XILINX INC
Form 10-Q
January 29, 2016

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

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 2, 2016

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

For the transition period from ________ to _______ .
Commission File Number 000-18548

Xilinx, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	77-0188631 (I.R.S. Employer Identification No.)
2100 Logic Drive, San Jose, California (Address of principal executive offices)	95124 (Zip Code)

(408) 559-7778
(Registrant’s telephone number, including area code)
N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company ¨

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

Shares outstanding of the registrant's common stock:

Class	Shares Outstanding as of January 15, 2016
Common Stock, $.01 par value	255,539,932

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
(In thousands, except per share amounts)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Net revenues	$566,235	$593,549	$1,642,815	$1,810,445
Cost of revenues	178,514	179,638	496,108	538,445
Gross margin	387,721	413,911	1,146,707	1,272,000
Operating expenses:				
Research and development	141,378	133,455	398,246	393,803
Selling, general and administrative	84,470	88,076	251,374	274,472
Amortization of acquisition-related intangibles	1,769	2,371	5,306	7,167
Total operating expenses	227,617	223,902	654,926	675,442
Operating income	160,104	190,009	491,781	596,558
Interest and other expense, net	5,053	4,007	24,793	15,960
Income before income taxes	155,051	186,002	466,988	580,598
Provision for income taxes	24,232	17,536	61,155	67,005
Net income	$130,819	$168,466	$405,833	$513,593
Net income per common share:				
Basic	$0.51	$0.64	$1.58	$1.93
Diluted	$0.49	$0.62	$1.51	$1.85
Cash dividends per common share	$0.31	$0.29	$0.93	$0.87
Shares used in per share calculations:				
Basic	256,450	262,881	257,491	266,299
Diluted	269,611	273,795	268,716	277,709

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Net income	$130,819	$168,466	$405,833	$513,593
Other comprehensive income (loss), net of tax:				
Change in net unrealized gains (losses) on available-for-sale securities	(7,911)	(409)	(13,091)	3,822
Reclassification adjustment for (gains) losses on available-for-sale securities	8	(1,868)	(188)	(3,187)
Change in net unrealized losses on hedging transactions	(696)	(3,896)	(1,074)	(6,957)
Reclassification adjustment for losses on hedging transactions	2,166	1,786	6,110	768
Cumulative translation adjustment, net	(451)	(1,475)	(1,997)	(1,882)
Other comprehensive loss	(6,884)	(5,862)	(10,240)	(7,436)
Total comprehensive income	$123,935	$162,604	$395,593	$506,157

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	January 2, 2016	March 28, 2015 [1]
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$898,264	$892,572
Short-term investments	2,498,272	2,410,489
Accounts receivable, net	203,176	246,615
Inventories	195,969	231,328
Deferred tax assets	96,827	79,519
Prepaid expenses and other current assets	115,786	74,528
Total current assets	4,008,294	3,935,051
Property, plant and equipment, at cost	797,866	804,623
Accumulated depreciation and amortization	(517,625)	(503,585)
Net property, plant and equipment	280,241	301,038
Long-term investments	224,614	266,902
Goodwill	159,296	159,296
Acquisition-related intangibles, net	7,446	12,752
Other assets	218,266	223,026
Total Assets	$4,898,157	$4,898,065
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$74,602	$80,113
Accrued payroll and related liabilities	156,316	156,600
Income taxes payable	7,782	19,693
Deferred income on shipments to distributors	47,016	66,071
Other accrued liabilities	62,850	64,676
Current portion of long-term debt	584,343	576,053
Total current liabilities	932,909	963,206
Long-term debt	995,584	994,839
Deferred tax liabilities	347,995	289,868
Long-term income taxes payable	15,198	13,245
Other long-term liabilities	1,110	1,366
Commitments and contingencies	—	—
Temporary equity (Note 10)	15,657	23,947
Stockholders' equity:		
Preferred stock, $.01 par value (none issued)	—	—
Common stock, $.01 par value	2,552	2,583
Additional paid-in capital	710,303	653,882
Retained earnings	1,898,238	1,966,278
Accumulated other comprehensive loss	(21,389)	(11,149)
Total stockholders’ equity	2,589,704	2,611,594
Total Liabilities, Temporary Equity and Stockholders’ Equity	$4,898,157	$4,898,065

[1] Derived from audited financial statements
See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014
Cash flows from operating activities:		
Net income	$405,833	$513,593
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	38,768	40,857
Amortization	13,149	15,556
Stock-based compensation	84,464	79,900
Net gain on sale of available-for-sale securities	(599)	(5,508)
Amortization of debt discounts	9,033	9,014
Provision for deferred income taxes	49,435	19,712
Excess tax benefit from stock-based compensation	(12,326)	(16,669)
Changes in assets and liabilities:		
Accounts receivable, net	43,439	80,337
Inventories	35,050	(12,299)
Prepaid expenses and other current assets	(148)	(11,703)
Other assets	(3,291)	(322)
Accounts payable	(5,511)	(91,464)
Accrued liabilities	4,909	1,640
Income taxes payable	(35,982)	5,710
Deferred income on shipments to distributors	(19,055)	(3,613)
Net cash provided by operating activities	607,168	624,741
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,253,840)	(2,112,128)
Proceeds from sale and maturity of available-for-sale securities	2,183,296	2,646,410
Purchases of property, plant and equipment	(19,169)	(23,682)
Other investing activities	(5,700)	(7,440)
Net cash provided by (used in) investing activities	(95,413)	503,160
Cash flows from financing activities:		
Repurchases of common stock	(299,998)	(476,012)
Proceeds from issuance of common stock through various stock plans, net	21,720	19,338
Payment of dividends to stockholders	(240,111)	(230,550)
Excess tax benefit from stock-based compensation	12,326	16,669
Net cash used in financing activities	(506,063)	(670,555)
Net increase in cash and cash equivalents	5,692	457,346
Cash and cash equivalents at beginning of period	892,572	973,677
Cash and cash equivalents at end of period	$898,264	$1,431,023
Supplemental disclosure of cash flow information:		
Interest paid	$28,563	$28,776
Income taxes paid, net	$47,562	$41,252

See notes to condensed consolidated financial statements.

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XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Note 1. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended March 28, 2015. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending April 2, 2016 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2016 will be a 53-week year ending on April 2, 2016, while fiscal 2015 was a 52-week year ending on March 28, 2015. The third quarter of fiscal 2016 was a 14-week quarter ended on January 2, 2016. The third quarter of fiscal 2015 was a 13-week quarter ended on December 27, 2014.

Note 2. Recent Accounting Changes and Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued the authoritative guidance that outlines a new global revenue recognition standard that replaces virtually all existing US GAAP guidance on contracts with customers and the related other assets and deferred costs. The guidance provides a five-step process for recognizing revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires expanded qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, FASB approved the deferral of the effective date of this guidance by one year. As a result, this guidance will be effective for the Company beginning in fiscal year 2019, with an option to early adopt in fiscal year 2018. The new standard is required to be applied retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements, including selection of the transition method and the adoption date.

In May 2015, the FASB issued the authoritative guidance that eliminates current requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value using the practical expedient approach. Instead, entities will be required to disclose the fair values of such investments so that financial statement users can reconcile amounts reported in the fair value hierarchy table and the amounts reported on the balance sheet. This guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, which for Xilinx would be the first quarter of fiscal year 2017 and should be applied using a retrospective approach. Earlier adoption is permitted. This guidance does not affect the underlying accounting for such investments.

In July 2015, the FASB issued the authoritative guidance that requires an entity to measure inventory at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. This guidance is effective for reporting periods beginning after December 15, 2016, including interim periods within those fiscal years, which for Xilinx would be the first quarter of fiscal year 2018. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

In August 2015, the FASB issued the authoritative guidance that clarifies the guidance regarding presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. This guidance clarifies that an entity may defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company does not expect the adoption of this guidance to have significant impact on its consolidated financial statements.

In September 2015, the FASB issued the authoritative guidance regarding simplifying the accounting for measurement-period adjustments in business combinations. This guidance eliminates the requirement for an acquirer in a business combination to account for adjustments it makes to the provisional amounts recorded for assets and liabilities retrospectively. Instead the acquirer must recognize these measurement-period adjustments during the period in which it determines the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition

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date. This guidance is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company will adopt this guidance in the first quarter of fiscal year 2017.

In November 2015, the FASB issued the authoritative guidance regarding balance sheet classification of deferred taxes. The guidance requires companies to classify all deferred tax assets and liabilities as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. This guidance is effective for public business entities for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The amendments can be applied retrospectively or prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. This guidance will be effective for Xilinx beginning in the first quarter of fiscal year 2018. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

In January 2016, the FASB issued the final guidance regarding how companies measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The new guidance also changes certain disclosure requirements and other aspects of current US GAAP. It does not change the guidance for classifying and measuring investments in debt securities and loans. Early adoption is permitted. The guidance is effective for public business entities for annual periods beginning after December 15, 2017, and interim periods therein, which for Xilinx would be the first quarter of fiscal year 2019. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company’s distributors, distributes the Company’s products worldwide. As of January 2, 2016 and March 28, 2015, Avnet accounted for 51% and 67% of the Company’s total net accounts receivable, respectively. For the third quarter and first nine months of fiscal 2016, resale of product through Avnet accounted for 49% and 50% of the Company’s worldwide net revenues, respectively. For the third quarter and the first nine months of fiscal 2015, resale of product through Avnet accounted for 40% and 42% of the Company’s worldwide net revenues, respectively.

Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the consolidated balance sheet. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or from distributors.

No end customer accounted for more than 10% of the Company’s worldwide net revenues for the third quarter as well as the first nine months of fiscal 2016 and 2015.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing approximately 88% of its portfolio in AA or higher grade securities as rated by Standard & Poor’s or Moody’s Investors Service. The Company’s methods to arrive at investment decisions are not solely based on the rating agencies’ credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company’s forward currency exchange contracts. Additionally, Xilinx limits its investments in the debt securities of a single issuer based upon the issuer’s credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of January 2, 2016, approximately 33% of the portfolio consisted of mortgage-backed securities. All of the mortgage-backed securities in the investment portfolio were issued by U.S. government-sponsored enterprises and agencies and are rated AA+ by Standard & Poor’s and AAA by Moody’s Investors Service.

Note 4. Fair Value Measurements

The guidance for fair value measurements established by the FASB defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which Xilinx would transact and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.
The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation testing and analysis. The Company primarily uses a consensus price or weighted-average price for its fair value assessment. The Company determines the consensus price using market prices

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from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price. For certain other securities, such as student loan auction rate securities, the Company performs its own valuation analysis using a discounted cash flow pricing model.

The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company's fair value methodology during the first nine months of fiscal 2016 and the Company did not adjust or override any fair value measurements as of January 2, 2016.

Fair Value Hierarchy

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company's Level 1 assets consist of U.S. government and agency securities and money market funds.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company's Level 2 assets consist of financial institution securities, non-financial institution securities, municipal bonds, U.S. government and agency securities, foreign government and agency securities, mortgage-backed securities, debt mutual funds, bank loans, asset-backed securities and commercial mortgage-backed securities. The Company's Level 2 assets and liabilities also include foreign currency forward contracts and commodity swap contracts.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company's Level 3 assets and liabilities include student loan auction rate securities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of January 2, 2016 and March 28, 2015:

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(In thousands)	January 2, 2016 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash equivalents:				
Money market funds	$222,433	$—	$—	$222,433
Financial institution securities	—	63,995	—	63,995
Non-financial institution securities	—	319,224	—	319,224
U.S. government and agency securities	25,007	55,486	—	80,493
Foreign government and agency securities	—	54,997	—	54,997
Short-term investments:				
Financial institution securities	—	264,950	—	264,950
Non-financial institution securities	—	353,443	—	353,443
Municipal bonds	—	59,019	—	59,019
U.S. government and agency securities	102,967	114,857	—	217,824
Foreign government and agency securities	—	81,378	—	81,378
Asset-backed securities	—	206,793	—	206,793
Mortgage-backed securities	—	987,110	—	987,110
Debt mutual funds	—	34,883	—	34,883
Bank loans	—	102,652	—	102,652
Commercial mortgage-backed securities	—	190,220	—	190,220
Long-term investments:				
Auction rate securities	—	—	10,111	10,111
Asset-backed securities	—	6,874	—	6,874
Municipal bonds	—	7,176	—	7,176
Mortgage-backed securities	—	147,038	—	147,038
Debt mutual fund	—	53,234	—	53,234
Commercial mortgage-backed securities	—	181	—	181
Total assets measured at fair value	$350,407	$3,103,510	$10,111	$3,464,028
Liabilities				
Derivative financial instruments, net	$—	$2,638	$—	$2,638
Total liabilities measured at fair value	$—	$2,638	$—	$2,638
Net assets measured at fair value	$350,407	$3,100,872	$10,111	$3,461,390

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(In thousands)	March 28, 2015 Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Cash equivalents:				
Money market funds	$235,583	$—	$—	$235,583
Financial institution securities	—	229,999	—	229,999
Non-financial institution securities	—	89,995	—	89,995
U.S. government and agency securities	—	200,392	—	200,392
Foreign government and agency securities	—	37,996	—	37,996
Short-term investments:				
Financial institution securities	—	75,000	—	75,000
Non-financial institution securities	—	339,029	—	339,029
Municipal Bonds	—	40,006	—	40,006
U.S. government and agency securities	256,514	301,010	—	557,524
Foreign government and agency securities	—	159,936	—	159,936
Mortgage-backed securities	—	859,330	—	859,330
Debt mutual fund	—	38,608	—	38,608
Bank loans	—	98,100	—	98,100
Asset-backed securities	—	204,510	—	204,510
Commercial mortgage-backed securities	—	38,446	—	38,446
Long-term investments:				
Auction rate securities	—	—	10,312	10,312
Municipal bonds	—	9,650	—	9,650
Mortgage-backed securities	—	180,906	—	180,906
Debt mutual fund	—	56,592	—	56,592
Asset-backed securities	—	7,948	—	7,948
Commercial mortgage-backed securities	—	1,494	—	1,494
Total assets measured at fair value	$492,097	$2,968,947	$10,312	$3,471,356
Liabilities				
Derivative financial instruments, net	$—	$9,251	$—	$9,251
Total liabilities measured at fair value	$—	$9,251	$—	$9,251
Net assets measured at fair value	$492,097	$2,959,696	$10,312	$3,462,105

Changes in Level 3 Instruments Measured at Fair Value on a Recurring Basis

The following table is a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

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(In thousands)	Three Months Ended January 2, 2016	Three Months Ended December 27, 2014	Nine Months Ended January 2, 2016	Nine Months Ended December 27, 2014
Balance as of beginning of period	$10,413	$20,608	$10,312	$20,160
Total realized and unrealized gains (losses):				
Included in other comprehensive income (loss)	(302)	717	(201)	1,165
Sales and settlements, net (1)	—	(11,000)	—	(11,000)
Balance as of end of period	$10,111	$10,325	$10,111	$10,325

(1) During the first nine months of fiscal 2015, the Company redeemed $11.0 million of student loan auction rate securities for cash at par value. There was no redemption during the first nine months of fiscal 2016.

As of January 2, 2016, marketable securities measured at fair value using Level 3 inputs were comprised of $10.1 million of student loan auction rate securities. There was no material change to the input assumptions of the pricing model for these student loan auction securities.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company’s 2.625% Senior Convertible Debentures due June 15, 2017 (2017 Convertible Notes), 2.125% Notes due 2019 (2019 Notes) and 3.000% Notes due 2021 (2021 Notes) are measured at fair value on a quarterly basis for disclosure purposes. The fair values of the 2017 Convertible Notes, 2019 Notes and 2021 Notes as of January 2, 2016 were approximately $976.5 million, $497.3 million and $503.4 million, respectively, based on the last trading price of the respective debentures for the period (classified as Level 2 in fair value hierarchy due to relatively low trading volume).

Note 5. Financial Instruments

The following is a summary of cash equivalents and available-for-sale securities as of the end of the periods presented:

(In thousands)	January 2, 2016 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	March 28, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	$222,433	$—	$—	$222,433	$235,583	$—	$—	$235,583
Financial institution securities	328,945	—	—	328,945	304,999	—	—	304,999
Non-financial institution securities	673,436	38	(807)	672,667	429,005	25	(6)	429,024
Auction rate securities	10,500	—	(389)	10,111	10,500	—	(188)	10,312
Municipal bonds	65,920	577	(302)	66,195	49,064	744	(152)	49,656
U.S. government and agency securities	298,492	21	(196)	298,317	757,954	91	(129)	757,916

Foreign government and agency securities	136,384	—	(9)	136,375	197,932	—	—	197,932
Mortgage-backed securities	1,138,412	6,504	(10,768)	1,134,148	1,035,598	8,809	(4,171)	1,040,236
Asset-backed securities	213,908	635	(876)	213,667	211,487	1,130	(159)	212,458
Debt mutual funds	101,350	—	(13,233)	88,117	101,350	—	(6,150)	95,200
Bank loans	102,724	31	(103)	102,652	98,131	29	(60)	98,100
Commercial mortgage-backed securities	193,033	26	(2,658)	190,401	40,132	133	(325)	39,940
	$3,485,537	$7,832	$(29,341)	$3,464,028	$3,471,735	$10,961	$(11,340)	$3,471,356

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The following tables show the fair values and gross unrealized losses of the Company's investments, aggregated by investment category, for individual securities that have been in a continuous unrealized loss position for the length of time specified, as of January 2, 2016 and March 28, 2015:

	January 2, 2016					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Non-financial institution securities	$113,246	$(807)	$—	$—	$113,246	$(807)
Auction rate securities	—	—	10,111	(389)	10,111	(389)
Municipal bonds	24,009	(148)	3,408	(154)	27,417	(302)
U.S. government and agency securities	167,906	(196)	—	—	167,906	(196)
Foreign government and agency securities	9,986	(9)	—	—	9,986	(9)
Mortgage-backed securities	822,404	(9,365)	55,649	(1,403)	878,053	(10,768)
Asset-backed securities	154,782	(749)	25,470	(127)	180,252	(876)
Debt mutual funds	17,628	(2,372)	70,489	(10,861)	88,117	(13,233)
Bank loans	41,534	(64)	31,080	(39)	72,614	(103)
Commercial mortgage-backed securities	182,372	(2,038)	1,512	(620)	183,884	(2,658)
	$1,533,867	$(15,748)	$197,719	$(13,593)	$1,731,586	$(29,341)

	March 28, 2015					
	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Non-financial institution securities	$7,190	$(6)	$—	$—	$7,190	$(6)
Auction rate securities	—	—	10,312	(188)	10,312	(188)
Municipal bonds	10,014	(94)	1,931	(58)	11,945	(152)
U.S. government and agency securities	451,296	(129)	—	—	451,296	(129)
Mortgage-backed securities	442,786	(2,901)	48,263	(1,270)	491,049	(4,171)
Asset-backed securities	75,009	(159)	—	—	75,009	(159)
Debt mutual funds	38,608	(1,392)	56,592	(4,758)	95,200	(6,150)
Bank loans	65,085	(60)	—	—	65,085	(60)
Commercial mortgage-backed securities	5,984	(268)	944	(57)	6,928	(325)
	$1,095,972	$(5,009)	$118,042	$(6,331)	$1,214,014	$(11,340)

As of January 2, 2016, the gross unrealized losses that had been outstanding for less than twelve months were primarily related to mortgage-backed securities, debt mutual funds and commercial mortgage-backed securities due to the general rising of the interest-rate environment and foreign currency movement. The gross unrealized losses that had been outstanding for more than twelve months were primarily related to debt mutual funds and mortgage-backed securities, which were primarily due to the same reasons stated above. The percentage of the losses to the total estimated fair value of the Company's investments was insignificant.

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The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of January 2, 2016 and March 28, 2015 were temporary in nature as evidenced by the fluctuations in the gross unrealized losses within the investment categories. These investments are highly rated by the credit rating agencies and there have been no defaults on any of these securities, and we have received interest payments as they become due. Additionally, in the past several years a portion of the Company's investment in the mortgage-backed securities were redeemed or prepaid by the debtors at par. Furthermore, the aggregate of individual unrealized losses that had been outstanding for twelve months or more was not significant as of January 2, 2016 and March 28, 2015. The Company neither intends to sell these investments nor concludes that it is more-likely-than-not that it will have to sell them until recovery of their carrying values. The Company also believes that it will be able to collect both principal and interest amounts due to the Company at maturity, given the high credit quality of these investments and any related underlying collateral.

The amortized cost and estimated fair value of marketable debt securities (financial institution securities, non-financial institution securities, auction rate securities, municipal bonds, U.S. and foreign government and agency securities, mortgage-backed securities, asset-backed securities, bank loans and commercial mortgage-backed securities), by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

	January 2, 2016	
(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,232,756	$1,232,713
Due after one year through five years	503,374	501,371
Due after five years through ten years	272,546	271,353
Due after ten years	1,153,078	1,148,041
	$3,161,754	$3,153,478

As of January 2, 2016, $1.78 billion of marketable debt securities with contractual maturities of greater than one year were classified as short-term investments. Additionally, the above table did not include investments in money market and mutual funds because these funds do not have specific contractual maturities.

Certain information related to available-for-sale securities is as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Proceeds from sale of available-for-sale securities	$82,396	$478,562	$203,426	$774,406
Gross realized gains on sale of available-for-sale securities	$203	$4,759	$1,038	$7,838
Gross realized losses on sale of available-for-sale securities	(221)	(1,663)	(439)	(2,330)
Net realized gains (losses) on sale of available-for-sale securities	$(18)	$3,096	$599	$5,508
Amortization of premiums on available-for-sale securities	$6,906	$5,913	$20,417	$18,559

The cost of securities matured or sold is based on the specific identification method.

Note 6. Derivative Financial Instruments

The Company’s primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk and interest rate risk. As a result of the use of derivative financial instruments, the Company is exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations. The Company manages counterparty credit risk in derivative contracts by reviewing counterparty creditworthiness on a regular basis, establishing collateral requirement and limiting exposure to any single counterparty. The right of set-off that exists with certain transactions enables the Company to net amounts due to and from the counterparty, reducing the maximum loss from credit risk in the event of counterparty default.

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As of January 2, 2016 and March 28, 2015, the Company had the following outstanding forward currency exchange contracts (in notional amount), which were derivative financial instruments:

(In thousands and U.S. dollars)	January 2, 2016	March 28, 2015
Singapore Dollar	$26,620	$43,901
Euro	18,262	29,973
Indian Rupee	22,754	22,228
British Pound	11,749	12,946
Japanese Yen	3,338	4,994
	$82,723	$114,042

As part of the Company’s strategy to reduce volatility of operating expenses due to foreign exchange rate fluctuations, the Company employs a hedging program with a forward outlook of up to two years for major foreign-currency-denominated operating expenses. The outstanding forward currency exchange contracts expire at various dates through February 2017. The majority of net unrealized losses, which approximate the fair market value of the outstanding forward currency exchange contracts, are expected to be realized into net income within the next twelve months.

As of January 2, 2016, all of the forward foreign currency exchange contracts were designated and qualified as cash flow hedges and the effective portion of the gain or loss on the forward contracts was reported as a component of other comprehensive income (loss) and reclassified into net income in the same period during which the hedged transaction affects earnings. The estimated amount of such gains or losses as of January 2, 2016 that is expected to be reclassified into earnings was not material. The ineffective portion of the gains or losses on the forward contracts was included in the net income for all periods presented.

The Company may enter into forward foreign currency exchange contracts to hedge firm commitments such as acquisitions and capital expenditures. Gains and losses on foreign currency forward contracts that are designated as hedges of anticipated transactions, for which a firm commitment has been attained and the hedged relationship has been effective, are deferred and included in income or expenses in the same period that the underlying transaction is settled. Gains and losses on any instruments not meeting the above criteria are recognized in income or expenses in the consolidated statements of income as they are incurred.

The Company had the following derivative instruments as of January 2, 2016 and March 28, 2015, located on the condensed consolidated balance sheet, utilized for risk management purposes detailed above:

	Foreign Exchange Contracts			
	Asset Derivatives		Liability Derivatives	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
January 2, 2016	Prepaid expenses and other current assets	$446	Other accrued liabilities	$3,084
March 28, 2015	Prepaid expenses and other current assets	$—	Other accrued liabilities	$9,320

The Company does not offset or net the fair value amounts of derivative financial instruments in its condensed consolidated balance sheets. The potential effect of rights of set-off associated with the derivative financial instruments was not material to the Company's condensed consolidated balance sheet for all periods presented.

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The following table summarizes the effect of derivative instruments on the condensed consolidated statements of income for the third quarter and the first nine months of fiscal 2016 and 2015:

(In thousands)	Three Months Ended January 2, 2016	Three Months Ended December 27, 2014	Nine Months Ended January 2, 2016	Nine Months Ended December 27, 2014
Amount of losses recognized in other comprehensive income on derivative (effective portion of cash flow hedging)	$(1,470)	$(2,110)	$(5,035)	$(6,189)
Amount of losses reclassified from accumulated other comprehensive income into income (effective portion) *	$(2,166)	$(1,786)	$(6,110)	$(768)
Amount of gains (losses) recorded (ineffective portion) *	$7	$(3)	$(15)	$(16)

*Recorded in Interest and Other Expense location within the condensed consolidated statements of income.

Note 7. Stock-Based Compensation Plans

The Company's equity incentive plans are broad-based, long-term retention programs that cover employees, consultants and non-employee directors of the Company. These plans are intended to attract and retain talented employees, consultants and non-employee directors and to provide such persons with a proprietary interest in the Company.

Stock-Based Compensation

The following table summarizes stock-based compensation expense related to stock awards granted under the Company's equity incentive plans and rights to acquire stock granted under the Company's Employee Stock Purchase Plan (ESPP):

(In thousands)	Three Months Ended January 2, 2016	Three Months Ended December 27, 2014	Nine Months Ended January 2, 2016	Nine Months Ended December 27, 2014
Stock-based compensation included in:				
Cost of revenues	$2,145	$2,339	$5,872	$6,408
Research and development	16,935	14,909	44,561	40,245
Selling, general and administrative	12,383	11,806	34,031	33,247
	$31,463	$29,054	$84,464	$79,900

During the first nine months of fiscal 2016 and 2015, the tax benefits realized for the tax deduction from option exercises and other awards credited to additional paid-in capital were $8.5 million and $12.3 million, respectively.

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Employee Stock Option Plans

A summary of the Company’s option plans activity and related information is as follows:

	Options Outstanding	
(Shares in thousands)	Number of Shares	Weighted-Average Exercise Price Per Share
March 29, 2014	5,280	$25.22
Exercised	(2,009)	$25.80
Forfeited/cancelled/expired	(24)	$32.22
March 28, 2015	3,247	$24.81
Exercised	(1,503)	$24.43
Forfeited/cancelled/expired	(12)	$31.99
January 2, 2016	1,732	$25.09
Options exercisable at:		
January 2, 2016	1,705	$24.96
March 28, 2015	3,173	$24.59

The types of awards allowed under the 2007 Equity Incentive Plan (2007 Equity Plan) include incentive stock options, non-qualified stock options, restricted stock unit (RSU) awards, restricted stock and stock appreciation rights. To date, the Company has issued a mix of non-qualified stock options and RSUs under the 2007 Equity Plan. As of January 2, 2016, 13.0 million shares remained available for grant under the 2007 Equity Plan.
The total pre-tax intrinsic value of options exercised during the three and nine months ended January 2, 2016 was $8.3 million and $31.6 million, respectively. The total pre-tax intrinsic value of options exercised during the three and nine months ended December 27, 2014 was $11.7 million and $27.7 million, respectively.
This intrinsic value represents the difference between the exercise price and the fair market value of the Company’s common stock on the date of exercise.

The Company's stock-based compensation expense relating to options during the first nine months of fiscal 2016 and 2015 was not material.

RSU Awards

A summary of the Company’s RSU activity and related information is as follows:

	RSUs Outstanding	
(Shares in thousands)	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
March 29, 2014	6,901	$35.08
Granted	3,201	$43.11
Vested	(2,698)	$33.82
Cancelled	(531)	$32.91
March 28, 2015	6,873	$39.07
Granted	2,889	$41.24
Vested	(2,287)	$37.16
Cancelled	(517)	$39.77
January 2, 2016	6,958	$40.54

The estimated fair values of RSU awards were calculated based on the market price of Xilinx common stock on the date of grant, reduced by the present value of dividends expected to be paid on Xilinx common stock prior to vesting. The per share weighted-

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average fair value of RSUs granted during the third quarter of fiscal 2016 was $43.41 ($40.76 for the third quarter of fiscal 2015), and for the first nine months of fiscal 2016 was $41.24 ($43.76 for the first nine months of fiscal 2015), which were calculated based on estimates at the date of grant using the following weighted-average assumptions:

	Three Months Ended				Nine Months Ended			
	January 2, 2016		December 27, 2014		January 2, 2016		December 27, 2014	
Risk-free interest rate	1.3	%	1.3	%	1.3	%	0.7	%
Dividend yield	2.7	%	2.7	%	2.8	%	2.4	%

For the majority of RSUs granted, the number of shares of common stock issued on the date the RSU awards vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. In the condensed consolidated statement of cash flows, these amounts have been included as a reduction in the cash proceeds from issuance of common stock under our various stock plans. During the first nine months of fiscal 2016 and 2015, we withheld $29.8 million and $33.2 million worth of RSU awards, respectively, to satisfy the employees' tax obligations.

Employee Stock Purchase Plan

Under the ESPP, shares are only issued during the second and fourth quarters of each fiscal year. Employees purchased 438 thousand shares for $14.5 million during the second quarter of fiscal 2016 and 446 thousand shares for $14.9 million in the second quarter of fiscal 2015. The per-share weighted-average fair value of stock purchase rights granted under the ESPP during the second quarter of fiscal 2016 and 2015 was $9.78 and $9.75, respectively. The fair values of stock purchase plan rights granted in the second quarter of fiscal 2016 and 2015 were estimated using the Black-Scholes option pricing model at the date of grant using the following assumptions:

	2016		2015	
Expected life of options (years)	1.25		1.25	
Expected stock price volatility	0.25		0.25	
Risk-free interest rate	0.4	%	0.2	%
Dividend yield	3.0	%	2.8	%

The next scheduled purchase under the ESPP is in the fourth quarter of fiscal 2016. As of January 2, 2016, 10.1 million shares were available for future issuance under the ESPP.

Note 8. Net Income Per Common Share

The computation of basic net income per common share for all periods presented is derived from the information on the condensed consolidated statements of income, and there are no reconciling items in the numerator used to compute diluted net income per common share. The following table summarizes the computation of basic and diluted net income per common share:

	Three Months Ended		Nine Months Ended	
(In thousands, except per share amounts)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Net income available to common stockholders	$130,819	$168,466	$405,833	$513,593
Weighted average common shares outstanding-basic	256,450	262,881	257,491	266,299
Dilutive effect of employee equity incentive plans	2,538	3,138	2,416	3,463
Dilutive effect of 2017 Convertible Notes and warrants	10,623	7,776	8,809	7,947
Weighted average common shares outstanding-diluted	269,611	273,795	268,716	277,709
Basic earnings per common share	$0.51	$0.64	$1.58	$1.93
Diluted earnings per common share	$0.49	$0.62	$1.51	$1.85

The total shares used in the denominator of the diluted net income per common share calculation includes potentially dilutive common equivalent shares outstanding that are not included in basic net income per common share by applying the treasury stock method to the impact of the equity incentive plans and to the incremental shares issuable assuming conversion of the Company's convertible debt and warrants (see "Note 10. Debt and Credit Facility" for more discussion of the Company's debt and warrants).

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Outstanding stock options and RSUs under the Company's stock award plans to purchase approximately 222 thousand and 3.7 million shares, for the third quarter and the first nine months of fiscal 2016, respectively, were excluded from diluted net income per common share by applying the treasury stock method, as their inclusion would have been anti-dilutive. These options and RSUs could be dilutive in the future if the Company's average share price increases and is greater than the combined exercise prices and the unamortized fair values of these options and RSUs.

To hedge against potential dilution upon conversion of the 2017 Convertible Notes, the Company also purchased call options on its common stock from the hedge counter-parties. The call options give the Company the right to purchase up to 20.5 million shares of its common stock at $29.26 per share. These call options are not considered for purposes of calculating the total shares outstanding under the basic and diluted net income per share, as their effect would be anti-dilutive. Upon exercise, the call options would serve to neutralize the dilutive effect of the 2017 Convertible Notes and potentially reduce the weighted number of diluted shares used in per share calculations.

Note 9. Inventories

Inventories are stated at the lower of actual cost (determined using the first-in, first-out method), or market (estimated NRV) and are comprised of the following:

(In thousands)	January 2, 2016	March 28, 2015
Raw materials	$13,707	$14,174
Work-in-process	141,529	183,472
Finished goods	40,733	33,682
	$195,969	$231,328

Note 10. Debt and Credit Facility

2017 Convertible Notes

As of January 2, 2016, the Company had $600.0 million principal amount of 2017 Convertible Notes outstanding. The 2017 Convertible Notes are senior in right of payment to the Company's existing and future unsecured indebtedness that is expressly subordinated in right of payment to the 2017 Convertible Notes, and are ranked equally with all of our other existing and future unsecured senior indebtedness, including the 2019 and 2021 Notes discussed below. The Company may not redeem the 2017 Convertible Notes prior to maturity.

The 2017 Convertible Notes are convertible, subject to certain conditions, into shares of Xilinx common stock at a conversion rate of 34.1754 shares of common stock per $1 thousand principal amount of the 2017 Convertible Notes, representing an effective conversion price of approximately $29.26 per share of common stock. The conversion rate is subject to adjustment for certain events as outlined in the indenture governing the 2017 Convertible Notes, but will not be adjusted for accrued interest. One of the conditions allowing holders of the 2017 Convertible Notes to convert during any fiscal quarter is if the last reported sale price of the Company's common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day. This condition was met as of January 2, 2016 and as a result, the 2017 Convertible Notes were convertible at the option of the holders. As of January 2, 2016, the 2017 Convertible Notes were classified as a current liability on the Company's condensed consolidated balance sheet. Additionally, a portion of the equity component attributable to the conversion feature of the 2017 Convertible Notes was classified in temporary stockholders' equity. The amount classified as temporary equity was equal to the difference between the principal amount and carrying value of the 2017 Convertible Notes.

Upon conversion, the Company would pay the holders of the 2017 Convertible Notes cash up to the aggregate principal amount of the 2017 Convertible Notes. If the conversion value exceeds the principal amount, the Company would deliver shares of its common stock in respect to the remainder of its conversion obligation in excess of the aggregate principal amount (conversion spread). Accordingly, there is no adjustment to the numerator in the net income per common share computation for the cash settled portion of the 2017 Convertible Notes, as that portion of the debt liability will always be settled in cash. The conversion spread is included in the denominator for the computation of diluted net income per common share, using the treasury stock method.

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The carrying values of the liability and equity components of the 2017 Convertible Notes are reflected in the Company's condensed consolidated balance sheets as follows:

(In thousands)	January 2, 2016	March 28, 2015
Liability component:		
Principal amount of the 2017 Convertible Notes	$600,000	$600,000
Unamortized discount of liability component	(22,021)	(33,679)
Hedge accounting adjustment – sale of interest rate swap	6,364	9,732
Net carrying value of the 2017 Convertible Notes	$584,343	$576,053
Equity component (including temporary equity) – net carrying value	$66,415	$66,415

The remaining unamortized debt discount, net of the hedge accounting adjustment from the previous sale of the interest rate swap, is being amortized as additional non-cash interest expense over the expected remaining term of the 2017 Convertible Notes. As of January 2, 2016, the remaining term of the 2017 Convertible Notes is 1.5 years. As of January 2, 2016, the if-converted value of the 2017 Convertible Notes was $990.8 million.

Interest expense related to the 2017 Convertible Notes was included in interest and other expense, net on the condensed consolidated statements of income as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Contractual coupon interest	$3,938	$3,938	$11,813	$11,813
Amortization of debt issuance costs	362	362	1,086	1,086
Amortization of debt discount, net	2,763	2,763	8,289	8,289
Total interest expense related to the 2017 Convertible Notes	$7,063	$7,063	$21,188	$21,188

To hedge against potential dilution upon conversion of the 2017 Convertible Notes, the Company purchased call options on its common stock from the hedge counter parties. The call options give the Company the right to purchase up to 20.5 million shares of its common stock at $29.26 per share. The call options will terminate upon the earlier of the maturity of the 2017 Convertible Notes or the last day any of the 2017 Convertible Notes remain outstanding. To reduce the hedging cost, under separate transactions the Company sold warrants to the hedge counter parties, which give the hedge counter parties the right to purchase up to 20.5 million shares of the Company's common stock at $41.45 per share. These warrants expire on a gradual basis over a specified period starting on September 13, 2017.

2019 and 2021 Notes

On March 12, 2014, the Company issued $500.0 million principal amount of 2019 Notes and $500.0 million principal amount of 2021 Notes with maturity dates of March 15, 2019 and March 15, 2021 respectively. The 2019 and 2021 Notes were offered to the public at a discounted price of 99.477% and 99.281% of par, respectively. Interest on the 2019 and 2021 Notes is payable semiannually on March 15 and September 15.

The Company received net proceeds of $990.1 million from issuance of the 2019 and 2021 Notes, after the debt discounts and deduction of debt issuance costs. The debt discounts and issuance costs are amortized to interest expense over the terms of the 2019 and 2021 Notes.

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The following table summarizes the carrying value of the 2019 and 2021 Notes as of January 2, 2016 and March 28, 2015:

(In thousands)	January 2, 2016	March 28, 2015
Principal amount of the 2019 Notes	$500,000	$500,000
Unamortized discount of the 2019 Notes	(1,689)	(2,073)
Principal amount of the 2021 Notes	500,000	500,000
Unamortized discount of the 2021 Notes	(2,727)	(3,088)
Total carrying value	$995,584	$994,839

Interest expense related to the 2019 and 2021 Notes was included in interest and other expense, net on the condensed consolidated statements of income as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Contractual coupon interest	$6,406	$6,406	$19,219	$19,219
Amortization of debt issuance costs	146	146	439	436
Amortization of debt discount, net	251	244	745	725
Total interest expense related to the 2019 and 2021 Notes	$6,803	$6,796	$20,403	$20,380

Revolving Credit Facility

On December 7, 2011, the Company entered into a $250.0 million senior unsecured revolving credit facility with a syndicate of banks (expiring in December 2016). Borrowings under the credit facility will bear interest at a benchmark rate plus an applicable margin based upon the Company’s credit rating. In connection with the credit facility, the Company is required to maintain certain financial and nonfinancial covenants. As of January 2, 2016, the Company had made no borrowings under this credit facility and was not in violation of any of the covenants.

Note 11. Common Stock Repurchase Program

The Board of Directors has approved stock repurchase programs enabling the Company to repurchase its common stock in the open market or through negotiated transactions with independent financial institutions. In November 2014, the Board authorized the repurchase of $800.0 million of the Company's common stock (2014 Repurchase Program). The 2014 Repurchase Program has no stated expiration date.

Through January 2, 2016, the Company had used $452.6 million of the $800.0 million authorized under the 2014 Repurchase Program, leaving $347.4 million available for future repurchases. The Company’s current policy is to retire all repurchased shares, and consequently, no treasury shares were held as of January 2, 2016 and March 28, 2015.

During the first nine months of fiscal 2016, the Company repurchased 6.7 million shares of common stock in the open market for a total of $300.0 million. During the first nine months of fiscal 2015, the Company repurchased 11.0 million shares of common stock in the open market for a total of $475.0 million.

Note 12. Interest and Other Expense, Net

The components of interest and other expense, net are as follows:

	Three Months Ended		Nine Months Ended	
(In thousands)	January 2, 2016	December 27, 2014	January 2, 2016	December 27, 2014
Interest income	$12,640	$11,375	$28,739	$28,268

Interest expense	(13,866)	(13,859)	(41,591)	(41,567)
Other expense, net	(3,827)	(1,523)	(11,941)	(2,661)
	$(5,053)	$(4,007)	$(24,793)	$(15,960)

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Note 13. Accumulated Other Comprehensive Loss

Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances from non-owner sources. The components of accumulated other comprehensive loss are as follows:

(In thousands)	January 2, 2016	March 28, 2015
Accumulated unrealized losses on available-for-sale securities, net of tax	$(13,517)	$(238)
Accumulated unrealized losses on hedging transactions, net of tax	(2,487)	(7,523)
Accumulated cumulative translation adjustment, net of tax	(5,385)	(3,388)
Accumulated other comprehensive loss	$(21,389)	$(11,149)

The related tax effects of other comprehensive loss were not material for all periods presented.

Note 14. Income Taxes

The Company recorded tax provisions of $24.2 million and $61.2 million for the third quarter and the first nine months of fiscal 2016, respectively, representing an effective tax rate of 16% and 13%, respectively. The Company recorded tax provisions of $17.5 million and $67.0 million for the third quarter and the first nine months of fiscal 2015, respectively, representing effective tax rates of 9% and 12%, respectively.

The difference between the U.S. federal statutory tax rate of 35% and the Company’s effective tax rate in all periods is primarily due to income earned in lower tax rate jurisdictions, for which no U.S. income tax has been provided, as the Company intends to permanently reinvest these earnings outside of the U.S.

The Company’s total gross unrecognized tax benefits as of January 2, 2016, determined in accordance with FASB authoritative guidance for measuring uncertain tax positions, increased by $2.4 million in the third quarter of fiscal 2016 to $32.4 million. The total amount of unrecognized tax benefits that, if realized in a future period, would favorably affect the effective tax rate was $14.8 million as of January 2, 2016. It is reasonably possible that changes to our unrecognized tax benefits could be significant in the next twelve months due to tax audit settlements and lapses of statutes of limitation. As a result of uncertainties regarding tax audit settlements and their possible outcomes, an estimate of the range of increase or decrease that could occur in the next twelve months cannot be made.

The Company’s policy is to include interest and penalties related to income tax liabilities within the provision for income taxes on the condensed consolidated statements of income. The balance of accrued interest and penalties recorded in the condensed consolidated balance sheets and the amounts of interest and penalties included in the Company's provision for income taxes were not material for all periods presented.

The Company is no longer subject to U.S. federal audits by taxing authorities for years through fiscal 2011. The Company is no longer subject to U.S. state audits for years through fiscal 2010. The Company is no longer subject to tax audits in Ireland for years through fiscal 2011.

The Company is currently under examination by the IRS for fiscal years 2012 through 2014. The Company believes that its allowances for income tax contingencies are adequate and does not anticipate a significant change in its income tax contingencies as a result of the IRS audit.

Note 15. Commitments

Xilinx leases some of its facilities and office buildings under non-cancelable operating leases that expire at various dates through October 2021. Additionally, Xilinx entered into a land lease in conjunction with the Company’s building in Singapore, which will expire in November 2035 and the lease cost was settled in an up-front payment in June 2006. Some of the operating leases for facilities and office buildings require payment of operating costs, including property taxes, repairs, maintenance and insurance. Most of the Company’s leases contain renewal options for varying terms. Approximate future minimum lease payments under non-cancelable operating leases are as follows:

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Fiscal	(In thousands)
2016 (remaining three months)	$ 1,220
2017	4,268
2018	3,061
2019	2,812
2020	2,000
Thereafter	2,210
Total	$ 15,571

Aggregate future rental income to be received from owned property, totaled $2.7 million as of January 2, 2016. Rent expense, net of rental income, under all operating leases was $1.2 million and $3.3 million for the three and nine months ended January 2, 2016, respectively. Rent expense, net of rental income, under all operating leases was $792 thousand and $2.4 million for the three and nine months ended December 27, 2014, respectively. Rental income was not material for the third quarter and the first nine months of fiscal 2016 and 2015.
Other commitments as of January 2, 2016 totaled $95.5 million and consisted of purchases of inventory and other non-cancelable purchase obligations related to subcontractors that manufacture silicon wafers and provide assembly and test services. The Company expects to receive and pay for these materials and services in the next three to six months, as the products meet delivery and quality specifications. As of January 2, 2016, the Company had $49.4 million of non-cancelable license obligations to providers of electronic design automation software and hardware/software maintenance expiring at various dates through December 2018. As of January 2, 2016, the Company also had open purchase obligations totaling $24.4 million related to the renovation of one of its properties.

Note 16. Product Warranty and Indemnification

The Company generally sells products with a limited warranty for product quality. The Company provides an accrual for known product issues if a loss is probable and can be reasonably estimated. As of the end of the third quarter of fiscal 2016 and the end of fiscal 2015, the accrual balance of the product warranty liability was immaterial.

The Company offers, subject to certain terms and conditions, to indemnify customers and distributors for costs and damages awarded against these parties in the event the Company’s hardware products are found to infringe third-party intellectual property rights, including patents, copyrights or trademarks, and to compensate certain customers for limited specified costs they actually incur in the event our hardware products experience epidemic failure. To a lesser extent, the Company may from time-to-time offer limited indemnification with respect to its software products. The terms and conditions of these indemnity obligations are limited by contract, which obligations are typically perpetual from the effective date of the agreement. The Company has historically received only a limited number of requests for indemnification under these provisions and has not made any significant payments pursuant to these provisions. The Company cannot estimate the maximum amount of potential future payments, if any, that the Company may be required to make as a result of these obligations due to the limited history of indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. However, there can be no assurances that the Company will not incur any financial liabilities in the future as a result of these obligations.

Note 17. Contingencies

Patent Litigation

On November 7, 2014, the Company filed a complaint for declaratory judgment against Papst Licensing GmbH & Co., KG (Papst) in the U.S. District Court for the Northern District of California (Xilinx, Inc. v. Papst Licensing GmbH & Co., KG, Case No. 3:14-CV-04963) (the California Action). On the same date, a patent infringement lawsuit was filed by Papst against the Company in the U.S. District Court for the District of Delaware (Papst Licensing GmbH & Co., KG v. Xilinx, Inc., Case No. 1:14-CV-01376) (the Delaware Action). Both the California Action and the Delaware Action pertain to the same two patents. In the Delaware Action, Papst seeks unspecified damages, interest and costs. On July 9, 2015, the Court in the California Action granted Papst's motion to dismiss for lack of personal jurisdiction and the California Action was dismissed. The Company has filed its opening brief, accompanied by three amicus briefs supported by industry and academia, in its appeal of the dismissal of the California Action to the U.S. Court of Appeals for the Federal Circuit. On September 1, 2015, the Court in the Delaware Action granted the Company's motion to transfer the Delaware Action to the U.S. District Court for the Northern District of California. Papst has filed an objection to that order. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

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On July 17, 2014, a patent infringement lawsuit was filed by PLL Technologies, Inc. (PTI) against the Company in the U.S. District Court for the District of Delaware (PLL Technologies, Inc. v. Xilinx, Inc., Case No. 1:14-CV-00945). On April 28, 2015, the United States Patent Trial and Appeal Board (PTAB) granted Xilinx's request for inter partes review (IPR) with respect to all claims in the litigation. An oral hearing in the IPR was held before the PTAB on January 26, 2016. On May 5, 2015, the Court ordered the litigation be stayed pending final resolution of the IPR. The lawsuit pertains to one patent and PTI seeks unspecified damages, interest and costs. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

On May 22, 2015, a patent infringement lawsuit was filed by QuickCompile IP, LLC (QuickCompile) against the Company in the U.S. District Court for the Eastern District of Texas (QuickCompile IP, LLC v. Xilinx, Inc., Case No. 2:15-CV-00820). The lawsuit pertains to two patents and QuickCompile seeks unspecified damages, interest and costs. The Company is unable to estimate its range of possible loss, if any, in this matter at this time.

The Company intends to continue to protect and defend our Intellectual Property (IP) vigorously.

Other Matters