SANMINA-SCI CORP
Form 10-Q
August 05, 2010

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 July 3, 2010
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 0-21272
Sanmina-SCI Corporation
(Exact name of registrant as specified in its charter)

Delaware	77-0228183
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2700 N. First St., San Jose, CA	95134
(Address of principal executive offices)	(Zip Code)

(408) 964-3500
(Registrant's telephone number, including area code)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [x] Non-accelerated filer [ ] Smaller reporting company [ ]

(Do not check if a 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]

As of August 2, 2010, there were 79,601,866 shares outstanding of the issuer's common stock, $0.01 par value per share.

SANMINA-SCI CORPORATION

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SANMINA-SCI CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	July 3, 2010	October 3, 2009
	(Unaudited)	
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 664,569	$ 899,151
Accounts receivable, net of allowances of $18,662 and $13,422, respectively	923,966	668,474
Inventories	855,136	761,391
Prepaid expenses and other current assets	83,285	78,128
Assets held for sale	57,398	68,902
Total current assets	2,584,354	2,476,046
Property, plant and equipment, net	561,850	543,497
Other	114,658	104,354
Total assets	$ 3,260,862	$ 3,123,897
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 956,135	$ 780,876
Accrued liabilities	146,680	140,926
Accrued payroll and related benefits	120,501	98,408
Short-term debt	50,600	—
Current portion of long-term debt	—	175,700
Total current liabilities	1,273,916	1,195,910
Long-term liabilities:		
Long-term debt	1,241,003	1,262,014
Other (1)	121,689	146,903
Total long-term liabilities	1,362,692	1,408,917
Commitments and contingencies (Notes 2 and 6)		
Stockholders' equity (1)	624,254	519,070
Total liabilities and stockholders' equity	$ 3,260,862	$ 3,123,897

See accompanying notes.

(1) Amounts as of October 3, 2009 have been revised (see Note 1 to the condensed consolidated financial statements).

SANMINA-SCI CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
	(Unaudited)			
	(In thousands, except per share data)			
Net sales	$ 1,625,170	$ 1,209,150	$ 4,630,923	$ 3,823,521
Cost of sales	1,501,055	1,133,390	4,279,644	3,595,373
Gross profit	124,115	75,760	351,279	228,148
Operating expenses:				
Selling, general and administrative	65,392	57,837	191,364	177,879
Research and development	3,057	3,811	9,407	12,723
Amortization of intangible assets	926	1,072	3,163	3,745
Restructuring and integration costs	6,196	14,135	13,405	38,944
Asset impairment	600	52	1,100	7,234
Gain on sales of long-lived assets	(13,796)	—	(13,796)	—
Total operating expenses	62,375	76,907	204,643	240,525
Operating income (loss)	61,740	(1,147)	146,636	(12,377)
Interest income	558	761	1,536	6,040
Interest expense	(27,119)	(29,391)	(80,476)	(86,686)
Other income (expense), net	(2,046)	2,708	37,729	8,184
Interest and other, net	(28,607)	(25,922)	(41,211)	(72,462)
Income (loss) before income taxes	33,133	(27,069)	105,425	(84,839)
Provision for income taxes (1)	11,570	14,457	14,389	20,298
Net income (loss)	$ 21,563	$ (41,526)	$ 91,036	$ (105,137)
Net income (loss) per share:				
Basic	$ 0.27	$ (0.52)	$ 1.15	$ (1.26)
Diluted	$ 0.26	$ (0.52)	$ 1.10	$ (1.26)
Weighted average shares used in computing per share amounts:				
Basic	79,544	80,051	79,040	83,575

Diluted	83,693	80,051	82,404	83,575

See accompanying notes.

(1) Amounts for the three and nine months ended June 27, 2009 have been revised (see Note 1 to the condensed consolidated financial statements).

SANMINA-SCI CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
	July 3, 2010	June 27, 2009
	(Unaudited)	
	(In thousands)	
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss) (1)	$ 91,036	$ (105,137)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	64,565	67,047
Stock-based compensation expense	12,371	11,524
Non-cash restructuring costs	2,048	3,154
Provision (benefit) for doubtful accounts, product returns and other net sales adjustments	3,633	(1,744)
Deferred income taxes	994	2,895
Asset impairment	1,100	10,888
(Gain) loss on extinguishment of debt	1,197	(13,490)
Gain on sale of assets and business	(17,506)	—
Other, net	(1,398)	(1,426)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(242,264)	287,585
Inventories	(74,221)	142,573
Prepaid expenses and other assets	4,749	13,274
Accounts payable	119,338	(187,524)
Accrued liabilities and other long-term liabilities (1)	(10,078)	(78,139)
Cash provided by (used in) operating activities	(44,436)	151,480
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Net purchases of long-term investments	—	(200)
Purchases of property, plant and equipment	(44,139)	(55,512)
Proceeds from sales of property, plant and equipment	30,809	3,589
Cash paid in connection with business combinations, net of cash acquired	(14,676)	(29,712)
Cash used in investing activities	(28,006)	(81,835)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Change in restricted cash	1,110	(19,876)
Proceeds from short-term borrowings	50,600	—
Repayments of debt	(219,867)	(19,597)

Proceeds from issuances of common stock, net	3,238	—
Repurchases of common stock	(723)	(29,246)
Cash used in financing activities	(165,642)	(68,719)
Effect of exchange rate changes	3,502	6,886
Decrease in cash and cash equivalents	(234,582)	7,812
Cash and cash equivalents at beginning of period	899,151	869,801
Cash and cash equivalents at end of period	$ 664,569	$ 877,613
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 54,544	$ 61,768
Income taxes (excludes refunds of $2.9 million and $1.9 million for the nine months ended July 3, 2010 and June 27, 2009, respectively)	$ 34,701	$ 24,086

See accompanying notes.

(1) Amounts for the three and nine months ended June 27, 2009 have been revised (see Note 1 to the condensed consolidated financial statements).

SANMINA-SCI CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of Sanmina-SCI Corporation ("the Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been omitted pursuant to those rules or regulations. The interim condensed consolidated financial statements are unaudited, but reflect all normal recurring and non-recurring adjustments that are, in the opinion of management, necessary for a fair presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended October 3, 2009, included in the Company's 2009 Annual Report on Form 10-K.

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

Results of operations for the nine months ended July 3, 2010 are not necessarily indicative of the results that may be expected for the full fiscal year.

The Company operates on a 52 or 53-week year ending on the Saturday nearest September 30. Fiscal 2010 will be a 52-week year, whereas fiscal 2009 was a 53-week year, with the extra week in the fourth fiscal quarter. All references to years relate to fiscal years unless otherwise noted.

During the fourth quarter of 2009, the Board of Directors of the Company authorized a reverse split of the Company's common stock at a ratio of one-for-six, effective August 14, 2009. All previously reported share and per share amounts have been restated in the accompanying condensed consolidated financial statements and related notes to reflect the reverse stock split.

Revision of Prior Period Financial Statements

During the first quarter of 2010, the Company identified errors in the amount of $17.7 million, including penalties, related to an unrecorded tax position at one of its foreign subsidiaries. These errors primarily affected the Company's 2005 financial statements. Additionally, unrecorded interest expense resulting from the errors for the period from 2006 through 2009 was $6.4 million. The Company concluded that these errors were not material to any of its prior period financial statements under the guidance of SAB No. 99, "Materiality". Although the errors were and continue to be immaterial to prior periods, because of the significance of the out-of-period correction in the first quarter of 2010, the Company applied the guidance of SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements", and revised its prior period financial statements.

As a result of the revisions, long-term liabilities were increased and stockholders' equity was decreased by $24.1 million as of October 3, 2009. Additionally, the provision for income taxes for the three and nine months ended June 27, 2009 was increased by $0.4 million and $1.2 million, respectively.

Recent Accounting Pronouncements

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-17, “Milestone Method of Revenue Recognition”. ASU No. 2010-17 provides guidance on defining a milestone, determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions, and determining whether a milestone is substantive. Consideration that is contingent upon achievement of a milestone may be recognized in its entirety as revenue in the period in which the milestone is achieved only if the milestone is considered substantive. ASU No. 2010-17 requires disclosure of a company's accounting policy for milestone payments and will be effective for the Company in the first quarter of 2011. The adoption of ASU No. 2010-17 is not expected to have a significant impact on the Company's results of operations.

In June 2009, the FASB issued ASU 2009-16, “Accounting for Transfers of Financial Assets”. ASU 2009-16 eliminates the concept of a qualifying special-purpose entity (“QSPE”), creates more stringent conditions for reporting a transfer of a portion of financial assets as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. ASU 2009-16 will be effective for the Company in the first quarter of 2011. The adoption of ASU 2009-16 is not expected to have a significant impact on the Company as a result of expiration of the Company's accounts receivable sales facility in the third quarter of 2010.

In October 2009, FASB issued ASU No. 2009-13, “Multiple-Deliverable Revenue Arrangements”. The FASB amended the accounting standards for multiple-deliverable revenue arrangements to: (i) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and how the consideration should be allocated; (ii) require an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence of selling price or third-party evidence of selling price; and (iii) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method. ASU No. 2009-13 will be effective for the Company in the first quarter of 2011. The adoption of ASU No. 2009-13 is not expected to have a significant impact on the Company's results of operations.

Note 2. Acquisition

On May 28, 2010 (acquisition date), the Company completed its purchase of all outstanding stock of BreconRidge Corporation, an innovative design, engineering and manufacturing services provider for RF/microwave and micro/opto-electronics products for the networking/communications, medical, industrial, aerospace and defense markets. The acquisition provides advanced broadband technology and strengthens the Company's optical technology and research and development capabilities.

The fair value of consideration transferred in connection with the acquisition is $33.5 million, of which $16.6 million was paid at closing and $17.2 million (with a fair value of $16.9 million) is payable prior to November 29, 2011. Purchase consideration of $33.5 million does not include $4.4 million of consideration that is primarily contingent on the Company's ability to utilize certain acquired inventory that was deemed to be excess as of the acquisition date. The Company does not expect to utilize the inventory and therefore has assigned no value to the inventory or the associated contingent consideration. To the extent the inventory is utilized in future periods, purchase consideration and the fair value of acquired inventory will be adjusted accordingly. Under the FASB issued SFAS No. 141(R) (Revised 2007), "Business Combinations" (ASC Topic 805, Business Combinations), purchase consideration was allocated to identifiable assets acquired and liabilities assumed based on their preliminary estimated fair values as follows:

	(In thousands)	
Current assets	$ 52,498	
Non-current assets, including identifiable intangible assets of $11.1 million and goodwill of $18.7 million	42,712	
Current liabilities, including debt of $24.1 million that was repaid immediately after closing	(60,983	)
Non-current liabilities	(721	)
Total	$ 33,506	

The Company performed a preliminary valuation of the net assets acquired as of May 28, 2010 (valuation date) with the assistance of a third party valuation firm. The valuation is considered preliminary primarily with respect to certain

acquired tangible and intangible assets. Based on the preliminary valuation, which is expected to be completed no later than the fourth quarter of 2010, the excess of purchase consideration over the fair value of net assets acquired was $18.7 million, and has been recorded as goodwill. Goodwill is primarily attributable to expected synergies from combining the operations of the two companies as well as the technical know-how of BreconRidge's assembled workforce. The Company has not yet determined whether goodwill will be deductible for tax purposes. Identifiable intangible assets of $11.1 million consist of trade name, customer relationships and order backlog and are being amortized over periods ranging from eighteen months to five years. Changes in the final valuation to the fair value of identifiable assets acquired and liabilities assumed may result in a corresponding adjustment to goodwill.

The condensed consolidated financial statements include the operating results of the acquired business from the date of acquisition. The operating results of the acquired business did not have a significant effect on the Company's revenue or net income for the third quarter of 2010. Pro forma results of operations are not presented because the effects were not material to the Company's financial results. The Company incurred $1.2 million of costs in connection with the acquisition. Such costs were included in selling, general and administrative expenses in the condensed consolidated statement of operations.

Note 3. Inventories

Components of inventories were as follows:

	As of	
	July 3, 2010	October 3, 2009
	(In thousands)	
Raw materials	$ 571,634	$ 500,666
Work-in-process	149,167	118,531
Finished goods	134,335	142,194
Total	$ 855,136	$ 761,391

Note 4. Fair Value

Fair Value Option for Long-term Debt

The Company has elected not to record its long-term debt instruments at fair value, but has measured them at fair value for disclosure purposes. The estimated fair values of the Company's long-term debt instruments, based on quoted market prices as of July 3, 2010, were as follows:

	Fair Value	Carrying Amount
	(In thousands)	
6.75% Senior Subordinated Notes due 2013 (“6.75% Notes”)	$ 376,200	$ 380,000
$300 Million Senior Floating Rate Notes due 2014 (“2014 Notes”)	$ 238,104	$ 257,410
8.125% Senior Subordinated Notes due 2016	$ 594,000	$ 600,000

Assets/Liabilities Measured at Fair Value on a Recurring Basis

The Company's primary financial assets and financial liabilities are as follows:

- Money market funds
- Time deposits

- Foreign currency forward contracts
- Interest rate swaps

SFAS No. 157, “Fair Value Measurements” (ASC Topic 820, Fair Value Measurements and Disclosures), defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and also considers assumptions that market participants would use when pricing an asset or liability.

Inputs to valuation techniques used to measure fair value are prioritized into three broad levels, as follows:

Level 1: Observable inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs that reflect quoted prices, other than quoted prices included in Level 1, that are observable for the assets or liabilities, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in less active markets; or inputs that are derived principally from or corroborated by observable market data by correlation.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the fair value of assets or liabilities.

The following table presents information as of July 3, 2010 with respect to assets and liabilities measured at fair value on a recurring basis:

		Presentation in the Consolidated Balance Sheet				
	Fair Value Measurements Using Level 1, Level 2 or Level 3	Cash and cash equivalents	Prepaid expenses and other current assets	Other assets	Accrued liabilities (1)	Other long-term liabilities (1)
				(In thousands)		
Money Market Funds	Level 1	$ 33,273	$ —	$ —	$ —	$ —
Time Deposits	Level 1	43,479	—	—	—	—
Derivatives designated as hedging instruments under SFAS 133: Interest Rate Swaps	Level 2	—	—	—	—	(36,252)
Derivatives designated as hedging instruments under SFAS 133: Foreign Currency Forward Contracts	Level 2	—	19	—	(31)	—
Derivatives not designated as hedging instruments under SFAS 133: Foreign Currency Forward Contracts	Level 2	—	1,776	—	(506)	—

Total measured at fair value		$ 76,752	$ 1,795	$ —	$ (537)	$ (36,252)

(1) Liabilities, or credit balances, are presented as negative amounts.

The following table presents information as of October 3, 2009 with respect to assets and liabilities measured at fair value on a recurring basis:

		Presentation in the Consolidated Balance Sheet				
	Fair Value Measurements Using Level 1, Level 2 or Level 3	Cash and cash equivalents	Prepaid expenses and other current assets	Other assets	Accrued liabilities (1)	Other long-term liabilities (1)
				(In thousands)		
Money Market Funds	Level 1	$ 432,900	$ —	$ —	$ —	$ —
Mutual Funds	Level 2	—	—	1,245	—	—
Time Deposits	Level 1	110,121	—	—	—	—
Corporate Bonds — Foreign Real Estate	Level 2	—	—	2,875	—	—
Derivatives designated as hedging instruments under SFAS 133: Interest Rate Swaps	Level 2	—	—	—	—	(33,567)
Derivatives designated as hedging instruments under SFAS 133: Foreign Currency Forward Contracts	Level 2	—	16	—	(36)	—
Derivatives not designated as hedging instruments under SFAS 133: Foreign Currency	Level 2	—	2,954	—	(5,793)	—

Forward Contracts					
Total measured at fair value	$ 543,021	$ 2,970	$ 4,120	$ (5,829)	$ (33,567)

(1) Liabilities, or credit balances, are presented as negative amounts.

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The Company sponsors deferred compensation plans for eligible employees and non-employee members of its Board of Directors that allow participants to defer payment of part or all of their compensation. The Company's results of operations are not significantly affected by these plans since changes in the fair value of the assets substantially offset changes in the fair value of the liabilities. As such, assets and liabilities associated with these plans have not been included in the above table. Assets and liabilities associated with these plans of approximately $10.0 million as of July 3, 2010 and $9.7 million as of October 3, 2009 are recorded as other non-current assets and other long-term liabilities in the condensed consolidated balance sheet.

The Company values derivatives using the income approach, observable Level 2 market expectations at the measurement date, and standard valuation techniques to convert future amounts to a single present value amount assuming that participants are motivated, but not compelled to transact. The Company seeks high quality counterparties for all its financing arrangements. For interest rate swaps, Level 2 inputs include futures contracts on LIBOR for the first three years, swap rates beyond three years at commonly quoted intervals, and credit default swap rates for the Company and relevant counterparties. For currency contracts, Level 2 inputs include foreign currency spot and forward rates, interest rates and credit default swap rates at commonly quoted intervals. Mid-market pricing is used as a practical expedient for fair value measurements. SFAS No. 157 (ASC Topic 820) requires the fair value measurement of an asset or liability to reflect the nonperformance risk of the entity and the counterparty. Therefore, the counterparty's creditworthiness when in an asset position and the Company's creditworthiness when in a liability position have been considered in the fair value measurement of derivative instruments. The effect of nonperformance risk on the fair value of derivative instruments was not material as of July 3, 2010 or October 3, 2009.

Non-Financial Assets Measured at Fair Value on a Nonrecurring Basis

The Company measures assets held-for-sale at fair value on a nonrecurring basis since these assets are subject to fair value adjustments only when the carrying amount of such assets exceeds the fair value of such assets or such assets have been previously impaired and the fair value exceeds the carrying amount by less than the amount of the impairment that has been recognized. Level 2 inputs consist of independent third party valuations based on market comparables. As of July 3, 2010, the fair value of assets held-for-sale was significantly higher than the carrying amount of such assets. During the nine months ended July 3, 2010, an asset held for sale with a carrying amount of $4.2 million was written down to its fair value of $3.7 million, resulting in an impairment loss of $0.5 million.

Additionally, land and buildings at one of the Company's locations are measured and recorded at fair value. During the three months ended July 3, 2010, events and circumstances indicated that the carrying value of the assets was not recoverable, resulting in an impairment charge of $0.6 million.

Derivative Financial Instruments

The Company is exposed to certain risks related to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk and foreign exchange rate risk.

Interest rate swaps are entered into on occasion to manage interest rate risk associated with the Company's borrowings. The Company has $257.4 million of floating rate notes outstanding as of July 3, 2010 and has entered into interest rate swap agreements with two independent swap counterparties to hedge its interest rate exposure. The swap agreements, with an aggregate notional amount of $257 million and expiration dates in 2014, effectively convert the variable interest rate obligation to a fixed interest rate obligation and are accounted for as cash flow hedges under SFAS No. 133, “Accounting for Derivatives and Hedging Instruments” (ASC Topic 815, Derivatives and Hedging). Under the terms of the swap agreements, the Company pays the independent swap counterparties a fixed rate of 5.594% and, in exchange, the swap counterparties pay the Company an interest rate equal to the three-month LIBOR. These swap agreements effectively fix the interest rate at 8.344% through maturity in 2014.

Forward contracts on various foreign currencies are used to manage foreign currency risk associated with forecasted foreign currency transactions and certain monetary assets and liabilities denominated in foreign currencies.

The Company's primary foreign currency cash flows are in certain Asian and European countries, Brazil and Mexico. The Company utilizes foreign currency forward contracts to hedge certain operational (“cash flow”) exposures resulting from changes in foreign currency exchange rates. Such exposures result from forecasted sales denominated in currencies different from those for cost of sales and other expenses. These contracts are typically up to two months in duration and are accounted for as cash flow hedges under SFAS No. 133 (ASC Topic 815).

The Company also enters into short-term foreign currency forward contracts to hedge currency exposures associated with certain monetary assets and liabilities denominated in foreign currencies. These contracts have maturities of up to two months and are not designated as accounting hedges under SFAS No. 133 (ASC Topic 815). Accordingly, these contracts are marked-to-market at the end of each period with unrealized gains and losses recorded in other income (expense), net, in the condensed consolidated statements of operations. For the three and nine months ended July 3, 2010, the Company recorded gains of $14.0 million and $27.3 million, respectively, associated with these forward contracts, which substantially offset losses on the underlying hedged items. For the three and nine months ended June 27, 2009, the Company recorded a loss of $3.9 million and a gain of $9.3 million, respectively, associated with these forward contracts.

The Company had the following outstanding foreign currency forward contracts that were entered into to hedge foreign currency exposures:

	As of July 3, 2010			As of October 3, 2009		
Foreign Currency Forward Contracts	Number of Contracts	Notional Amount (USD in thousands) Designated	Non-designated	Number of Contracts	Notional Amount (USD in thousands) Designated	Non-designated
Buy MYR (Malaysian Ringgit)	5	$ 7,744	$ 4,630	3	$ 2,647	$ 1,964
Buy HUF (Hungarian Forint)	6	4,144	2,997	4	2,361	4,045
Buy THB (Thailand Baht)	1	—	1,748	2	1,675	831
Buy SGD (Singapore Dollar)	4	11,308	74,697	3	4,685	69,848
Buy MXN (Mexican Peso)	7	22,200	16,670	3	7,514	10,447
Buy ILS (Israel New Shekel)	6	6,649	15,521	5	5,465	7,241
Buy INR (Indian Rupee)	3	3,336	9,895	1	—	3,805
Buy CAD (Canadian Dollar)	3	—	4,657	2	—	2,702
Buy HKD (Hong Kong Dollar)	1	—	1,682	1	—	2,633

Buy JPY (Japanese Yen)	4	2,250	9,280	2	—	8,648
Buy SEK (Sweden Krona)	2	—	30,758	1	—	33,257
Buy CNY (Chinese Renminbi)	2	5,819	—	—	—	—
Sell EUR (Euro)	7	7,359	151,484	5	3,943	184,843
Sell CNY (Chinese Renminbi)	1	—	2,915	2	3,780	8,643
Sell HUF (Hungarian Forint)	1	—	2,133	1	—	5,031
Sell BRL (Brazilian Real)	1	—	7,580	1	—	8,524
Sell GBP (Great British Pound)	1	—	3,598	1	—	1,757
Total notional amount		$ 70,809	$ 340,245		$ 32,070	$ 354,219

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (AOCI), an equity account, and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivative instruments representing hedge ineffectiveness are recognized in current earnings and were not material for any period presented herein. As of July 3, 2010, AOCI related to foreign currency forward contracts was not material and AOCI related to interest rate swaps was a loss of $35.3 million, of which $12.3 million is expected to be amortized to interest expense over the next 12 months.

The following table presents the effect of cash flow hedging relationships on the Company's condensed consolidated statement of operations for the three months ended July 3, 2010:

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
	(In thousands)		(In thousands)

Interest rate swaps	$ (8,106)	Interest expense	$ (3,416)
Foreign currency forward contracts	(867)	Cost of sales	(861)
Total	$ (8,973)		$ (4,277)

The following table presents the effect of cash flow hedging relationships on the Company's condensed consolidated statement of operations for the three months ended June 27, 2009:

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
	(In thousands)		(In thousands)
Interest rate swaps	$ 8	Interest expense	$ (3,136)
Foreign currency forward contracts	868	Cost of sales	758
Total	$ 876		$ (2,378)

The following table presents the effect of cash flow hedging relationships on the Company's condensed consolidated statement of operations for the nine months ended July 3, 2010:

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
	(In thousands)		(In thousands)
Interest rate swaps	$ (11,567)	Interest expense	$ (10,001)
Foreign currency forward contracts	(196)	Cost of Sales	(78)
Total	$ (11,763)		$ (10,079)

The following table presents the effect of cash flow hedging relationships on the Company's condensed consolidated statement of operations for the nine months ended June 27, 2009:

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective	Location of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from Accumulated OCI into

	Portion)		Income (Effective Portion)
	(In thousands)		(In thousands)
Interest rate swaps	$ (18,334)	Interest expense	$ (7,741)
Foreign currency forward contracts	(4,354)	Cost of sales	(4,404)
Total	$ (22,688)		$ (12,145)

Note 5. Debt

Long-term debt consisted of the following:

	As of	
	July 3, 2010	October 3, 2009
	(In thousands)	
$300 Million Senior Floating Rate Notes due 2010 (“2010 Notes”)	$ —	$ 175,700
6.75% Senior Subordinated Notes due 2013 (“6.75% Notes”)	380,000	400,000
$300 Million Senior Floating Rate Notes due 2014 (“2014 Notes”)	257,410	257,410
8.125% Senior Subordinated Notes due 2016	600,000	600,000
Unamortized Interest Rate Swaps	3,593	4,604
Total	1,241,003	1,437,714
Less: current portion (2010 Notes)	—	175,700
Total long-term debt	$ 1,241,003	$ 1,262,014

On May 14, 2010, the Company repurchased $20.0 million of its 6.75% Notes at par plus a nominal premium and accrued interest. In connection with this repurchase, the Company recorded a loss of $0.4 million, consisting primarily of unamortized debt issuance costs, in other income (expense), net on the condensed consolidated statement of operations.

On November 16, 2009, the Company redeemed all outstanding 2010 Notes in the amount of $175.7 million at par. The notes were redeemed prior to maturity resulting in a loss upon redemption of $0.8 million due to a write-off of related unamortized debt issuance costs.

The Company is currently subject to covenants that, among other things, place certain limitations on the Company's ability to incur additional debt, make investments, pay dividends, and sell assets. The Company was in compliance with these covenants as of July 3, 2010.

Asset-backed Lending Facility. On November 19, 2008, the Company entered into a Loan, Guaranty and Security Agreement (the “Loan Agreement”), among the Company, the financial institutions party thereto from time to time as lenders, and Bank of America, N.A., as agent for such lenders, to replace a senior credit facility that was terminated in the first quarter of 2009.

The Loan Agreement, which was increased by $100 million on April 6, 2010, provides for a $235 million secured asset-backed revolving credit facility, subject to a reduction of between $25 million and $50 million depending on the Company's borrowing availability, with an initial $50 million letter of credit sublimit. The facility may be increased by an additional $100 million upon obtaining additional commitments from the lenders then party to the Loan Agreement or new lenders. The Loan Agreement expires on the earlier of (i) the date that is 90 days prior to the maturity date of the 6.75% Notes if such notes are not repaid, redeemed, defeased, refinanced or reserved for under the borrowing base under the Loan Agreement prior to such date or (ii) November 19, 2013 (the “Maturity Date”). As of July 3, 2010, there were no loans and $24.1 million in letters of credit outstanding under the Loan Agreement.

Short-term Debt

On April 15, 2010, one of the Company's wholly owned subsidiaries in China entered into a $50 million unsecured working capital loan facility. The facility bears interest at a rate equal to the three month Euro LIBOR plus a spread and expires in one year. The loan agreement contains certain negative covenants that, upon default, permit the bank to deny any further advances or extension of credit or to terminate the loan agreement. As of July 3, 2010, $30.0 million had been borrowed under this facility and was outstanding.

On May 14, 2010, one of the Company's wholly owned subsidiaries in India entered into a $25 million unsecured working capital loan facility that contains no covenants and expires on December 31, 2010. Borrowings under the facility bear interest at a rate equal to Euro LIBOR plus a spread. As of July 3, 2010, $20.6 million had been borrowed under this facility and was outstanding.

Note 6. Commitments and Contingencies

Litigation and other contingencies. From time to time, the Company is a party to litigation, claims and other contingencies, including environmental and employee matters and examinations and investigations by governmental agencies, which arise in the ordinary course of business. The Company records a contingent liability when it is probable that a loss has been incurred and the amount of loss is reasonably estimable in accordance with SFAS No. 5, “Accounting for Contingencies” (ASC Topic 450, Contingencies), or other applicable accounting standards. As of July 3, 2010, the Company had reserves of $21.6 million for these matters, which the Company believes is adequate. Such reserves are included in accrued liabilities and other long-term liabilities on the condensed consolidated balance sheet.

During the third quarter of 2010, the Company became aware of the misappropriation of certain payments at one of its locations. The misappropriation occurred over the course of numerous years and is currently under investigation. The Company is fully cooperating with the relevant authorities in this investigation. As of July 3, 2010, the Company has recorded a reserve of $3.2 million, based on the Company's current estimate of its potential financial loss related to this matter. A portion of this loss may be recoverable under the Company's insurance policy.

During the first quarter of 2010, the Company received $35.6 million of cash in connection with a litigation settlement. This amount has been recognized in earnings and is included in other income (expense), net on the condensed consolidated statement of operations.

Warranty Reserve. The following table presents information with respect to the warranty reserve, which is included in accrued liabilities in the condensed consolidated balance sheets:

	As of	
	July 3, 2010	June 27, 2009
	(In thousands)	
Beginning balance — end of prior year	$ 15,716	$ 18,974
Additions to accrual	12,734	8,478
Utilization of accrual	(8,994)	(11,675)
Ending balance — current quarter	$ 19,456	$ 15,777

Operating Leases. The Company leases certain of its facilities and equipment under non-cancelable operating leases expiring at various dates through 2036. The Company is responsible for utilities, maintenance, insurance and property taxes under these leases. Future minimum lease payments, net of sublease income, under operating leases are as follows:

	(In thousands)
Remainder of 2010	$ 7,717
2011	27,828
2012	19,158
2013	14,111
2014	8,426
Thereafter	32,067
Total	$ 109,307

Note 7. Income Tax

Various factors affect the provision for income tax expense, including the geographic composition of pre-tax income (loss), expected annual pre-tax income (loss), implementation of tax planning strategies and possible outcomes of audits and other uncertain tax positions. Management carefully monitors these factors and timely adjusts the interim income tax rate accordingly.

As of July 3, 2010, the Company had a long-term liability of $47.3 million, including interest, for net unrecognized tax benefits. This amount, if recognized, would result in a reduction of the Company's effective tax rate. During the three and nine months ended July 3, 2010, the Company's liability increased $1.7 million and $5.9 million, respectively, for current year positions and interest and decreased $0.07 million and $13.3 million, respectively, for prior year positions primarily due to favorable conclusions with foreign tax authorities. The Company's policy is to classify interest and penalties on unrecognized tax benefits as income tax expense. It is reasonably possible that net unrecognized tax benefits as of July 3, 2010 could significantly increase or decrease within the next 12 months based on final determinations by taxing authorities and resolution of any disputes by the Company; however, such changes cannot be reasonably estimated.

In general, the Company is no longer subject to U.S. federal or state income tax examinations for years before 2004, except to the extent that tax attributes in these years were carried forward to years remaining open for audit, and to examinations for years prior to 2002 in its major foreign jurisdictions.

Note 8. Restructuring

Costs associated with restructuring activities, other than those activities related to business combinations, are accounted for in accordance with SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (ASC Topic 420, Exit or Disposal Cost Obligations), or SFAS No. 112, “Employers' Accounting for Postemployment Benefits” (ASC Topic 712, Compensation - Nonretirement Postemployment Benefits), as applicable. Pursuant to SFAS No. 112 (ASC Topic 712), restructuring costs related to employee severance are recorded when probable and estimable based on the Company's policy with respect to severance payments. For all other restructuring costs, a liability is recognized in accordance with SFAS No. 146 (ASC Topic 420) only when incurred.

2010 Restructuring Plan

The Company initiated a new restructuring plan in the third quarter of 2010 as a result of a business combination (refer to Note 2). Pursuant to this plan, the Company expects to consolidate certain facilities and eliminate redundant employees. The Company expects to incur costs in the range of $16 million to $18 million in connection with actions under this plan and expects to implement all actions under this plan within one year. In connection with actions taken to date under this plan, the Company recorded restructuring charges of $2.1 million for severance and related benefits for approximately 55 terminated employees.

Below is a summary of restructuring costs associated with this plan:

	Employee Termination Severance and Related Benefits	Leases and Facilities Shutdown and Consolidation Costs	Impairment of Assets or Redundant Assets	
	Cash	Cash	Non-Cash	Total
	(In thousands)			
Balance at April 3, 2010	$ —	$ —	$ —	$ —
Charges to operations	2,140	—	—	2,140
Charges utilized	(242)	—	—	(242)
Reversal of accrual	—	—	—	—
Balance at July 3, 2010	$ 1,898	$ —	$ —	$ 1,898

Restructuring Plans — 2009 and prior

Due to substantial completion of all actions under restructuring plans initiated prior to 2010 and immateriality of the remaining accrual balance related to such plans, all plans have been combined for disclosure purposes.

Below is a summary of restructuring costs associated with facility closures and other consolidation efforts that were initiated in 2009 and prior:

	Employee Termination Severance and Related Benefits	Leases and Facilities Shutdown and Consolidation Costs	Impairment of Assets or Redundant Assets	
	Cash	Cash	Non-Cash	Total
	(In thousands)			
Balance at	$ 10,755	$ 3,645	$ —	$ 14,400

October 3, 2009				
Charges to operations	619	2,123	1,300	4,042
Charges utilized	(3,625)	(3,064)	(1,300)	(7,989)
Reversal of accrual	(684)	(20)	—	(704)
Balance at January 2, 2010	7,065	2,684	—	9,749
Charges to operations	1,532	3,340	425	5,297
Charges utilized	(3,413)	(4,370)	(425)	(8,208)
Reversal of accrual	(1,389)	(37)		(1,426)
Balance at April 3, 2010	3,795	1,617	—	5,412
Charges to operations	346	3,470	323	4,139
Charges utilized	(920)	(4,139)	(323)	(5,382)
Reversal of accrual	—	(83)	—	(83)
Balance at July 3, 2010	$ 3,221	$ 865	$ —	$ 4,086

For the nine months ended July 3, 2010, the Company recorded restructuring charges for employee termination costs for approximately 274 terminated employees.

All Restructuring Plans

In connection with all of the Company's restructuring plans, restructuring costs of $6.0 million were accrued as of July 3, 2010. The Company expects to pay the majority of these costs by the end of 2010.

Note 9. Earnings Per Share

Basic and diluted amounts per share are calculated by dividing net income or loss by the weighted average number of shares of common stock outstanding during the period, as follows:

	Three Months Ended		Nine Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
	(In thousands, except per share data)			
Numerator:				
Net income (loss)	$ 21,563	$ (41,526)	$ 91,036	$ (105,137)
Denominator:				
Weighted average number of shares				
—basic	79,544	80,051	79,040	83,575
—diluted	83,693	80,051	82,404	83,575
Net income (loss) per share:				
—basic	$ 0.27	$ (0.52)	$ 1.15	$ (1.26)
—diluted	$ 0.26	$ (0.52)	$ 1.10	$ (1.26)

The following table presents weighted-average dilutive securities that were excluded from the above calculation because their inclusion would have had an anti-dilutive effect:

	Three Months Ended		Nine Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
	(In thousands)			
Dilutive securities:				
Employee stock options	3,939	7,637	6,072	7,763
Restricted stock awards and units	15	490	24	526
Total anti-dilutive shares	3,954	8,127	6,096	8,289

Securities are anti-dilutive because (1) the exercise price is higher than the Company's stock price, (2) the application

of the treasury stock method resulted in an anti-dilutive effect or (3) the Company incurred a net loss.

Note 10. Comprehensive Income (Loss)

Other comprehensive income (loss), net of tax as applicable, was as follows:

	Three Months Ended		Nine Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
	(In thousands)			
Net income (loss)	$ 21,563	$ (41,526)	$ 91,036	$ (105,137)
Other comprehensive income (loss):				
Foreign currency translation adjustments	615	11,290	1,684	3,776
Unrealized holding gains (losses) on derivative financial instruments	(4,695)	3,254	(1,684)	(10,543)
Minimum pension liability	(462)	151	(735)	(1,403)
Comprehensive income (loss)	$ 17,021	$ (26,831)	$ 90,301	$ (113,307)

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The net unrealized gain (loss) on derivative financial instruments is primarily attributable to changes in the fair market value of the Company's liability under its interest rate swaps. The fair market value of the interest rate swaps changes primarily as a result of movements in LIBOR.

Accumulated other comprehensive income, net of tax as applicable, consisted of the following:

	As of July 3, 2010	October 3, 2009
	(In thousands)	
Foreign currency translation adjustments	$ 95,532	$ 93,848
Unrealized holding losses on derivative financial instruments	(35,273)	(33,589)
Unrecognized net actuarial loss and unrecognized transition cost related to pension plans	(8,644)	(7,909)
Total	$ 51,615	$ 52,350

Note 11. Business Segment, Geographic and Customer Information

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information" (ASC Topic 280, Segment Reporting), establishes standards for reporting information about operating segments, products and services, geographic areas of operations and major customers. Operating segments are defined as components of an enterprise for which separate financial information is available and is evaluated regularly by the chief operating decision maker or decision making group in deciding how to allocate resources and in assessing performance. The Company operates in one operating segment.

Geographic information is as follows:

	Three Months Ended		Nine Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
	(In thousands)			
Net sales				
Domestic	$ 350,497	$ 276,667	$ 997,594	$ 901,931
Mexico	310,824	259,322	933,466	823,356
China	464,099	283,103	1,326,354	778,813
Singapore	*	*	*	388,043
Other international	499,750	390,058	1,373,509	931,378
Total	$ 1,625,170	$ 1,209,150	$ 4,630,923	$ 3,823,521
Operating income (loss)				
Domestic	$ (26,872)	$ (28,237)	$ (77,626)	$ (80,140)
International	88,612	27,090	224,262	67,763

Total	$ 61,740	$ (1,147)	$ 146,636	$ (12,377)

* Included in “Other international” since amount is less than 10% of the Company's total net sales in these periods.

Net sales and operating loss for three and nine months ended June 27, 2009 have been adjusted to conform to the current presentation.

Sales are attributable to the country in which the product is manufactured. Except for those countries noted above, no other foreign country's sales exceeded 10% of the Company's total net sales for the three or nine months ended July 3, 2010 and June 27, 2009. Additionally, two customers represented 10.4% and 10.3% of the Company's net sales during the three months ended July 3, 2010 and one customer represented 11.7% of the Company's net sales during the nine months ended July 3, 2010. No customer represented more than 10% of the Company's net sales during the three or nine months ended June 27, 2009.

Note 12. Stock-Based Compensation

Stock compensation expense by function and type of instrument was as follows:

	Three Months Ended		Nine Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
	(In thousands)			
Cost of sales	$ 487	$ 1,316	$ 4,593	$ 5,181
Selling, general and administrative	2,215	1,673	7,910	6,122
Research and development (1)	(335)	47	(132)	221
Total	$ 2,367	$ 3,036	$ 12,371	$ 11,524

	Three Months Ended		Nine Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
	(In thousands)			
Stock options	$ 3,488	$ 1,896	$ 10,180	$ 6,845
Restricted stock awards	—	(79)	230	148
Restricted stock units (1)	(1,121)	1,219	1,961	4,531
Total	$ 2,367	$ 3,036	$ 12,371	$ 11,524

(1) The Company recorded a credit to the condensed consolidated statement of operations due to true-ups of forfeitures on restricted stock during the third quarter of 2010.

As of July 3, 2010, an aggregate of 15.9 million shares were authorized for future issuance and 3.5 million shares of common stock were available for grant under the Company's stock plans, which include stock options and restricted stock awards and units.

Stock Options

Assumptions used to estimate the fair value of stock options granted were as follows:

Three Months Ended	Nine Months Ended

	July 3, 2010		June 27, 2009		July 3, 2010		June 27, 2009	
Volatility	81.2	%	79.0	%	81.3	%	78.6	%
Risk-free interest rate	2.4	%	1.9	%	2.4	%	2.1	%
Dividend yield	—	%	—	%	—	%	—	%
Expected life of options	5.0 years		5.0 years		5.0 years		5.0 years	

Stock option activity in 2010 was as follows:

	Number of Shares	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of In-The-Money Options ($)
	(In thousands)			(In thousands)
Outstanding, October 3, 2009	11,106	16.00	8.11	26,008
Granted	1,141	8.86		
Exercised/Cancelled/Forfeited/Expired	(189)	30.94		
Outstanding, January 2, 2010	12,058	15.09	8.07	30,216
Granted	58	14.43		
Exercised/Cancelled/Forfeited/Expired	(676)	29.62		
Outstanding, April 3, 2010	11,440	14.22	7.92	79,531
Granted	143	16.83		
Exercised/Cancelled/Forfeited/Expired	(265)	9.60		
Outstanding, July 3, 2010	11,318	14.37	7.69	71,357
Vested and expected to vest, July 3, 2010	9,979	15.43	7.53	58,535
Exercisable, July 3, 2010	5,061	24.12	6.24	11,442

The weighted-average grant date fair value of stock options granted during the three and nine months ended July 3, 2010 was $11.06 and $6.53, respectively. The weighted-average grant date fair value of stock options granted during the three and nine months ended June 27, 2009 was $1.98 and $1.56, respectively. The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value of in-the-money options that would have been received by the option holders had all option holders exercised their options at the Company's closing stock price on the date indicated.

As of July 3, 2010, unrecognized compensation expense related to stock options was $25.0 million, and is expected to be recognized over a weighted average period of 3.9 years.

Restricted Stock Units

The Company grants restricted stock units to executive officers, directors and certain management employees. These units vest over periods ranging from one to four years and are automatically exchanged for shares of common stock at the vesting date. Compensation expense associated with these units is recognized ratably over the vesting period.

As of July 3, 2010, unrecognized compensation expense related to restricted stock units was $7.7 million, and is expected to be recognized over a weighted average period of 2.3 years.

Activity with respect to the Company's non-vested restricted stock units was as follows:

	Number of Shares	Weighted-Grant Date Fair Value ($)	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($)
	(In thousands)			(In thousands)
Non-vested restricted stock units at October 3, 2009	737	16.17	0.41	6,494
Granted	857	8.82		
Vested/Cancelled	(20)	13.89		
Non-vested restricted stock units at January 2, 2010	1,574	12.20	1.63	14,493
Granted	77	15.92		
Vested/Cancelled	(576)	13.13		
Non-vested restricted stock units at April 3, 2010	1,075	11.96	2.16	17,809
Granted	37	17.19		
Vested/Cancelled	(166)	25.50		
Non-vested restricted stock units at July 3, 2010	946	9.80	2.31	14,922
Non-vested restricted stock units expected to vest at July 3, 2010	729	9.80	2.31	11,489

Note 13. Sales of Accounts Receivable

On June 26, 2008, the Company entered into a two-year global revolving trade receivables purchase agreement ("Global Receivables Program") with a financial institution that allowed the Company to sell accounts receivable. This agreement expired in the third quarter of 2010.

For the three and nine months ended July 3, 2010, the Company sold accounts receivable of $22.0 million and $82.8 million, respectively, under this program, for which the Company received proceeds of $20.9 million and $78.6 million, respectively. For the three and nine months ended June 27, 2009, the Company sold accounts receivable of $64.7 million and $107.1 million, respectively, under these programs, for which the Company received proceeds of $61.5 million and $101.7 million, respectively. As of July 3, 2010, $19.6 million of sold receivables were outstanding.

In accordance with SFAS No. 140 (ASC Topic 860), accounts receivable sold were removed from the Company's condensed consolidated balance sheets and the proceeds from such sales were included as cash provided by operating activities in the condensed consolidated statements of cash flows.

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

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including any statements regarding trends in future revenues or results of operations, gross margin or operating margin, expenses, earnings or losses from operations, synergies or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning developments, performance or industry ranking; any statements regarding future economic conditions or performance; any statements regarding pending investigations, claims or disputes; any statements regarding the financial impact of customer bankruptcies; any statements regarding timing of closing of, future cash outlays for and benefits of acquisitions; any statements concerning the adequacy of our liquidity; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Generally, the words "anticipate," "believe," "plan," "expect," "future," "intend," "may," "will," "should," "estimate," "predict," "potential," "conti expressions identify forward-looking statements. Our forward-looking statements are based on current expectations, forecasts and assumptions and are subject to the risks and uncertainties contained in or incorporated from Part II, Item 1A of this report. As a result, actual results could vary materially from those suggested by the forward-looking statements. We undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this report with the Securities and Exchange Commission.

Overview

We are a leading independent global provider of customized, integrated electronics manufacturing services, or EMS. Our revenue is generated from sales of our services primarily to original equipment manufacturers, or OEMs, in the communications, enterprise computing and storage, multimedia, industrial and semiconductor capital equipment, defense and aerospace, medical and automotive industries.

In late 2008, the business environment became challenging due to adverse global economic conditions. These conditions slowed global economic growth and resulted in recessions in many countries, including the U.S., Europe and certain countries in Asia. These conditions materially and adversely impacted our financial condition and results of operations for fiscal 2009. Although these conditions have improved recently, our revenue has not yet returned to the level it was prior to the existence of these conditions. Additionally, many companies, including some of our customers, are experiencing significant financial difficulty. Such significant financial difficulty has negatively affected, and may continue to negatively affect, our business due to the decreased demand from these financially distressed customers, the potential inability of these companies to make full payment on amounts owed to us, or both.

We operate on a 52 or 53-week year ending on the Saturday nearest to September 30. Fiscal 2010 will be a 52-week year, whereas fiscal 2009 was a 53-week year, with the extra week in the fourth fiscal quarter. All references to years relate to fiscal years unless otherwise noted.

A relatively small number of customers have historically generated a significant portion of our net sales. Sales to our ten largest customers represented 50.0% and 50.3% of our net sales for the three and nine months ended July 3, 2010, respectively. Sales to our ten largest customers represented 47.5% and 48.3% of our net sales for the three and nine months ended June 27, 2009, respectively. Additionally, two customers represented 10.4% and 10.3% of our net sales during the three months ended July 3, 2010 and one customer represented 11.7% of our net sales for the nine months ended July 3, 2010. No customer represented more than 10% of our net sales for the three or nine months ended June 27, 2009.

A significant portion of our manufacturing is performed in international locations. Sales derived from products manufactured in international operations during the three months ended July 3, 2010 and June 27, 2009 were 78.4% and 77.1%, respectively, of our total net sales. During the nine months ended July 3, 2010 and June 27, 2009, 78.5% and 76.4%, respectively, of our total net sales were derived from non-U.S. operations. The concentration of international operations has resulted from a desire on the part of many of our customers to source production in lower cost locations such as Asia and Latin America. We expect this trend to continue.

Historically, we have had substantial recurring sales to existing customers. We generally do not obtain firm, long-term commitments from our customers. Orders are placed by our customers using purchase orders, some of which are governed by supply agreements. These agreements generally have terms ranging from three to five years and cover the manufacture of a range of products. Under these agreements, a customer typically agrees to purchase its requirements for particular products in particular geographic areas from us. These agreements generally do not obligate the customer to purchase minimum quantities of products.

During the third quarter of 2010, the Company acquired BreconRidge Corporation, an innovative design, engineering and manufacturing services provider for RF/microwave and micro/opto-electronics products. The acquisition did not materially affect the Company's results of operations for the three or nine months ended July 3, 2010.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We review the accounting policies used in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, net sales and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate the process used to develop estimates for certain reserves and contingent liabilities, including those related to product returns, accounts receivable, inventories, investments, intangible assets, income taxes, warranty obligations, environmental matters, restructuring, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe are reasonable for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates.

For a complete description of our critical accounting policies and estimates, refer to our 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission on December 1, 2009.

Results of Operations

Key operating results

	Three Months Ended		Nine Months Ended	
	July 3, 2010	June 27, 2009	July 3, 2010	June 27, 2009
	(In thousands)			
Net sales	$ 1,625,170	$ 1,209,150	$ 4,630,923	$ 3,823,521
Gross profit	$ 124,115	$ 75,760	$ 351,279	$ 228,148
Operating income (loss)	$ 61,740	$ (1,147)	$ 146,636	$ (12,377)
Net income (loss)	$ 21,563	$ (41,526)	$ 91,036	$ (105,137)

Net income (loss) includes restructuring and integration costs of $6.2 million and $14.1 million for the three months ended July 3, 2010 and June 27, 2009, respectively, and $13.4 million and $38.9 million for the nine months ended July 3, 2010 and June 27, 2009, respectively. Net income (loss) includes $13.8 million of gains from sales of long-lived assets for the three and nine months ended July 3, 2010 and none for the three or nine months ended June 27, 2009. Net income for the nine months ended July 3, 2010 includes other income of $35.6 million in connection

with a legal settlement. Net loss for the nine months ended June 27, 2009 includes a $10 million reduction in gross profit associated with Nortel Networks' petition for reorganization under bankruptcy law and includes a gain on repurchase of debt of $13.5 million.

Net Sales

Net sales increased 34.4% to $1.6 billion in the third quarter of 2010 from $1.2 billion in the third quarter of 2009. The increase was primarily the result of improved demand from customers under existing programs and new program wins. Sales increased $184.7 million in our communications end market, $90.8 million in our industrial, defense and medical end market, $72.2 million in our multimedia end market and $68.3 million in our high-end computing end market.

Net sales for the nine months ended July 3, 2010 increased 21.1% to $4.6 billion from $3.8 billion for the nine months ended June 27, 2009. The increase was primarily the result of improved demand from customers under existing programs and new program wins. Sales increased $228.1 million in our high-end computing end market, $225.6 million in our industrial, defense and medical end market, $199.3 million in our multimedia end market and $154.4 million in our communications end market.

Gross Margin

Gross margin increased to 7.6% for the three months ended July 3, 2010 from 6.3% for the three months ended June 27, 2009, and to 7.6% for the nine months ended July 3, 2010 from 6.0% for the nine months ended June 27, 2009. The increase for the three months ended July 3, 2010 was primarily a result of profit contribution from increased business volume. The increase for the nine months ended July 3, 2010 was primarily a result of the profit contribution from increased business volume, cost reduction initiatives implemented in prior periods, and an adjustment in the first quarter of 2009 related to a petition for reorganization under bankruptcy law by one of our customers, Nortel Networks, which reduced gross profit by $10 million in that quarter.

We expect gross margins to continue to fluctuate based on overall production and shipment volumes and changes in the mix of products demanded by our major customers. Fluctuations in our gross margins may also be caused by a number of other factors, some of which are outside of our control, including (a) greater competition in the EMS industry and pricing pressures from OEMs due to greater focus on cost reduction; (b) provisions for excess and obsolete inventory that we are not able to charge back to a customer or sales of inventories previously written down; (c) changes in operational efficiencies; (d) pricing pressure on electronic components resulting from economic conditions in the electronics industry; and (e) our ability to transition manufacturing and assembly operations to lower cost regions in an efficient manner.

Operating Expenses

Selling, general and administrative

Selling, general and administrative expenses increased $7.6 million to $65.4 million, or 4.0% of net sales, in the third quarter of 2010 from $57.8 million, or 4.8% of net sales, in the third quarter of 2009. For the nine months ended July 3, 2010, selling, general and administrative expenses increased $13.5 million to $191.4 million, or 4.1% of net sales, from $177.9 million, or 4.7% of net sales, for the nine months ended June 27, 2009. The increase for the three months ended July 3, 2010 is primarily due to higher incentive compensation resulting from improvements in our financial performance, costs associated with increased investment in critical areas such as sales and marketing, increased bad debt expense, and acquisition related costs, partially offset by cost reductions across a number of departments. The increase for the nine months ended July 3, 2010 is primarily due to higher incentive compensation and increased bad debt expense, partially offset by lower audit and tax consulting fees.

Research and Development

Research and development expenses decreased $0.8 million to $3.1 million, or 0.2% of net sales, in the third quarter of 2010 from $3.8 million, or 0.3% of net sales, in the third quarter of 2009. Research and development expenses decreased $3.3 million to $9.4 million, or 0.2% of net sales, for the nine months ended July 3, 2010 from $12.7 million, or 0.3% of net sales, for the nine months ended June 27, 2009. The decrease for both the three and nine month periods was primarily the result of reduced spending due to the completion of certain R&D projects in 2009 and the effect of cost reduction initiatives implemented in 2009.

Restructuring

Costs associated with restructuring activities, other than those activities related to business combinations, are accounted for in accordance with SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (ASC Topic 420, Exit or Disposal Cost Obligations), or SFAS No. 112, “Employers' Accounting for Postemployment Benefits” (ASC Topic 712, Compensation - Nonretirement Postemployment Benefits), as applicable. Pursuant to SFAS No. 112 (ASC Topic 712), restructuring costs related to employee severance are recorded when probable and estimable based on our severance policy with respect to severance payments. For restructuring costs other than employee severance accounted for under SFAS No. 112 (ASC Topic 712), a liability is recognized in accordance with SFAS No. 146 (ASC Topic 420) only when incurred. Costs associated with restructuring activities related to business combinations are accounted for in accordance with EITF 95-3, “Recognition of Liabilities in Connection with a Purchase Business Combination”.

2010 Restructuring Plan

We initiated a new restructuring plan in the third quarter of 2010 as a result of a business combination (refer to Note 2). Pursuant to this plan, we expect to consolidate certain facilities and eliminate redundant employees. We expect to incur costs in the range of $16 million to $18 million in connection with actions under this plan and expect to implement all actions under this plan within one year. In connection with actions taken to date under this plan, we recorded restructuring charges of $2.1 million for severance and related benefits for approximately 55 terminated employees.

Below is a summary of restructuring costs associated with this plan:

	Employee Termination Severance and Related Benefits	Leases and Facilities Shutdown and Consolidation Costs	Impairment of Assets or Redundant Assets	
	Cash	Cash	Non-Cash	Total
	(In thousands)			
Balance at April 3, 2010	$ —	$ —	$ —	$ —
Charges to operations	2,140	—	—	2,140
Charges utilized	(242)	—	—	(242)
Reversal of accrual	—	—	—	—
Balance at July 3, 2010	$ 1,898	$ —	$ —	$ 1,898

Restructuring Plans — 2009 and prior

Due to substantial completion of all actions under restructuring plans initiated prior to 2010 and immateriality of the remaining accrual balance related to such plans, all plans have been combined for disclosure purposes.

Below is a summary of restructuring costs associated with facility closures and other consolidation efforts that were initiated in 2009 and prior:

	Employee Termination Severance and Related Benefits	Leases and Facilities Shutdown and Consolidation Costs	Impairment of Assets or Redundant Assets	
	Cash	Cash	Non-Cash	Total
	(In thousands)			
Balance at	$ 10,755	$ 3,645	$ —	$ 14,400

October 3, 2009				
Charges to operations	619	2,123	1,300	4,042
Charges utilized	(3,625)	(3,064)	(1,300)	(7,989)
Reversal of accrual	(684)	(20)	—	(704)
Balance at January 2, 2010	7,065	2,684	—	9,749
Charges to operations	1,532	3,340	425	5,297
Charges utilized	(3,413)	(4,370)	(425)	(8,208)
Reversal of accrual	(1,389)	(37)		(1,426)
Balance at April 3, 2010	3,795	1,617	—	5,412
Charges to operations	346	3,470	323	4,139
Charges utilized	(920)	(4,139)	(323)	(5,382)
Reversal of accrual	—	(83)	—	(83)
Balance at July 3, 2010	$ 3,221	$ 865	$ —	$ 4,086

For the nine months ended July 3, 2010, we recorded restructuring charges for employee termination benefits for approximately 274 employees. We have substantially completed our actions under these prior year restructuring plans.

All Restructuring Plans

In connection with all of our restructuring plans, restructuring costs of $6.0 million were accrued as of July 3, 2010. We expect to pay the majority of these costs by the end of 2010.

The recognition of restructuring charges requires us to make judgments and estimates regarding the nature, timing, and amount of costs associated with planned exit activities, including estimating sublease income and the fair values, less selling costs, of property, plant and equipment to be disposed of. Our estimates of future liabilities may change, requiring us to record additional restructuring charges or reduce the amount of liabilities already recorded.

Asset Impairment

For the three and nine months ended July 3, 2010, we recorded impairment charges of $0.6 million and $1.1 million, respectively. For the three and nine months ended June 27, 2009, we recorded impairment charges of $0.1 million and $7.2 million, respectively. The impairment charges were primarily related to a decline in the fair value of certain properties held-for-sale or being readied for sale.

Gain on Sales of Long-lived Assets

For the three and nine months ended July 3, 2010, we recognized $13.8 million of gains from sales of buildings that had been classified as assets held-for-sale on our condensed consolidated balance sheet.

Interest Expense

Interest expense decreased to $27.1 million for the three months ended July 3, 2010, from