

As a fabless semiconductor company, we rely on third-party semiconductor fabricators in Asia, and to a lesser extent the United States and Europe, to manufacture the silicon wafers that reflect our IC designs. Each wafer contains numerous die, which are cut from the wafer to create a chip for an IC. We rely on third parties in Asia to assemble, package, and, in most cases, test these devices and ship these units to our customers. Testing performed by such third parties facilitates faster delivery of products to our customers (particularly those located in Asia), shorter production cycle times, lower inventory requirements, lower costs and increased flexibility of test capacity.

Our expertise in analog-intensive, high-performance, mixed-signal ICs and software enables us to develop highly differentiated solutions that address multiple markets. We group our products into the following categories:

- Internet of Things products, which include our microcontroller (MCU), wireless and sensor products;
- Broadcast products, which include our broadcast consumer and automotive products;
- Infrastructure products, which include our timing products (clocks and oscillators), and isolation devices; and
- Access products, which include our Voice over IP (VoIP) products, embedded modems and Power over Ethernet (PoE) devices.

The sales cycle for our ICs can be as long as 12 months or more. An additional three to six months or more are usually required before a customer ships a significant volume of devices that incorporate our ICs. Due to this lengthy sales cycle, we typically experience a significant delay between incurring research and development and selling, general and administrative expenses, and the corresponding sales. Consequently, if sales in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and, potentially, future quarters would be adversely affected. Moreover, the amount of time between initial research and development and commercialization of a product, if ever, can be substantially longer than the sales cycle for the product. Accordingly, if we incur substantial research and development costs without developing a commercially successful product, our operating results, as well as our growth prospects, could be adversely affected.

Because many of our ICs are designed for use in consumer products such as televisions, set-top boxes, radios and wearables, we expect that the demand for our products will be typically subject to some degree of seasonal demand. However, rapid changes in our markets and across our product areas make it difficult for us to accurately estimate the impact of seasonal factors on our business.

Current Period Highlights

Revenues decreased $17.3 million in the recent quarter compared to the first quarter of fiscal 2018, primarily due to decreased revenues from our Broadcast, Access and Infrastructure products offset by increased revenues from our IoT products. Gross profit decreased $8.3 million during the same period due primarily to decreased product sales. Gross margin increased to 61.6% in the recent quarter compared to 60.5% in the first quarter of fiscal 2018 primarily due to variations in product mix. Operating expenses increased by $10.3 million in the recent quarter compared to the first quarter of fiscal 2018 due primarily to increased personnel-related expenses, amortization of intangible assets and product marketing costs. Operating income in the recent quarter was $5.1 million compared to $23.7 million in the first quarter of fiscal 2018.

We ended the first quarter with $613.9 million in cash, cash equivalents and short-term investments. Net cash provided by operating activities was $32.0 million during the recent three-month period. Accounts receivable was $69.9 million at March 30, 2019, representing 33 days sales outstanding (DSO). Inventory was $70.5 million at March 30, 2019, representing 88 days of inventory (DOI). In the first three months of 2019, we repurchased 0.2 million shares of our common stock for $15.0 million. We adopted ASC 842, *Leases*, on the first day of fiscal 2019. In connection with the adoption, we have recorded $19.4 million of right-of-use assets and $21.1 million of operating lease liabilities as of March 30, 2019.

Through acquisitions and internal development efforts, we have continued to diversify our product portfolio and introduce new products and solutions with added functionality and further integration. In the first three months of fiscal 2019, we introduced isolation products designed to provide precise current and voltage measurement with very low temperature drift; new Bluetooth® software for our Wireless Gecko portfolio that increases location services accuracy; and Wi-Fi® modules and transceivers that cut power consumption for IoT applications. We plan to continue to introduce products that increase the content we provide for existing applications, thereby enabling us to serve markets we do not currently address and expand our total available market opportunity.

During the three months ended March 30, 2019, we had no customer that represented more than 10% of our revenues. In addition to direct sales to customers, some of our end customers purchase products indirectly from us through distributors and contract manufacturers. An end customer purchasing through a contract manufacturer typically instructs such contract manufacturer to obtain our products and incorporate such products with other components for sale by such contract manufacturer to the end customer. Although we actually sell the products to, and are paid by, the distributors and contract manufacturers, we refer to such end customer as our customer. Two of our distributors who sell to our customers, Arrow Electronics and Edom Technology, each represented more than 10% of our revenues during the three months ended March 30, 2019. There were no contract manufacturers that accounted for more than 10% of our revenues during the three months ended March 30, 2019.

The percentage of our revenues derived from outside of the United States was 83% during the three months ended March 30, 2019. All of our revenues to date have been denominated in U.S. dollars. We believe that a majority of our revenues will continue to be derived from customers outside of the United States.

Results of Operations

The following describes the line items set forth in our Condensed Consolidated Statements of Income:

Revenues. Revenues are generated predominately by sales of our products. Our revenues are subject to variation from period to period due to the volume of shipments made within a period, the mix of products we sell and the prices we charge for our products.

Cost of Revenues. Cost of revenues includes the cost of purchasing finished silicon wafers processed by independent foundries; costs associated with assembly, test and shipping of those products; costs of personnel and equipment associated with manufacturing support, logistics and quality assurance; costs of software royalties, other intellectual property license costs and certain acquired intangible assets; and an allocated portion of our occupancy costs. Our gross margin fluctuates depending on product mix, manufacturing yields, inventory valuation adjustments, average selling prices and other factors.

Research and Development. Research and development expense consists primarily of personnel-related expenses, including stock-based compensation, as well as new product masks, external consulting and services costs, equipment tooling, equipment depreciation, amortization of intangible assets, and an allocated portion of our 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.

Selling, General and Administrative. Selling, general and administrative expense consists primarily of personnel-related expenses, including stock-based compensation, as well as an allocated portion of our occupancy costs, sales commissions to independent sales representatives, applications engineering support, professional fees, legal fees and promotional and marketing expenses.

Interest Income and Other, Net. Interest income and other, net reflects interest earned on our cash, cash equivalents and investment balances, foreign currency remeasurement adjustments and other non-operating income and expenses.

Interest Expense. Interest expense consists of interest on our short and long-term obligations, including our convertible senior notes and credit facility. Interest expense on our convertible senior notes includes contractual interest, amortization of the debt discount and amortization of debt issuance costs.

Provision (Benefit) for Income Taxes. Provision (benefit) for income taxes includes both domestic and foreign income taxes at the applicable tax rates adjusted for non-deductible expenses, research and development tax credits and other permanent differences.

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The following table sets forth our Condensed Consolidated Statements of Income data as a percentage of revenues for the periods indicated:

	Three Months Ended	
	March 30, 2019	March 31, 2018
Revenues	100.0%	100.0%
Cost of revenues	38.4	39.5
Gross margin	61.6	60.5
Operating expenses:		
Research and development	32.7	26.7
Selling, general and administrative	26.2	22.3
Operating expenses	58.9	49.0
Operating income	2.7	11.5
Other income (expense):		
Interest income and other, net	1.5	1.6
Interest expense	(2.6)	(2.4)
Income before income taxes	1.6	10.7
Provision (benefit) for income taxes	(1.3)	(2.1)
Net income	2.9%	12.8%

Revenues

	Three Months Ended			
(in millions)	March 30, 2019	March 31, 2018	Change	% Change
Internet of Things	$ 106.4	$ 103.1	$ 3.3	3.2%
Infrastructure	45.8	49.4	(3.6)	(7.3)%
Broadcast	26.3	36.1	(9.8)	(27.2)%
Access	9.6	16.8	(7.2)	(42.9)%
Revenues	$ 188.1	$ 205.4	$ (17.3)	(8.4)%

The change in revenues in the recent three month period was due primarily to:

- Increased revenues of $3.3 million for our IoT products, due primarily to the addition of revenues from an acquisition offset by decreased demand for our MCU products.
- Decreased revenues of $3.6 million for our Infrastructure products, due primarily to decreased demand for our isolation and timing products.
- Decreased revenues of $9.8 million for Broadcast products, due primarily to decreases in the demand and the market for our consumer products and decreased demand for our automotive products.

- Decreased revenues of $7.2 million for our Access products, due primarily to decreased demand for our products and decreases in the market for such products.

Unit volumes of our products decreased by 16.7% and average selling prices increased by 9.6% compared to the three months ended March 31, 2018. The average selling prices of our products may fluctuate significantly from period to period due to changes in product mix and other factors. In general, as our products become more mature, we expect to experience decreases in average selling prices. We anticipate that newly announced, higher priced, next generation products and product derivatives will offset some of these decreases.

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Gross Profit

	Three Months Ended		
(in millions)	March 30, 2019	March 31, 2018	Change
Gross profit	$ 115.9	$ 124.2	$ (8.3)
Gross margin	61.6%	60.5%	1.1%

Gross profit decreased during the recent period due primarily to decreased product sales. The change in gross profit in the recent three month period was due to decreases in gross profit of $5.4 million for our Broadcast products, $4.8 million for our Infrastructure products and $3.6 million for our Access products, offset by an increase in gross profit of $5.5 million for our Internet of Things products. Gross margin increased primarily due to variations in product mix.

We may experience declines in the average selling prices of certain of our products. This creates downward pressure on gross margin and may be offset to the extent we are able to introduce higher margin new products and gain market share with our products; reduce costs of existing products through improved design; achieve lower production costs from our wafer suppliers and third-party assembly and test subcontractors; achieve lower production costs per unit as a result of improved yields throughout the manufacturing process; or reduce logistics costs.

Research and Development

	Three Months Ended			
(in millions)	March 30, 2019	March 31, 2018	Change	% Change
Research and development	$ 61.6	$ 54.8	$ 6.8	12.3%
Percent of revenue	32.7%	26.7%		

The increase in research and development expense in the recent three month period was primarily due to increases of $2.9 million for the amortization of intangible assets, $2.1 million for personnel-related expenses, including costs associated with increased headcount and an acquisition, and $0.7 million for occupancy costs. We expect that research and development expense will increase in absolute dollars in the second quarter of fiscal 2019.

Selling, General and Administrative

	Three Months Ended			
(in millions)	March 30, 2019	March 31, 2018	Change	% Change
Selling, general and administrative	$ 49.2	$ 45.7	$ 3.5	7.7%
Percent of revenue	26.2%	22.3%		

The increase in selling, general and administrative expense in the recent three month period was primarily due to an increase of $1.9 million for personnel-related expenses, including costs associated with increased headcount and an acquisition, $1.0 million for the amortization of intangible assets and $0.7 million for product marketing costs. We expect that selling, general and administrative expense will remain relatively stable in absolute dollars in the second quarter of fiscal 2019.

Interest Income and Other, Net

Interest income and other, net for the three months ended March 30, 2019 was $2.8 million compared to $3.2 million for the three months ended March 31, 2018.

Interest Expense

Interest expense for the three months ended March 30, 2019 was relatively flat at $5.0 million compared to $4.9 million for the three months ended March 31, 2018.

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Provision (Benefit) for Income Taxes

	Three Months Ended		
(in millions)	March 30, 2019	March 31, 2018	Change
Provision (benefit) for income taxes	$ (2.5)	$ (4.4)	$ 1.9
Effective tax rate	(85.0)%	(19.8)%	

The effective tax rate for the three months ended March 30, 2019 decreased from the prior period primarily due to a change in the proportion of excess tax benefits from stock-based compensation relative to pre-tax book income. The tax benefit in both periods is the result of the windfall benefit on share-based instruments and the Federal research and development tax credit exceeding our tax provision.

The effective tax rates for each of the periods presented differ from the U.S. federal statutory tax rates of 21% due to the amount of income earned in foreign jurisdictions where the tax rate may be higher or lower than the federal statutory tax rate, as well as other permanent items including research and development tax credits, and the tax effects of stock-based compensation.

Business Outlook

The following represents our business outlook for the second quarter of fiscal 2019.

Income Statement Item	Estimate
Revenues	$202 million to $212 million
Gross margin	60.0%
Operating expenses	$112.5 million
Effective tax rate	5.0%
Diluted earnings per share	$0.16 to $0.26

Liquidity and Capital Resources

Our principal sources of liquidity as of March 30, 2019 consisted of $613.9 million in cash, cash equivalents and short-term investments, of which approximately $489.5 million was held by our U.S. entities. The remaining balance was held by our foreign subsidiaries. Our cash equivalents and short-term investments consisted of government debt securities, which include agency bonds, municipal bonds, U.S. government securities and variable-rate demand notes; corporate debt securities, which include asset-backed securities, corporate bonds and commercial paper; and money market funds. Our long-term investments consisted of auction-rate securities.

Operating Activities

Net cash provided by operating activities was $32.0 million during the three months ended March 30, 2019, compared to net cash provided of $22.2 million during the three months ended March 31, 2018. Operating cash flows during the three months ended March 30, 2019 reflect our net income of $5.4 million, adjustments of $26.8 million for depreciation, amortization, stock-based compensation and deferred income taxes, and a net cash outflow of $0.2 million due to changes in our operating assets and liabilities.

Accounts receivable decreased to $69.9 million at March 30, 2019 from $73.2 million at December 29, 2018. The decrease in accounts receivable resulted primarily from normal variations in the timing of collections and billings. Our average DSO was 33 days at March 30, 2019 and 31 days at December 29, 2018.

Inventory decreased to $70.5 million at March 30, 2019 from $75.0 million at December 29, 2018. Our inventory level is primarily impacted by our need to make purchase commitments to support forecasted demand and variations between forecasted and actual demand. Our DOI was 88 days at March 30, 2019 and 79 days at December 29, 2018.

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Investing Activities

Net cash provided by investing activities was $31.2 million during the three months ended March 30, 2019, compared to net cash provided of $67.4 million during the three months ended March 31, 2018. The decrease in cash inflows was principally due to a decrease of $40.7 million in net sales and maturities of marketable securities.

We anticipate capital expenditures of approximately $18 to $20 million for fiscal 2019. Additionally, as part of our growth strategy, we expect to evaluate opportunities to invest in or acquire other businesses, intellectual property or technologies that would complement or expand our current offerings, expand the breadth of our markets or enhance our technical capabilities.

Financing Activities

Net cash used in financing activities was $29.1 million during the three months ended March 30, 2019, compared to net cash used of $16.7 million during the three months ended March 31, 2018. The increase in cash outflows was principally due to an increase of $15.0 million for repurchases of our common stock. In October 2018, the Board of Directors increased the authorization amount of the existing share repurchase program from $100 million to $200 million and extended the termination date to December 2019.

Our debt facilities include $400 million principal amount convertible senior notes (the Notes) and a $300 million revolving credit facility. On March 6, 2017, we completed a private offering of the Notes. The Notes bear interest semi-annually at a rate of 1.375% per year and will mature on March 1, 2022, unless repurchased, redeemed or converted at an earlier date. In connection with our offering of the Notes, we entered into an amendment to our credit agreement and paid off the then remaining balance of $72.5 million. We have an option to increase the size of the borrowing capacity of the revolving credit facility by up to an aggregate of $200 million in additional commitments, subject to certain conditions. See Note 6, *Debt*, to the Condensed Consolidated Financial Statements for additional information.

Our future capital requirements will depend on many factors, including the rate of sales growth, market acceptance of our products, the timing and extent of research and development projects, potential acquisitions of companies or technologies and the expansion of our sales and marketing activities. We believe our existing cash, cash equivalents, investments and credit under our Credit Facility are sufficient to meet our capital requirements through at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time. We may enter into acquisitions or strategic arrangements in the future which also could require us to seek additional equity or debt financing.

Critical Accounting Policies and Estimates

The preparation of financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles requires that we make estimates and assumptions that affect the amounts reported. Changes in facts and circumstances could have a significant impact on the resulting estimated amounts included in the financial statements. We believe the following critical accounting policies affect our more complex judgments and estimates.

Inventory valuation We assess the recoverability of inventories through the application of a set of methods, assumptions and estimates. In determining net realizable value, we write down inventory that may be slow moving or have some form of obsolescence, including inventory that has aged more than 12 months. We also adjust the valuation of inventory when its manufacturing cost exceeds the estimated selling price less costs of completion, disposal and transportation. We assess the potential for any unusual customer returns based on known quality or business issues and write-off inventory losses for scrap or non-saleable material. Inventory not otherwise identified to be written down is compared to an assessment of our 12-month forecasted demand. The result of this methodology is compared against the product life cycle and competitive situations in the marketplace to determine the appropriateness of the resulting inventory levels. Demand for our products may fluctuate significantly over time, and actual demand and market conditions may be more or less favorable than those that we project. In the event that actual demand is lower or market conditions are worse than originally projected, additional inventory write-downs may be required.

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Impairment of goodwill and other long-lived assets We review long-lived assets which are held and used, including fixed assets and purchased intangible assets, for impairment whenever changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such evaluations compare the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset over its expected useful life and are significantly impacted by estimates of future prices and volumes for our products, capital needs, economic trends and other factors which are inherently difficult to forecast. If the asset is considered to be impaired, we record an impairment charge equal to the amount by which the carrying value of the asset exceeds its fair value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique.

We test our goodwill for impairment annually as of the first day of our fourth fiscal quarter and in interim periods if certain events occur indicating that the carrying value of goodwill may be impaired. The goodwill impairment test is a two-step process. The first step of the impairment analysis compares our fair value to our net book value. In determining fair value, the accounting guidance allows for the use of several valuation methodologies, although it states quoted market prices are the best evidence of fair value. If the fair value is less than the net book value, the second step of the analysis compares the implied fair value of our goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, we recognize an impairment loss equal to that excess amount.

Acquired intangible assets When we acquire a business, a portion of the purchase price is typically allocated to identifiable intangible assets, such as acquired technology and customer relationships. Fair value of these assets is determined primarily using the income approach, which requires us to project future cash flows and apply an appropriate discount rate. We amortize intangible assets with finite lives over their expected useful lives. Our estimates are based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Incorrect estimates could result in future impairment charges, and those charges could be material to our results of operations.

Revenue recognition We recognize revenue when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. In order to achieve this core principle, we apply a five-step process. As part of this process, we analyze the performance obligations in a customer contract and estimate the consideration we expect to receive. The evaluation of performance obligations requires that we identify the promised goods and services in the contract. For contracts that contain more than one promised good and service, we then must determine whether the promises are capable of being distinct and if they are separately identifiable from other promises in the contract. Additionally, for our sales to distributors, we must estimate the impact that price adjustments and rights of return will have on consideration. We make these estimates based on available information, including recent sales activity and pricing data. If our evaluation of performance obligations is incorrect, we may recognize revenue sooner or later than is appropriate. If our estimates of consideration are inaccurate, we may recognize too much or too little revenue in a period.

Stock-based compensation We recognize the fair-value of stock-based compensation transactions in the Consolidated Statements of Income. The fair value of our full-value stock awards (with the exception of market-based performance awards) equals the fair market value of our stock on the date of grant. The fair value of our market-based performance awards is estimated at the date of grant using a Monte-Carlo simulation. The fair value of our stock option and employee stock purchase plan grants is estimated at the date of grant using the Black-Scholes option pricing model. In addition, we are required to estimate the expected forfeiture rate of our stock grants and only recognize the expense for those shares expected to vest. If our actual experience differs significantly from the assumptions used to compute our stock-based compensation cost, or if different assumptions had been used, we may have recorded too much or too little stock-based compensation cost. See Note 11, *Stock-Based Compensation*, to the Condensed Consolidated Financial Statements for additional information.

Income taxes We are required to calculate income taxes in each of the jurisdictions in which we operate. This process involves calculating the actual current tax liability together with assessing temporary differences in recognition of income (loss) for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our Consolidated Balance Sheet. We record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, we are required to estimate the amount of expected future taxable income. Judgment is inherent in this process and differences between the estimated and actual taxable income could result in a material impact on our Consolidated Financial Statements.

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We recognize liabilities for uncertain tax positions based on a two-step process. The first step requires us to determine whether the weight of available evidence indicates that the tax position has met the threshold for recognition. Therefore, we must evaluate whether it is more likely than not that the position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step requires us to measure the tax benefit of the tax position taken, or expected to be taken, in an income tax return as the largest amount that is more than 50% likely of being realized upon ultimate settlement. This measurement step is inherently complex and requires subjective estimations of such amounts to determine the probability of various possible outcomes. We re-evaluate the uncertain tax positions each quarter based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, expirations of statutes of limitation, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

Although we believe the measurement of our liabilities for uncertain tax positions is reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals. If additional taxes are assessed as a result of an audit or litigation, they could have a material effect on our income tax provision and net income in the period or periods for which that determination is made. We operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues which may require an extended period of time to resolve and could result in additional assessments of income tax. We believe adequate provisions for income taxes have been made for all periods.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is provided in Note 1, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements. Such information is incorporated by reference herein.

Quantitative and Qualitative Disclosures about Market Risk

Interest Income

Our investment portfolio includes cash, cash equivalents, short-term investments and long-term investments. Our main investment objectives are the preservation of investment capital and the maximization of after-tax returns on our investment portfolio. Our interest income is sensitive to changes in the general level of U.S. interest rates. A 100 basis point decline in yield on our investment portfolio holdings as of March 30, 2019 would decrease our future annual interest income by approximately $5.6 million. We believe that our investment policy, which defines the duration, concentration, and minimum credit quality of the allowable investments, meets our investment objectives.

Interest Expense

We are exposed to interest rate fluctuations in the normal course of our business, including through our Credit Facility. The interest rate on the Credit Facility consists of a variable-rate of interest and an applicable margin. While we have drawn from the Credit Facility in the past, we have no borrowings as of March 30, 2019. If we borrow from the Credit Facility in the future, we will again be exposed to interest rate fluctuations.

Foreign currency exchange rate risk

We are exposed to foreign currency exchange rate risk primarily through assets, liabilities and operating expenses of our subsidiaries denominated in currencies other than the U.S. dollar. Our foreign subsidiaries are considered to be extensions of the U.S. parent. The functional currency of the foreign subsidiaries is the U.S. dollar. Accordingly, gains and losses resulting from remeasuring transactions denominated in currencies other than U.S. dollars are recorded in the Consolidated Statements of Income. We use foreign currency forward contracts to manage exposure to foreign exchange risk. Gains and losses on foreign currency forward contracts are recognized in earnings in the same period during which the hedged transaction is recognized.

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Investments in Auction-rate Securities

As of March 30, 2019, we held $6.0 million par value auction-rate securities, all of which have experienced failed auctions because sell orders exceeded buy orders. We are unable to predict if these funds will become available before their maturity dates. Additionally, if we determine that an other-than-temporary decline in the fair value of any of our available-for-sale auction-rate securities has occurred, we may be required to adjust the carrying value of the investments through an impairment charge.

Available Information

Our website address is www.silabs.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of our website free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Our website and the information contained therein or connected thereto are not intended to be incorporated into this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information related to quantitative and qualitative disclosures regarding market risk is set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations under Item 2 above. Such information is incorporated by reference herein.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were not effective as of March 30, 2019 because of the material weakness in our internal control over financial reporting described below.

Following the Public Company Accounting Oversight Board s inspection of Ernst & Young LLP s audit of our December 29, 2018 financial statements and internal controls over financial reporting in April 2019, management identified the following material weakness that existed as of December 29, 2018:

We did not maintain sufficient design and operating effectiveness of controls over the accounting for business combinations, primarily the maintenance of sufficient contemporaneous documentation of management review controls over certain assumptions used in the valuation of acquired intangible assets and related recording of goodwill.

A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company s annual or interim consolidated financial statements will not be prevented or detected on a timely basis. This material weakness did not result in a misstatement to the consolidated financial statements for the year ended December 29, 2018.

Notwithstanding the material weakness discussed below, our management, including our CEO and CFO, has concluded that the consolidated financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

We have immediately commenced developing a plan to enhance the design and operating effectiveness of our internal controls over financial reporting, including maintaining sufficient contemporaneous documentation of management review controls over assumptions used in the valuation of acquired intangible assets and related recording of goodwill, which we believe will address the material weakness described above. Our remediation plan will include the implementation of procedures that will require enhanced documentation on the use of assumptions in business combinations and additional training. We expect our remediation will be complete prior to the end of the fourth quarter of fiscal 2019.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended March 30, 2019, we implemented certain internal controls over financial reporting in connection with our adoption of ASC Topic 842, *Leases*. There were no other changes in our internal controls during the fiscal quarter ended March 30, 2019 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

Information regarding legal proceedings is provided in Note 8, *Commitments and Contingencies*, to the Condensed Consolidated Financial Statements. Such information is incorporated by reference herein.

Item 1A. Risk Factors

Risks Related to our Business

We may not be able to maintain our historical growth and may experience significant period-to-period fluctuations in our revenues and operating results, which may result in volatility in our stock price

Although we have generally experienced revenue growth in our history, we may not be able to sustain this growth. We may also experience significant period-to-period fluctuations in our revenues and operating results in the future due to a number of factors, and any such variations may cause our stock price to fluctuate. In some future period our revenues or operating results may be below the expectations of public market analysts or investors. If this occurs, our stock price may drop, perhaps significantly.

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A number of factors, in addition to those cited in other risk factors applicable to our business, may contribute to fluctuations in our revenues and operating results, including:

- The timing and volume of orders received from our customers;
- The timeliness of our new product introductions and the rate at which our new products may cannibalize our older products;
- The rate of acceptance of our products by our customers, including the acceptance of new products we may develop for integration in the products manufactured by such customers, which we refer to as design wins ;
- The time lag and realization rate between design wins and production orders;
- The demand for, and life cycles of, the products incorporating our mixed-signal solutions;
- The rate of adoption of mixed-signal products in the markets we target;
- Deferrals or reductions of customer orders in anticipation of new products or product enhancements from us or our competitors or other providers of mixed-signal ICs;
- Changes in product mix;
- The average selling prices for our products could drop suddenly due to competitive offerings or competitive predatory pricing;
- The average selling prices for our products generally decline over time;

- Changes in market standards;

- Impairment charges related to inventory, equipment or other long-lived assets;

- The software used in our products, including software provided by third parties, may not meet the needs of our customers;

- Our customers may not be able to obtain other components such as capacitors (which are currently in short supply) that they need to incorporate in conjunction with our products, leading to potential downturn in the demand for our products;

- Significant legal costs to defend our intellectual property rights or respond to claims against us; and

- The rate at which new markets emerge for products we are currently developing or for which our design expertise can be utilized to develop products for these new markets.

The markets for consumer electronics, for example, are characterized by rapid fluctuations in demand and seasonality that result in corresponding fluctuations in the demand for our products that are incorporated in such devices. Additionally, the rate of technology acceptance by our customers results in fluctuating demand for our products as customers are reluctant to incorporate a new IC into their products until the new IC has achieved market acceptance. Once a new IC achieves market acceptance, demand for the new IC can quickly accelerate to a point and then level off such that rapid historical growth in sales of a product should not be viewed as indicative of continued future growth. In addition, demand can quickly decline for a product when a new IC product is introduced and receives market acceptance. Due to the various factors mentioned above, the results of any prior quarterly or annual periods should not be relied upon as an indication of our future operating performance.

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If we are unable to develop or acquire new and enhanced products that achieve market acceptance in a timely manner, our operating results and competitive position could be harmed

Our future success will depend on our ability to develop or acquire new products and product enhancements that achieve market acceptance in a timely and cost-effective manner. The development of mixed-signal ICs is highly complex, and we have at times experienced delays in completing the development and introduction of new products and product enhancements. Successful product development and market acceptance of our products depend on a number of factors, including:

- Requirements of customers;
- Accurate prediction of market and technical requirements;
- Timely completion and introduction of new designs;
- Timely qualification and certification of our products for use in our customers products;
- Commercial acceptance and volume production of the products into which our ICs will be incorporated;
- Availability of foundry, assembly and test capacity;
- Achievement of high manufacturing yields;
- Quality, price, performance, power use and size of our products;
- Availability, quality, price and performance of competing products and technologies;
- Our customer service, application support capabilities and responsiveness;

- Successful development of our relationships with existing and potential customers;

- Technology, industry standards or end-user preferences; and

- Cooperation of third-party software providers and our semiconductor vendors to support our chips within a system.

We cannot provide any assurance that products which we recently have developed or may develop in the future will achieve market acceptance. We have introduced to market or are in development of many products. If our products fail to achieve market acceptance, or if we fail to develop new products on a timely basis that achieve market acceptance, our growth prospects, operating results and competitive position could be adversely affected. The growth of the IoT market is dependent on the adoption of industry standards to permit devices to connect and communicate with each other. If the industry cannot agree on a common set of standards, then the growth of the IoT market may be slower than expected.

Our research and development efforts are focused on a limited number of new technologies and products, and any delay in the development, or abandonment, of these technologies or products by industry participants, or their failure to achieve market acceptance, could compromise our competitive position

Our products serve as components and solutions in electronic devices in various markets. As a result, we have devoted and expect to continue to devote a large amount of resources to develop products based on new and emerging technologies and standards that will be commercially introduced in the future. Research and development expense during the three months ended March 30, 2019 was $61.6 million, or 32.7% of revenues. A number of companies are actively involved in the development of these new technologies and standards. Should any of these companies delay or abandon their efforts to develop commercially available products based on new technologies and standards, our research and development efforts with respect to these technologies and standards likely would have no appreciable value. In addition, if we do not correctly anticipate new technologies and standards, or if the products that we develop based on these new technologies and standards fail to achieve market acceptance, our competitors may be better able to address market demand than we would.

Furthermore, if markets for these new technologies and standards develop later than we anticipate, or do not develop at all, demand for our products that are currently in development would suffer, resulting in lower sales of these products than we currently anticipate.

Significant litigation over intellectual property in our industry may cause us to become involved in costly and lengthy litigation which could adversely affect our business

The semiconductor and software industries have experienced significant litigation involving patents and other intellectual property rights. From time to time, third parties, including non-practicing entities, allege intellectual property infringement by our products, our customers products, or products using technologies or communications standards used in our industry. We also receive communications from customers or suppliers requesting indemnification for allegations brought against them by third parties. Some of these allegations have resulted, and may result in the future, in our involvement in litigation. We have certain contractual obligations to defend and indemnify our customers from certain infringement claims. We also have been involved in litigation to protect our intellectual property rights in the past and may become involved in such litigation again in the future.

Given the unpredictable nature of litigation and the complexity of the technology, we may not prevail in any such litigation. Legal proceedings could subject us to significant liability, invalidate our proprietary rights, or harm our businesses and our ability to compete. Legal proceedings initiated by us to protect our intellectual property rights could also result in counterclaims or countersuits against us. Any litigation, regardless of its outcome or merit, could be time-consuming and expensive to resolve and could divert our management s time and attention. Intellectual property litigation also could force us to take specific actions, including:

- Cease using, selling or manufacturing certain products, services or processes;

- Attempt to obtain a license, which license may require the payment of substantial royalties or may not be available on reasonable terms or at all;

- Incur significant costs, time delays and lost business opportunities to develop alternative technologies or redesign products; or

- Pursue legal remedies with third parties to enforce our indemnification rights, which may not adequately protect our interests.

Any acquisitions we make could disrupt our business and harm our financial condition

As part of our growth and product diversification strategy, we continue to evaluate opportunities to acquire other businesses, intellectual property or technologies that would complement our current offerings, expand the breadth of our markets or enhance our technical capabilities. The acquisitions that we have made and may make in the future entail a number of risks that could materially and adversely affect our business and operating results, including:

- Problems integrating the acquired operations, technologies or products with our existing business and products;
- Diversion of management s time and attention from our core business;
- Need for financial resources above our planned investment levels;
- Difficulties in retaining business relationships with suppliers and customers of the acquired company;
- Risks associated with entering markets in which we lack prior experience;
- Risks associated with the transfer of licenses of intellectual property;
- Increased operating costs due to acquired overhead;
- Tax issues associated with acquisitions;

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- Acquisition-related disputes, including disputes over earn-outs and escrows;
- Potential loss of key employees of the acquired company; and
- Potential impairment of related goodwill and intangible assets.

Future acquisitions also could cause us to incur debt or contingent liabilities or cause us to issue equity securities that could negatively impact the ownership percentages of existing shareholders.

We may be unable to protect our intellectual property, which would negatively affect our ability to compete

Our products rely on our proprietary technology, and we expect that future technological advances made by us will be critical to sustain market acceptance of our products. Therefore, we believe that the protection of our intellectual property rights is and will continue to be important to the success of our business. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We also enter into confidentiality or license agreements with our employees, consultants, intellectual property providers and business partners, and control access to and distribution of our documentation and other proprietary information. Despite these efforts, unauthorized parties may attempt to copy or otherwise obtain and use our proprietary technology. Monitoring unauthorized use of our technology is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. We cannot be certain that patents will be issued as a result of our pending applications nor can we be certain that any issued patents would protect or benefit us or give us adequate protection from competing products. For example, issued patents may be circumvented or challenged and declared invalid or unenforceable. We also cannot be certain that others will not develop effective competing technologies on their own.

Failure to manage our distribution channel relationships could impede our future growth

The future growth of our business will depend in large part on our ability to manage our relationships with current and future distributors and sales representatives, develop additional channels for the distribution and sale of our products and manage these relationships. During the three months ended March 30, 2019, 71% of our revenue was derived from distributors. As we execute our indirect sales strategy, we must manage the potential conflicts that may arise with our direct sales efforts. For example, conflicts with a distributor may arise when a customer begins purchasing directly from us rather than through the distributor. The inability to successfully execute or manage a multi-channel sales strategy could impede our future growth. In addition, relationships with our distributors often involve the use of price protection and inventory return rights. This often requires a significant amount of sales management s time and system resources to manage properly. Because we consolidated our distribution relationships to a single global distributor, Arrow Electronics, in fiscal 2018, termination of the relationship with Arrow Electronics, either by us or by Arrow Electronics, could result in a temporary or permanent loss of revenue. If Arrow Electronics fails to effectively market and sell our products in full compliance with applicable laws, or if we are unable to maintain our existing relationship with Arrow Electronics, we may not be able to find a distributor with the scale and resources of Arrow Electronics, maintain existing levels of international revenue or realize expected long-term international revenue growth. We may not be successful in finding suitable alternative global distributors on satisfactory terms, or at all, and this could adversely affect our ability to effectively sell our solutions in certain geographical locations or to certain end customers.

We depend on a limited number of customers for a significant portion of our revenues, and the loss of, or a significant reduction in orders from, any key customer could significantly reduce our revenues

The loss of any of our key customers, or a significant reduction in sales to any one of them, would significantly reduce our revenues and adversely affect our business. During the three months ended March 30, 2019, our ten largest customers accounted for 23% of our revenues. Some of the markets for our products are dominated by a small number of potential customers. Therefore, our operating results in the foreseeable future will continue to depend on our ability to sell to these dominant customers, as well as the ability of these customers to sell products that incorporate our IC products. In the future, these customers may decide not to purchase our products at all, purchase fewer products than they did in the past or alter their purchasing patterns, particularly because:

- We do not have material long-term purchase contracts with our customers;

- 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 may have efforts underway to actively diversify their vendor base which could reduce purchases of our products; and

- Some of our customers have developed or acquired products that compete directly with products these customers purchase from us, which could affect our customers purchasing decisions in the future.

Our customers regularly evaluate alternative sources of supply in order to diversify their supplier base, which increases their negotiating leverage with us and protects their ability to secure these components. We believe that any expansion of our customers supplier bases could have an adverse effect on the prices we are able to charge and volume of product that we are able to sell to our customers, which would negatively affect our revenues and operating results.

We are subject to increased inventory risks and costs because we build our products based on forecasts provided by customers before receiving purchase orders for the products

In order to ensure availability of our products for some of our largest customers, we start the manufacturing of our products in advance of receiving purchase orders based on forecasts provided by these customers. However, these forecasts do not represent binding purchase commitments and we do not recognize sales for these products until they are shipped to the customer. As a result, we incur inventory and manufacturing costs in advance of anticipated sales. Because demand for our products may not materialize, manufacturing based on forecasts subjects us to increased risks of high inventory carrying costs, increased obsolescence and increased operating costs. These inventory risks are exacerbated when our customers purchase indirectly through contract manufacturers or hold component inventory levels greater than their consumption rate because this causes us to have less visibility regarding the accumulated levels of inventory for such customers. A resulting write-off of unusable or excess inventories would adversely affect our operating results.

Our products are complex and may contain errors which could lead to liability, an increase in our costs and/or a reduction in our revenues

Our products are complex and may contain errors, particularly when first introduced and/or when new versions are released. Our products are increasingly designed in more complex processes, including higher levels of software and hardware integration in modules and system-level solutions and/or include elements provided by third parties which further increase the risk of errors. We rely primarily on our in-house testing personnel to design test operations and procedures to detect any errors or vulnerabilities prior to delivery of our products to our customers.

Should problems occur in the operation or performance of our products, we may experience delays in meeting key introduction dates or scheduled delivery dates to our customers. These errors could also cause significant re-engineering costs, the diversion of our engineering personnel s attention from our product development efforts and cause significant customer relations and business reputation problems. Any defects could result in refunds, product replacement, product recall or other liability. Any of the foregoing could impose substantial costs and harm our business.

Product liability, data breach or cyber liability claims may be asserted with respect to our products. Many of our products focus on wireless connectivity and the IoT market and such connectivity may make these products particularly susceptible to cyber-attacks. Our products are typically sold at prices that are significantly lower than the cost of the end-products into which they are incorporated. A defect, failure or vulnerability in our product could cause failure in our customer s end-product, so we could face claims for damages that are disproportionately higher than the revenues and profits we receive from the products involved. Furthermore, product liability risks are particularly significant with respect to medical and automotive applications because of the risk of serious harm to users of these end-products. There can be no assurance that any insurance we maintain will sufficiently protect us from such claims.

We rely on third parties to manufacture, assemble and test our products and the failure to successfully manage our relationships with our manufacturers and subcontractors would negatively impact our ability to sell our products

We do not have our own wafer fab manufacturing facilities. Therefore, we rely on third-party vendors to manufacture the products we design. We also currently rely on Asian third-party assembly subcontractors to assemble and package the silicon chips provided by the wafers for use in final products. Additionally, we rely on these offshore subcontractors for a substantial portion of the testing requirements of our products prior to shipping. We expect utilization of third-party subcontractors to continue in the future.

The cyclical nature of the semiconductor industry drives wide fluctuations in available capacity at third-party vendors. On occasion, we have been unable to adequately respond to unexpected increases in customer demand due to capacity constraints and, therefore, were unable to benefit from this incremental demand. We may be unable to obtain adequate foundry, assembly or test capacity from our third-party subcontractors to meet our customers delivery requirements even if we adequately forecast customer demand.

There are significant risks associated with relying on these third-party foundries and subcontractors, including:

- Failure by us, our customers or their end customers to qualify a selected supplier;
- Potential insolvency of the third-party subcontractors;
- Reduced control over delivery schedules and quality;
- Limited warranties on wafers or products supplied to us;
- Potential increases in prices or payments in advance for capacity;
- Increased need for international-based supply, logistics and financial management;
- Their inability to supply or support new or changing packaging technologies; and

- Low test yields.

We typically do not have long-term supply contracts with our third-party vendors which obligate the vendor to perform services and supply products to us for a specific period, in specific quantities, and at specific prices. Our third-party foundry, assembly and test subcontractors typically do not guarantee that adequate capacity will be available to us within the time required to meet demand for our products. In the event that these vendors fail to meet our demand for whatever reason, we expect that it would take up to 12 months to transition performance of these services to new providers. Such a transition may also require qualification of the new providers by our customers or their end customers.

Most of the silicon wafers for the products that we have sold were manufactured either by Taiwan Semiconductor Manufacturing Co. (TSMC) or Semiconductor Manufacturing International Corporation (SMIC). Our customers typically complete their own qualification process. If we fail to properly balance customer demand across the existing semiconductor fabrication facilities that we utilize or are required by our foundry partners to increase, or otherwise change the number of fab lines that we utilize for our production, we might not be able to fulfill demand for our products and may need to divert our engineering resources away from new product development initiatives to support the fab line transition, which would adversely affect our operating results.

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Our customers require our products to undergo a lengthy and expensive qualification process without any assurance of product sales

Prior to purchasing our products, our customers require that our products undergo an extensive qualification process, which involves testing of the products in the customer s system as well as rigorous reliability testing. This qualification process may continue for six months or longer. However, qualification of a product by a customer does not ensure any sales of the product to that customer. Even after successful qualification and sales of a product to a customer, a subsequent revision to the product or software, changes in the IC s manufacturing process or the selection of a new supplier by us 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 an additional 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, toward qualifying our products with customers in anticipation of sales. If we are unsuccessful or delayed in qualifying any of our products with a customer, such failure or delay would preclude or delay sales of such product to the customer, which may impede our growth and cause our business to suffer.

We are a global company, which subjects us to additional business risks including logistical and financial complexity, political instability and currency fluctuations

We have established international subsidiaries and have opened offices in international markets to support our activities in Asia, the Americas and Europe. This has included the establishment of a headquarters in Singapore for non-U.S. operations. The percentage of our revenues derived from outside of the United States was 83% during the three months ended March 30, 2019. We may not be able to maintain or increase global market demand for our products. Our international operations are subject to a number of risks, including:

- Complexity and costs of managing international operations and related tax obligations, including our headquarters for non-U.S. operations in Singapore;

- Protectionist laws and business practices, including trade restrictions, tariffs, quotas and other trade barriers, particularly with respect to China-U.S. trade policies;

- Difficulties related to the protection of our intellectual property rights in some countries;

- Multiple, conflicting and changing tax and other laws and regulations that may impact both our international and domestic tax and other liabilities and result in increased complexity and costs, including the impact of the Tax Cuts and Jobs Act;

- Longer sales cycles;

- Greater difficulty in accounts receivable collection and longer collection periods;

- High levels of distributor inventory subject to price protection and rights of return to us;

- Political and economic instability;

- Greater difficulty in hiring and retaining qualified personnel; and

- The need to have business and operations systems that can meet the needs of our international business and operating structure.

To date, substantially all of our sales to international customers and purchases of components from international suppliers have been denominated in U.S. dollars. As a result, an increase in the value of the U.S. dollar relative to foreign currencies could make our products more expensive for our international customers to purchase, thus rendering our products less competitive. Similarly, a decrease in the value of the U.S. dollar could reduce our buying power with respect to international suppliers.

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Our inability to manage growth could materially and adversely affect our business

Our past growth has placed, and any future growth of our operations will continue to place, a significant strain on our management personnel, systems and resources. We anticipate that we will need to implement a variety of new and upgraded sales, operational and financial enterprise-wide systems, information technology infrastructure, procedures and controls, including the improvement of our accounting and other internal management systems to manage this growth and maintain compliance with regulatory guidelines, including Sarbanes-Oxley Act requirements. To the extent our business grows, our internal management systems and processes will need to improve to ensure that we remain in compliance. We also expect that we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort, and we anticipate that we will require additional management personnel and internal processes to manage these efforts and to plan for the succession from time to time of certain persons who have been key management and technical personnel. If we are unable to effectively manage our expanding global operations, including our international headquarters in Singapore, our business could be materially and adversely affected.

We have a material weakness in our internal control over financial reporting and if we are unable to implement and maintain effective internal control over financial reporting, or our independent registered public accounting firm is unable to provide an unqualified report thereon, we could be materially adversely effected

We have identified a material weakness that existed as of the end of our fiscal 2018 regarding our internal controls over business combinations, primarily the maintenance of sufficient contemporaneous documentation of management review controls over assumptions used in the valuation of acquired intangible assets and related recording of goodwill. As a result of this material weakness, management concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as of December 29, 2018.

Unless and until this material weakness has been remediated, or should new material weaknesses arise or be discovered in the future, material misstatements could occur and go undetected in our interim or annual consolidated financial statements and we may be required to restate our financial statements. In addition, we may experience delays in satisfying our reporting obligations or to comply with Securities and Exchange Commission rules and regulations, which could result in investigations and sanctions by regulatory authorities. Any of these results could adversely affect our business and the value of our common stock.

Our products incorporate technology licensed from third parties

We incorporate technology (including software) licensed from third parties in our products. We could be subjected to claims of infringement regardless of our lack of involvement in the development of the licensed technology. Although a third-party licensor is typically obligated to indemnify us if the licensed technology infringes on another party s intellectual property rights, such indemnification is typically limited in amount and may be worthless if the licensor becomes insolvent. See *Significant litigation over intellectual property in our industry may cause us to become involved in costly and lengthy litigation which could seriously harm our business.* Furthermore, any failure of third-party technology to perform properly would adversely affect sales of our products incorporating such technology.

We are subject to risks relating to product concentration

We derive a substantial portion of our revenues from a limited number of products, and we expect these products to continue to account for a large percentage of our revenues in the near term. Continued market acceptance of these products, is therefore, critical to our future success. In addition, substantially all of our products that we have sold include technology related to one or more of our issued U.S. patents. If these patents are found to be invalid or unenforceable, our competitors could introduce competitive products that could reduce both the volume and price per unit of our products. Our business, operating results, financial condition and cash flows could therefore be adversely affected by:

- A decline in demand for any of our more significant products;
- Failure of our products to achieve continued market acceptance;
- Competitive products;
- New technological standards or changes to existing standards that we are unable to address with our products;
- A failure to release new products or enhanced versions of our existing products on a timely basis; and
- The failure of our new products to achieve market acceptance.

We are subject to credit risks related to our accounts receivable

We do not generally obtain letters of credit or other security for payment from customers, distributors or contract manufacturers. Accordingly, we are not protected against accounts receivable default or bankruptcy by these entities. Our ten largest customers or distributors represent a substantial majority of our accounts receivable. If any such customer or distributor, or a material portion of our smaller customers or distributors, were to become insolvent or otherwise not satisfy their obligations to us, we could be materially harmed.

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We depend on our key personnel to manage our business effectively in a rapidly changing market, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and successfully market our products could be harmed

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. We believe that our future success will be dependent on retaining the services of our key personnel, developing their successors and certain internal processes to reduce our reliance on specific individuals, and on properly managing the transition of key roles when they occur. There is currently a shortage of qualified personnel with significant experience in the design, development, manufacturing, marketing and sales of analog and mixed-signal products. In particular, there is a shortage of engineers who are familiar with the intricacies of the design and manufacturability of analog elements, and competition for such personnel is intense. Our key technical personnel represent a significant asset and serve as the primary source for our technological and product innovations. We may not be successful in attracting and retaining sufficient numbers of technical personnel to support our anticipated growth. The loss of any of our key employees or the inability to attract or retain qualified personnel both in the United States and internationally, including engineers, sales, applications and marketing personnel, could delay the development and introduction of, and negatively impact our ability to sell, our products.

Any dispositions could harm our financial condition

Any disposition of a product line would entail a number of risks that could materially and adversely affect our business and operating results, including:

- Diversion of management s time and attention from our core business;
- Difficulties separating the divested business;
- Risks to relations with customers who previously purchased products from our disposed product line;
- Reduced leverage with suppliers due to reduced aggregate volume;
- Risks related to employee relations;
- Risks associated with the transfer and licensing of intellectual property;

- Security risks and other liabilities related to the transition services provided in connection with the disposition;
- Tax issues associated with dispositions; and
- Disposition-related disputes, including disputes over earn-outs and escrows.

Our stock price may be volatile

The market price of our common stock has been volatile in the past and may be volatile in the future. The market price of our common stock may be significantly affected by the following factors:

- Actual or anticipated fluctuations in our operating results;
- Changes in financial estimates by securities analysts or our failure to perform in line with such estimates;
- Changes in market valuations of other technology companies, particularly semiconductor companies;
- Announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- Introduction of technologies or product enhancements that reduce the need for our products;

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- The loss of, or decrease in sales to, one or more key customers;
- A large sale of stock by a significant shareholder;
- Dilution from the issuance of our stock in connection with acquisitions;
- The addition or removal of our stock to or from a stock index fund;
- Departures of key personnel;
- The required expensing of stock awards; and
- The required changes in our reported revenue and revenue recognition accounting policy under ASC Topic 606, *Revenue from Contracts with Customers*.

The stock market has experienced extreme volatility that often has been unrelated to the performance of particular companies. These market fluctuations may cause our stock price to fall regardless of our performance.

Most of our current manufacturers, assemblers, test service providers, distributors and customers are concentrated in the same geographic region, which increases the risk that a natural disaster, epidemic, labor strike, war or political unrest could disrupt our operations or sales

Most of our foundries and several of our assembly and test subcontractors sites are located in Taiwan and most of our other foundry, assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located in the Pacific Rim region. The risk of earthquakes in Taiwan and the Pacific Rim region is significant due to the proximity of major earthquake fault lines in the area. Earthquakes, tsunamis, fire, flooding, lack of water or other natural disasters, an epidemic, political unrest, war, labor strikes or work stoppages in countries where our semiconductor manufacturers, assemblers and test subcontractors are located, likely would result in the disruption of our foundry, assembly or test capacity. There can be no assurance that alternate capacity could be obtained on favorable terms, if at all.

A natural disaster, epidemic, labor strike, war or political unrest where our customers facilities are located would likely reduce our sales to such customers. North Korea s recent geopolitical maneuverings, including nuclear weapons and long-range missile testing, have created unrest. Such unrest could create economic uncertainty or instability, could escalate to war or otherwise adversely affect South Korea and our South Korean customers and reduce our sales to such customers, which would materially and adversely affect our operating results. In addition, a significant portion of the assembly and testing of our products occurs in South Korea. Any disruption resulting from these events could also cause significant delays in shipments of our products until we are able to shift our manufacturing, assembling or testing from the affected subcontractor to another third-party vendor.

The semiconductor manufacturing process is highly complex and, from time to time, manufacturing yields may fall below our expectations, which could result in our inability to satisfy demand for our products in a timely manner and may decrease our gross profit due to higher unit costs

The manufacturing of our products is a highly complex and technologically demanding process. Although we work closely with our foundries and assemblers to minimize the likelihood of reduced manufacturing yields, we have from time to time experienced lower than anticipated manufacturing yields. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials could result in lower than anticipated manufacturing yields or unacceptable performance deficiencies, which could lower our gross profit. If our foundries fail to deliver fabricated silicon wafers of satisfactory quality in a timely manner, we will be unable to meet our customers demand for our products in a timely manner, which would adversely affect our operating results and damage our customer relationships.

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We depend on our customers to support our products, and some of our customers offer competing products

We rely on our customers to provide hardware, software, intellectual property indemnification and other technical support for the products supplied by our customers. If our customers do not provide the required functionality or if our customers do not provide satisfactory support for their products, the demand for these devices that incorporate our products may diminish or we may otherwise be materially adversely affected. Any reduction in the demand for these devices would significantly reduce our revenues.

In certain products, some of our customers offer their own competitive products. These customers may find it advantageous to support their own offerings in the marketplace in lieu of promoting our products.

Our convertible senior notes could adversely affect our operating results and financial condition

Upon conversion, our convertible senior notes may be settled in cash, shares of our common stock or a combination of cash and shares, at our election. We intend to settle the principal amount of the notes in cash. If we do not have adequate cash available, we may not be able to settle the principal amount in cash. In such case, we will be required to settle the principal amount in stock, which would result in immediate, and likely material, dilution to the ownership interests of our existing stockholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock.

Following any conclusion that we no longer have the ability to settle the convertible senior notes in cash, we will be required on a going forward basis to change our accounting policy for earnings per share from the treasury stock method to the if-converted method. Earnings per share may be lower under the if-converted method as compared to the treasury stock method.

The principal balance of the convertible senior notes was separated into liability and equity components, which were recorded initially at fair value. The excess of the principal amount of the liability component over its carrying amount represents the debt discount, which is accreted to interest expense over the term of the notes using the effective interest method. Accordingly, we will report higher interest expense because of the recognition of both the debt discount amortization and the notes coupon interest.

Our debt could adversely affect our operations and financial condition

We believe we have the ability to service our debt, but our ability to make the required payments thereunder when due depends upon our future performance, which will be subject to general economic conditions, industry cycles and other factors affecting our operations, including risk factors described herein, many of which are beyond our control. Our credit facility also contains covenants, including financial covenants. If we breach any of the covenants under our credit facility and do not obtain appropriate waivers, then, subject to any applicable cure periods, our outstanding indebtedness thereunder could be declared immediately due and payable.

We could seek to raise additional debt or equity capital in the future, but additional capital may not be available on terms acceptable to us, or at all

We believe that our existing cash, cash equivalents, investments and credit under our credit facility will be sufficient to meet our working capital needs, capital expenditures, investment requirements and commitments for at least the next 12 months. However, our ability to borrow further under the credit facility is dependent upon our ability to satisfy various conditions, covenants and representations. It is possible that we may need to raise additional funds to finance our activities or to facilitate acquisitions of other businesses, products, intellectual property or technologies. We believe we could raise these funds, if needed, by selling equity or debt securities to the public or to selected investors. In addition, even though we may not need additional funds, we may still elect to sell additional equity or debt securities or obtain credit facilities for other reasons. However, we may not be able to obtain additional funds on favorable terms, or at all. If we decide to raise additional funds by issuing equity or convertible debt securities, the ownership percentages of existing shareholders would be reduced.

We have limited resources compared to some of our current and potential competitors and we may not be able to compete effectively and increase market share

Some of our current and potential competitors have longer operating histories, significantly greater resources and name recognition and a larger base of customers than we have. As a result, these competitors may have greater credibility with our existing and potential customers. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their products than we can to ours. In addition, some of our current and potential competitors have already established supplier or joint development relationships with the decision makers at our current or potential customers. These competitors may be able to leverage their existing relationships to discourage their customers from purchasing products from us or persuade them to replace our products with their products. Our competitors may also offer bundled solutions offering a more complete product despite the technical merits or advantages of our products. These competitors may elect not to support our products which could complicate our sales efforts. These and other competitive pressures may prevent us from competing successfully against current or future competitors, and may materially harm our business. Competition could decrease our prices, reduce our sales, lower our gross profit and/or decrease our market share.

Provisions in our charter documents and Delaware law could prevent, delay or impede a change in control of us and may reduce the market price of our common stock

Provisions of our certificate of incorporation and bylaws could have the effect of discouraging, delaying or preventing a merger or acquisition that a stockholder may consider favorable. For example, our certificate of incorporation and bylaws provide for:

- The division of our Board of Directors into three classes to be elected on a staggered basis, one class each year;
- The ability of our Board of Directors to issue shares of our preferred stock in one or more series without further authorization of our stockholders;
- A prohibition on stockholder action by written consent;
- Elimination of the right of stockholders to call a special meeting of stockholders;
- A requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders; and

- A requirement that a supermajority vote be obtained to amend or repeal certain provisions of our certificate of incorporation.

We also are subject to the anti-takeover laws of Delaware which may discourage, delay or prevent someone from acquiring or merging with us, which may adversely affect the market price of our common stock.

Risks related to our industry

We are subject to the cyclical nature of the semiconductor industry, which has been subject to significant fluctuations

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. The industry has experienced significant fluctuations, often connected with, or in anticipation of, maturing product cycles and new product introductions of both semiconductor companies and their customers products and fluctuations in general economic conditions. Deteriorating general worldwide economic conditions, including reduced economic activity, concerns about credit and inflation, increased energy costs, decreased consumer confidence, reduced corporate profits, decreased spending and similar adverse business conditions, would make it very difficult for our customers, our vendors, and us to accurately forecast and plan future business activities and could cause U.S. and foreign businesses to slow spending on our products. We cannot predict the timing, strength, or duration of any economic slowdown or economic recovery.

If the economy or markets in which we operate deteriorate, our business, financial condition, and results of operations would likely be materially and adversely affected.

Downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. We believe the semiconductor industry is currently suffering a downturn due in large part to adverse macroeconomic conditions, characterized by a slowdown in overall GDP performance and factory activity in certain regions, particularly in China , higher levels of customer inventory, the impact of tariffs on trade relations, and greater overall uncertainty regarding the economy. This downturn has had, and may continue to have, a material adverse effect on our business and operating results.

Upturns have been characterized by increased product demand and production capacity constraints created by increased competition for access to third-party foundry, assembly and test capacity. We are dependent on the availability of such capacity to manufacture, assemble and test our products. None of our third-party foundry, assembly or test subcontractors have provided assurances that adequate capacity will be available to us.

The average selling prices of our products could decrease rapidly which may negatively impact our revenues and gross profit

We may experience substantial period-to-period fluctuations in future operating results due to the erosion of our average selling prices. We have reduced the average unit price of our products in anticipation of or in response to competitive pricing pressures, new product introductions by us or our competitors and other factors. If we are unable to offset any such reductions in our average selling prices by increasing our sales volumes, increasing our sales content per application or reducing production costs, our gross profit and revenues will suffer. To maintain our gross profit, we will need to develop and introduce new products and product enhancements on a timely basis and continually reduce our costs. Our failure to do so could cause our revenues and gross profit to decline.

Competition within the numerous markets we target may reduce sales of our products and reduce our market share

The markets for semiconductors in general, and for mixed-signal products in particular, are intensely competitive. We expect that the market for our products will continually evolve and will be subject to rapid technological change. In addition, as we target and supply products to numerous markets and applications, we face competition from a relatively large number of competitors. We compete with Analog Devices, Broadcom, Cypress, Infineon, Maxim Integrated Products, MaxLinear, Microchip, Nordic Semiconductor, NXP Semiconductors, Qualcomm, Renesas, STMicroelectronics, Synaptics, Texas Instruments and others. We expect to face competition in the future from our current competitors, other manufacturers and designers of semiconductors, and start-up semiconductor design companies. As the markets for communications products grow, we also may face competition from traditional communications device companies. These companies may enter the mixed-signal semiconductor market by introducing their own products or by entering into strategic relationships with or acquiring other existing providers of semiconductor products. In addition, large companies may restructure their operations to create separate companies or may acquire new businesses that are focused on providing the types of products we produce or acquire our customers.

We may be the victim of business disruptions and security breaches, including cyber-attacks, which could lead to liability or could damage our reputation and financial results

Information technology system and/or network disruptions, regardless of the cause, but including acts of sabotage, error, or other actions, could harm the company s operations. Failure to effectively prevent, detect, and recover from security breaches, including cyber-attacks, could result in the misuse of company assets, disruption to the company, diversion of management resources, regulatory inquiries, legal claims or proceedings, reputational damage, loss of sales and other costs to the company. We routinely face attacks that attempt to breach our security protocols, gain access to or disrupt our computerized systems or steal proprietary company, customer, partner or employee information. These attacks are sometimes successful. These attacks may be due to security breaches, employee error, theft, malfeasance, phishing schemes, ransomware, faulty password or data security management, or other irregularities. The theft, loss, destruction, unavailability or misuse of personal or business data collected, used, stored or transferred by us to run our business could result in increased security costs or costs related to defending legal claims.

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Industrial espionage, theft or loss of our intellectual property data could lead to counterfeit products or harm the competitive position of our products and services. Costs to implement, test and maintain measures to promote compliance with applicable privacy and data security laws as well as to protect the overall security of our system could be significant. Attempted or successful attacks against our products and services could damage our reputation with customers or users and reduce demand for our products and services.

Changes in the Privacy and Data Security/Protection Laws Could Have an Adverse Effect on our Operations

Federal, state and international privacy-related or data protection laws and regulations could have an adverse effect on our operations. Complying with these laws and the possibility of proceedings against us by governmental entities or others in relation to these laws could increase operational costs. In May 2018, the European Union s General Data Protection Regulation (GDPR) went into effect, replacing the EU s 1995 Data Protection Directive. The costs of compliance with the GDPR and the potential for fines and penalties in the event of a breach of the GDPR may have an adverse effect on our operations.

We may be subject to information technology failures that could damage our reputation, business operations and financial condition

We rely on information technology for the effective operation of our business. Our systems are subject to damage or interruption from a number of potential sources, including natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, theft, physical or electronic break-ins, cyber-attacks, sabotage, vandalism, or similar events or disruptions. Our security measures may not detect or prevent such security breaches. Any such compromise of our information security could result in the theft or unauthorized publication or use 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 or damage our reputation. In addition, our inability to use or access information systems at critical points in time could unfavorably impact the timely and efficient operation of our business, which could negatively affect our business and operating results.

Third parties with which we conduct business, such as foundries, assembly and test contractors, distributors and customers, 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 reputation, business operations and financial results.

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

Generally, our products comprise only a part of a device. All components of such 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 affecting 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 certain 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.

Our pursuit of necessary technological advances may require substantial time and expense. We may not be successful in developing or using new technologies or in developing new products or product enhancements that achieve market acceptance. If our products fail to achieve market acceptance, our growth prospects, operating results and competitive position could be adversely affected.

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Customer demands and new regulations related to conflict-free minerals may adversely affect us

The Dodd-Frank Wall Street Reform and Consumer Protection Act imposes new disclosure requirements regarding the use of conflict minerals mined from the Democratic Republic of Congo and adjoining countries in products, whether or not these products are manufactured by third parties. These new requirements could affect the pricing, sourcing and availability of minerals used in the manufacture of semiconductor devices (including our products). There will be additional costs associated with complying with the disclosure requirements, such as costs related to determining the source of any conflict minerals used in our products. Our supply chain is complex and we may be unable to verify the origins for all metals used in our products. We may also encounter challenges with our customers and stockholders if we are unable to certify that our products are conflict free.

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

Our registration statement (Registration No. 333-94853) under the Securities Act of 1933, as amended, relating to our initial public offering of our common stock became effective on March 23, 2000.

The following table summarizes repurchases of our common stock during the three months ended March 30, 2019 (in thousands, except per share amounts):

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
December 30, 2018 January 26, 2019		$			$	160,733
January 27, 2019 February 23, 2019	177	$	84.73	177	$	145,733
February 24, 2019 March 30, 2019		$			$	145,733
Total	177	$	84.73	177		

In October 2018, the Board of Directors increased the authorization amount of the existing share repurchase program from $100 million to $200 million and extended the termination date to December 2019. The program allows for repurchases to be made in the open market or in private transactions, including structured or accelerated transactions, subject to applicable legal requirements and market conditions.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

The following exhibits are filed as part of this report:

Exhibit Number	
2.1*	Agreement and Plan of Merger, dated December 7, 2017, by and among Silicon Laboratories Inc., Seguin Merger Subsidiary, Inc. and Sigma Designs, Inc. (filed as Exhibit 2.1 to the Form 8-K filed on December 8, 2017).
3.1*	Form of Fourth Amended and Restated Certificate of Incorporation of Silicon Laboratories Inc. (filed as Exhibit 3.1 to the Registration Statement on Form S-1 (Securities and Exchange Commission File No. 333-94853) (the IPO Registration Statement)).
3.2*	Fourth Amended and Restated Bylaws of Silicon Laboratories Inc. (filed as Exhibit 3.2 to the Form 8-K filed on January 27, 2017).
4.1*	Specimen certificate for shares of common stock (filed as Exhibit 4.1 to the IPO Registration Statement).
4.2*	Indenture between Silicon Laboratories Inc. and Wilmington Trust, National Association, as trustee, dated March 6, 2017 (filed as Exhibit 4.1 to the Form 8-K filed on March 6, 2017).
4.3*	Form of 1.375% Convertible Senior Note due 2022 (filed as Exhibit 4.2 to the Form 8-K filed on March 6, 2017).
10.1+	Form of Market Stock Units Grant Notice and Global Market Stock Units Award Agreement under Registrant s 2009 Stock Incentive Plan, as amended and restated.
31.1	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification as required by 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.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Incorporated herein by reference to the indicated filing.

+ Management contract or compensatory plan or arrangement

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SIGNATURES

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

SILICON LABORATORIES INC.

May 3, 2019 Date	/s/ G. Tyson Tuttle G. Tyson Tuttle *President and* *Chief Executive Officer* *(Principal Executive Officer)*
May 3, 2019 Date	/s/ John C. Hollister John C. Hollister *Senior Vice President and* *Chief Financial Officer* *(Principal Financial and Accounting Officer)*