INTERSIL CORPORATION

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March 13, 2012

Technical Director
File Ref# 2011-230
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: Proposed Accounting Standards Update (Revised), Revenue Recognition (Topic 605)

We appreciate the opportunity to provide the Financial Accounting Standards Board (the "Board") with comments on its Proposed Accounting Standards Update of Topic 605.

Intersil Corporation designs, develops, manufactures and markets high-performance analog and mixed-signal integrated circuits ("ICs"). We believe our product portfolio addresses some of the largest opportunities within the industrial, computing, consumer and communications markets.

Our mission is to provide differentiated, high-performance analog and mixed-signal ICs that meet our customers' needs and exceed their expectations.

We support the Board's objectives in issuing the revised proposal, in particular the continued efforts to develop a common revenue standard for U.S. GAAP and IFRS and to improve comparability across industries. We generally agree with the main principles in the proposal, however, we are concerned that certain elements of the proposed standard will require semiconductor companies who sell product through distribution channels to recognize all revenue based on a sell-in approach when they have historically recognized portions of revenue based on sell-through.

Semiconductor companies that sell their product to their end customer through distributors typically have arrangements with the distributor allowing for price adjustments related to the final sales price to the end customer, price protection for inventory on hand and stock rotation rights to allow for a certain percentage of obsolescence. Certain of these arrangements make the ultimate consideration for products sold to the distributor variable and not fixed and determinable under the current revenue recognition standards.



Semiconductor companies who have distribution arrangements which have significant risk and uncertainty regarding the transaction price use the sell-through revenue recognition model and ship their product to their distribution partner at a distributor book price and initially defer that sale. The distributor book price in many cases will be reduced by the price adjustments described in the paragraph above. The semiconductor company will recognize revenue when the distributor ships the product to the final customer and the final price adjustments are known. The amount of revenue recognized will be based on the distributor book price net of any applicable price adjustments.

Semiconductor companies that have the ability to make a reasonable estimate of the transaction price in an arrangement will use the sell-in revenue recognition model. This model provides for revenue recognition when the company ships their product to their distribution partner at a distributor book price. However, under this method, the semiconductor company will recognize revenue upon the sale to the distributor and not wait for the product to sell through to the end customer. The semiconductor company also books a reserve for the estimated amount of price adjustments they expect to make before and after the product ships from the distributor to the final customer. These estimates are typically based on historical experience and are not subject to significant risk and uncertainties.

We believe item (b) under paragraph 81 of the Revenue Recognition (Topic 605): Contracts with Customers exposure document allows for a wide interpretation of whether the amount of consideration is predictive. Without some qualification of the precision required to determine if the consideration is predictive or not, we believe many, including our auditors will interpret our historical experience with distributor sales transactions to be predictive and therefore subject to recognition of revenue at the time we sell goods to the distributor. Our concern is that certain elements of our agreements with the distributors can create more variability in the consideration than others. For example, some of our distributor agreements allow for unlimited return of inventory in the event of termination of the distribution agreement. This element creates substantial risk of inventory returns and increased uncertainty of the amount of variable consideration. When factors exist that could cause significant changes in the variable consideration or substantial risk of inventory returns, we do not believe the company's historical experience can always be predictive of the amount of consideration to which the entity will be entitled.

Although we do not believe the amount of variable consideration related to distributor agreements can always be predictive, we see evidence that our auditors and other firms have interpreted the exposure document to require an estimate of variable consideration and revenue recognition at the time the product ships to the distributor. For example, KPMG's interpretation of paragraphs 81 and 82 of the exposure document can be seen on pages 19 through 21 in their January 2012 edition of *Issues In-Depth* entitled Boards Revise Joint Revenue Recognition Exposure Draft.

When the agreement with the distributor creates significant uncertainty in the amount of variable consideration and substantial risk of inventory returns, we believe the sell-through method of revenue

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recognition should be applied. We agree that revenue should be recognized on a sell-in basis when the amount of variable consideration is predictive of the entities historical experience and there is not substantial uncertainty surrounding the variable consideration. When a company has various distributor agreements, we believe the company should base revenue recognition on the predictability of the variable consideration within each agreement and consistently recognize revenue over the term of the agreement.

In cases where a company has multiple distributor agreements, revenue should be recognized based on the predictability of the variable consideration for each agreement and the company should disclose whether they recognize revenue when the product is shipped to the distributor or when the product ships from the distributor to the end customer. The company should also disclose its assessment of predictability and risks and uncertainties in choosing the point of revenue recognition. An example of a suggested disclosure is included in Exhibit 1.

We appreciate the opportunity to comment on the issues contained in the Board's invitation. If you have any questions, please contact me at (408) 546-3362.

Sincerely,

/s/ Drew Davies

Drew Davies Corporate Controller

Exhibit 1

Suggested disclosure

Revenue Recognition—Except for North American ("domestic") distributors, revenue is generally recognized when a product is shipped, provided that a contract with the customer is identifiable, the transaction price is determined and the performance obligations in the contract have been satisfied.

Given the unpredictability associated with the levels of returns and credits that may be issued to domestic distributors, we defer recognition of those sales until the domestic distributors sell the products. We relieve inventory and record a receivable on the initial sale to the distributor as title has passed to the distributor and payment is collected on the receivable within normal trade terms. The gross profit to be derived from these sales is shown under current liabilities on the balance sheet as deferred net revenue until such time as the distributor confirms a final sale to its end customer.

The following table summarizes the deferred net revenue balance, primarily consisting of domestic distributors and certain royalty agreements (in millions):

| Deferred net revenue | Dece | ember 30, 2011 | December 31, 2010 | | |
|---------------------------|------|----------------|-------------------|------|--|
| Deferred revenues | \$ | XX | \$ | XX | |
| Deferred cost of revenues | | (XX) | | (XX) | |
| Deferred net revenue | \$ | XX | \$ | XX | |

Sales to international distributors are made under agreements which permit limited stock return privileges and pricing credits. Revenue on these sales is recognized upon shipment, at which time title passes. We estimate international distributor returns and pricing credits based on historical experience and current business expectations and provide an allowance based on these estimated returns. The international distributor allowances are made up of two components that are reasonably estimable:

International price protection allowance—protects the distributors' gross margins in the event of falling prices. This allowance is based on the relationship of historical credits issued to distributors in relation to historical inventory levels and price paid by the distributor as applied to current inventory levels.

International stock rotation allowance—protects distributors for certain unsold inventories of our products which they hold. This allowance is based on the percentage of sales made to certain international distributors.

Revenues are also reduced based on an analysis of historical returns related to accommodation and warranty related returns. Such amounts are classified in allowances to trade receivables on the face of the accompanying balance sheets. Accommodation returns are those we are not contractually obligated to accept for credit. We believe we can make reasonable and reliable estimates of future returns and price protections, other than those aforementioned for the domestic distributors, because these sales reductions are predictable.

The following table summarizes gross revenues and allowances (in millions):

| _ | Year ended | | | | | | | |
|--------------------------|------------|----------|--------------|------|------------|------|--|--|
| | Decei | nber 30, | December 31, | | January 1, | | | |
| | 2011 | | 2010 | | 2010 | | | |
| Gross revenues | \$ | XXX | \$ | XXX | \$ | XXX | | |
| Allowances and deferrals | ••• | (XX) | | (XX) | | (XX) | | |
| Net revenues | \$ | XXX | \$ | XXX | \$ | XXX | | |