XILINX INC
Form 10-Q
July 28, 2014

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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 June 28, 2014

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 July 18, 2014
Common Stock, $.01 par value	268,481,840

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PART I. FINANCIAL INFORMATION

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

	Three Months Ended	
(In thousands, except per share amounts)	June 28, 2014	June 29, 2013
Net revenues	$612,633	$578,955
Cost of revenues	189,189	179,700
Gross margin	423,444	399,255
Operating expenses:		
Research and development	122,013	111,541
Selling, general and administrative	92,513	92,387
Amortization of acquisition-related intangibles	2,418	2,418
Total operating expenses	216,944	206,346
Operating income	206,500	192,909
Interest and other expense, net	6,222	9,930
Income before income taxes	200,278	182,979
Provision for income taxes	26,667	25,956
Net income	$173,611	$157,023
Net income per common share:		
Basic	$0.65	$0.59
Diluted	$0.62	$0.56
Cash dividends per common share	$0.29	$0.25
Shares used in per share calculations:		
Basic	267,648	264,153
Diluted	281,579	280,291

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
(In thousands)	June 28, 2014	June 29, 2013
Net income	$173,611	$157,023
Other comprehensive income (loss), net of tax:		
Change in net unrealized gains (losses) on available-for-sale securities	7,959	(16,924)
Reclassification adjustment for gains on available-for-sale securities	(391)	(322)
Net change in unrealized gains (losses) on hedging transactions	542	(1,508)
Reclassification adjustment for (gains) losses on hedging transactions	(807)	706
Cumulative translation adjustment, net	171	(694)
Other comprehensive income (loss)	7,474	(18,742)
Total comprehensive income	$181,085	$138,281

See notes to condensed consolidated financial statements.

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XILINX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	June 28, 2014	March 29, 2014 [1]
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$625,032	$973,677
Short-term investments	1,860,175	1,483,644
Accounts receivable, net	281,335	267,833
Inventories	256,791	233,999
Deferred tax assets	77,325	56,166
Prepaid expenses and other current assets	68,041	51,828
Total current assets	3,168,699	3,067,147
Property, plant and equipment, at cost:	817,844	810,030
Accumulated depreciation and amortization	(467,108)	(454,941)
Net property, plant and equipment	350,736	355,089
Long-term investments	1,109,645	1,190,775
Goodwill	159,296	159,296
Acquisition-related intangibles, net	26,449	28,867
Other assets	239,394	236,175
Total Assets	$5,054,219	$5,037,349
LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$99,572	$149,695
Accrued payroll and related liabilities	147,272	157,373
Income taxes payable	17,578	12,936
Deferred income on shipments to distributors	69,258	55,099
Other accrued liabilities	32,404	49,256
Current portion of long-term debt	567,764	565,001
Total current liabilities	933,848	989,360
Long-term debt	994,110	993,870
Deferred tax liabilities	283,492	253,433
Long-term income taxes payable	11,581	11,470
Other long-term liabilities	1,588	1,535
Commitments and contingencies	—	—
Temporary equity (Note 10)	32,236	34,999
Stockholders' equity:		
Preferred stock, $.01 par value (none issued)	—	—
Common stock, $.01 par value	2,671	2,686
Additional paid-in capital	788,016	805,073
Retained earnings	1,999,751	1,945,471
Accumulated other comprehensive income (loss)	6,926	(548)
Total stockholders’ equity	2,797,364	2,752,682
Total Liabilities, Temporary Equity and Stockholders’ Equity	$5,054,219	$5,037,349

[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)

	Three Months Ended	
(In thousands)	June 28, 2014	June 29, 2013
Cash flows from operating activities:		
Net income	$173,611	$157,023
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,468	14,033
Amortization	5,205	4,885
Stock-based compensation	22,106	20,954
Net gain on sale of available-for-sale securities	(670)	(107)
Amortization of debt discounts	3,003	4,025
Provision for deferred income taxes	5,789	22,736
Excess tax benefit from stock-based compensation	(2,660)	(2,021)
Others	—	53
Changes in assets and liabilities:		
Accounts receivable, net	(13,501)	(38,978)
Inventories	(22,879)	14,373
Prepaid expenses and other current assets	(4,751)	(1,050)
Other assets	(5,188)	(5,020)
Accounts payable	(50,123)	(3,525)
Accrued liabilities	(12,389)	11,209
Income taxes payable	4,939	(58,961)
Deferred income on shipments to distributors	14,159	4,580
Net cash provided by operating activities	130,119	144,209
Cash flows from investing activities:		
Purchases of available-for-sale securities	(874,367)	(1,213,461)
Proceeds from sale and maturity of available-for-sale securities	570,043	961,538
Purchases of property, plant and equipment	(9,116)	(11,301)
Other investing activities	(3,742)	36,921
Net cash used in investing activities	(317,182)	(226,303)
Cash flows from financing activities:		
Repurchases of common stock	(101,016)	—
Proceeds from issuance of common stock through various stock plans, net	14,195	31,936
Payment of dividends to stockholders	(77,421)	(66,007)
Excess tax benefit from stock-based compensation	2,660	2,021
Net cash used in financing activities	(161,582)	(32,050)
Net decrease in cash and cash equivalents	(348,645)	(114,144)
Cash and cash equivalents at beginning of period	973,677	623,558
Cash and cash equivalents at end of period	$625,032	$509,414
Supplemental disclosure of cash flow information:		
Interest paid	$7,875	$7,875
Income taxes paid, net	$15,856	$62,236

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 29, 2014. 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 March 28, 2015 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2015 and 2014 are 52-week year ending on March 28, 2015 and March 29, 2014, respectively. The quarters ended June 28, 2014 and June 29, 2013 each included 13 weeks.

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 and IFRS 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. The standard is effective for Xilinx beginning in fiscal year 2018, with no option to early adopt under US GAAP. 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.

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 June 28, 2014 and March 29, 2014, Avnet accounted for 63% and 55% of the Company’s total net accounts receivable, respectively. Resale of product through Avnet accounted for 42% and 49% of the Company’s worldwide net revenues in the first quarter of fiscal 2015 and 2014, respectively. The percentage of accounts receivable due from Avnet and the percentage of worldwide net revenues from Avnet are consistent with historical patterns.

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 first quarter of fiscal 2015 and 2014.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing more than 82% 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 June 28, 2014, approximately 35% 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.

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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 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 quarter of fiscal 2015 and the Company did not adjust or override any fair value measurements as of June 28, 2014.

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. agency securities, foreign government and agency securities, mortgage-backed securities and debt mutual funds. 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 June 28, 2014 and March 29, 2014:

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(In thousands)	June 28, 2014 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 and cash equivalents:				
Money market funds	$174,031	$—	$—	$174,031
Financial institution securities	—	124,986	—	124,986
Non-financial institution securities	—	120,984	—	120,984
U.S. government and agency securities	25,000	—	—	25,000
Foreign government and agency securities	—	94,992	—	94,992
Short-term investments:				
Financial institution securities	—	129,983	—	129,983
Non-financial institution securities	—	317,015	—	317,015
Municipal bonds	—	23,495	—	23,495
U.S. government and agency securities	433,169	99,634	—	532,803
Foreign government and agency securities	—	315,898	—	315,898
Mortgage-backed securities	—	442,571	—	442,571
Debt mutual funds	—	40,703	—	40,703
Bank loans	—	57,707	—	57,707
Long-term investments:				
Non-financial institution securities	—	188,007	—	188,007
Auction rate securities	—	—	20,704	20,704
Municipal bonds	—	15,346	—	15,346
U.S. government and agency securities	4,948	31,951	—	36,899
Mortgage-backed securities	—	789,964	—	789,964
Debt mutual fund	—	58,725	—	58,725
Derivative financial instruments, net	—	1,311	—	1,311
Total assets measured at fair value	$637,148	$2,853,272	$20,704	$3,511,124

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(In thousands)	March 29, 2014 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 and cash equivalents:				
Money market funds	$213,988	$—	$—	$213,988
Financial institution securities	—	131,990	—	131,990
Non-financial institution securities	—	319,970	—	319,970
U.S. government and agency securities	69,998	—	—	69,998
Foreign government and agency securities	—	194,984	—	194,984
Short-term investments:				
Financial institution securities	—	234,916	—	234,916
Non-financial institution securities	—	226,828	—	226,828
Municipal Bonds	—	15,780	—	15,780
U.S. government and agency securities	349,023	89,422	—	438,445
Foreign government and agency securities	—	159,951	—	159,951
Mortgage-backed securities	—	387,508	—	387,508
Debt mutual fund	—	20,216	—	20,216
Long-term investments:				
Non-financial institution securities	—	209,274	—	209,274
Auction rate securities	—	—	20,160	20,160
Municipal bonds	—	15,986	—	15,986
U.S. government and agency securities	4,950	36,126	—	41,076
Mortgage-backed securities	—	847,581	—	847,581
Debt mutual fund	—	56,698	—	56,698
Derivative financial instruments, net	—	1,713	—	1,713
Total assets measured at fair value	$637,959	$2,948,943	$20,160	$3,607,062

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):

	Three Months Ended	
(In thousands)	June 28, 2014	June 29, 2013
Balance as of beginning of period	$20,160	$27,610
Total realized and unrealized gains (losses):		
Included in interest and other expense, net	—	(75)
Included in other comprehensive income	544	846
Sales and settlements, net (1)	—	(300)
Balance as of end of period	$20,704	$28,081

(1)

During the first quarter of fiscal 2014, the Company redeemed $300 thousand of student loan auction rate securities, respectively, for cash at par value. There was no redemption during the first quarter of fiscal 2015.

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The amount of total losses included in net income attributable to the change in unrealized losses relating to assets and liabilities still held as of the end of the period are summarized as follows:

	Three Months Ended	
(In thousands)	June 28, 2014	June 29, 2013
Included in interest and other expense, net	$—	$(75)

As of June 28, 2014, marketable securities measured at fair value using Level 3 inputs were comprised of $20.7 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.

The 2037 Convertible Notes, which were fully redeemed on March 12, 2014 (see "Note 10. Debt and Credit Facility"), included embedded features that qualify as an embedded derivative, and was separately accounted for as a discount on the 2037 Convertible Notes. Its fair value was established at the inception of the 2037 Convertible Notes. Prior to the redemption, each quarter, the change in the fair value of the embedded derivative, if any, was recorded in the consolidated statements of income. The Company used a derivative valuation model to derive the value of the embedded derivative. Key inputs into this valuation model were the Company's current stock price, risk-free interest rates, the stock dividend yield, the stock volatility and the 2037 Convertible Notes' credit spread over London Interbank Offered Rate. The first three inputs were based on observable market data and were considered Level 2 inputs while the last two inputs required management judgment and were Level 3 inputs.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company's 2017 Convertible Notes, 2019 Notes and 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 June 28, 2014 were approximately $1.00 billion, $501.7 million and $505.9 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).

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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)	June 28, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	March 29, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	$174,031	$—	$—	$174,031	$213,988	$—	$—	$213,988
Financial institution securities	254,969	—	—	254,969	366,906	—	—	366,906
Non-financial institution securities	621,880	4,470	(344)	626,006	753,888	3,428	(1,244)	756,072
Auction rate securities	21,500	—	(796)	20,704	21,500	—	(1,340)	20,160
Municipal bonds	38,164	820	(143)	38,841	31,367	604	(205)	31,766
U.S. government and agency securities	593,637	1,145	(80)	594,702	548,568	1,135	(184)	549,519
Foreign government and agency securities	410,896	—	(6)	410,890	354,935	—	—	354,935
Mortgage-backed securities	1,225,050	14,355	(6,870)	1,232,535	1,234,237	11,380	(10,528)	1,235,089
Debt mutual funds	101,350	703	(2,625)	99,428	81,350	216	(4,652)	76,914
Bank loans	57,667	105	(65)	57,707	—	—	—	—
	$3,499,144	$21,598	$(10,929)	$3,509,813	$3,606,739	$16,763	$(18,153)	$3,605,349

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 June 28, 2014 and March 29, 2014:

	June 28, 2014					
	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	$32,613	$(84)	$19,902	$(260)	$52,515	$(344)
Auction rate securities	—	—	20,704	(796)	20,704	(796)
Municipal bonds	4,026	(6)	4,603	(137)	8,629	(143)
U.S. government and agency securities	250,910	(31)	4,369	(49)	255,279	(80)
Foreign government and agency securities	124,968	(6)	—	—	124,968	(6)
Mortgage-backed securities	234,724	(2,223)	274,363	(4,647)	509,087	(6,870)

Debt mutual fund	—	—	58,724	(2,625)	58,724	(2,625)
Bank loans	30,097	(65)	—	—	30,097	(65)
	$677,338	$(2,415)	$382,665	$(8,514)	$1,060,003	$(10,929)

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	March 29, 2014					
	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	$112,470	$(1,167)	$4,488	$(77)	$116,958	$(1,244)
Auction rate securities	—	—	20,160	(1,340)	20,160	(1,340)
Municipal bonds	5,917	(166)	1,743	(39)	7,660	(205)
U.S. government and agency securities	118,125	(184)	—	—	118,125	(184)
Mortgage-backed securities	457,903	(7,225)	132,376	(3,303)	590,279	(10,528)
Debt mutual fund	56,698	(4,652)	—	—	56,698	$(4,652)
	$751,113	$(13,394)	$158,767	$(4,759)	$909,880	$(18,153)

As of June 28, 2014, the gross unrealized losses that had been outstanding for less than twelve months were primarily related to mortgage-backed securities due to the general rising of the interest-rate environment, although the percentage of such losses to the total estimated fair value of the mortgage-backed securities was relatively insignificant. The gross unrealized losses that had been outstanding for more than twelve months were primarily related to mortgage-backed securities and debt mutual fund, which were primarily due to the general rising of the interest-rate environment, and failed auction rate securities, which were due to adverse conditions in the global credit markets during the past five years.

The Company reviewed the investment portfolio and determined that the gross unrealized losses on these investments as of June 28, 2014 and March 29, 2014 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 auction rate securities and 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 June 28, 2014 and March 29, 2014. 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 and 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.

	June 28, 2014	
(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$1,464	$1,464
Due after one year through five years	474	478
Due after five years through ten years	287	289
Due after ten years	999	1,005
	$3,224	$3,236

As of June 28, 2014, $762.4 million 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:

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	Three Months Ended	
(In thousands)	June 28, 2014	June 29, 2013
Proceeds from sale of available-for-sale securities	$59,581	$95,139
Gross realized gains on sale of available-for-sale securities	$837	$1,101
Gross realized losses on sale of available-for-sale securities	(167)	(994)
Net realized gains (losses) on sale of available-for-sale securities	$670	$107
Amortization of premiums on available-for-sale securities	$6,233	$7,159

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.

As of June 28, 2014 and March 29, 2014, the Company had the following outstanding forward currency exchange contracts (in notional amount), which were derivative financial instruments:

(In thousands and U.S. dollars)	June 28, 2014	March 29, 2014
Singapore Dollar	$60,052	$60,551
Euro	48,558	46,062
Indian Rupee	20,919	18,631
British Pound	12,874	12,056
Japanese Yen	9,489	9,273
	$151,892	$146,573

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 May 2016. The net unrealized gains, which approximate the fair market value of the outstanding forward currency exchange contracts, are expected to be realized into net income within the next two years.

As of June 28, 2014, 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 June 28, 2014 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 June 28, 2014 and March 29, 2014, located on the condensed consolidated balance sheet, utilized for risk management purposes detailed above:

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	Foreign Exchange Contracts			
	Asset Derivatives		Liability Derivatives	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
June 28, 2014	Prepaid expenses and other current assets	$1,986	Other accrued liabilities	$675
March 29, 2014	Prepaid expenses and other current assets	$2,648	Other accrued liabilities	$935

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.

The following table summarizes the effect of derivative instruments on the condensed consolidated statements of income for first quarter of fiscal 2015 and 2014:

	Three Months Ended	
(In thousands)	June 28, 2014	June 29, 2013
Amount of losses recognized in other comprehensive income on derivative (effective portion of cash flow hedging)	$(265)	$(802)
Amount of (gains) losses reclassified from accumulated other comprehensive income into income (effective portion) *	$807	$(706)
Amount of gains (losses) recorded (ineffective portion) *	$30	$(18)

*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):

	Three Months Ended	
(In thousands)	June 28, 2014	June 29, 2013
Stock-based compensation included in:		
Cost of revenues	$1,992	$1,804
Research and development	10,505	10,219
Selling, general and administrative	9,609	8,931
	$22,106	$20,954

During the first quarter of fiscal 2015 and 2014, the tax benefits realized for the tax deduction from option exercises and other awards credited to additional paid-in capital were $2.0 million and $1.5 million, respectively.

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The fair values of stock options and stock purchase plan rights under the Company's equity incentive plans and ESPP were estimated as of the grant date using the Black-Scholes option pricing model. The Company's expected stock price volatility assumption for stock options is estimated using implied volatility of the Company's traded options. The expected life of options granted is based on the historical exercise activity as well as the expected disposition of all options outstanding. The expected life of options granted also considers the actual contractual term. The Company's stock-based compensation expense relating to options granted during the first quarter of fiscal 2015 and 2014 were not material.

The estimated fair values of restricted stock unit (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-average fair value of RSUs granted during the first quarter of fiscal 2015 was $40.69 ($34.23 for the first quarter of fiscal 2014), which were calculated based on estimates at the date of grant using the following weighted-average assumptions:

	Three Months Ended June 28, 2014