SANMINA-SCI CORP
Form 10-Q
April 30, 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 April 3, 2010
or

o 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 o Smaller reporting

company o

(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 o No x

As of April 28, 2010, there were 79,500,969 shares outstanding of the issuer’s common stock, $0.01 par value per share.

SANMINA-SCI CORPORATION

INDEX

		Page
	PART I. FINANCIAL INFORMATION	
Item 1.	Interim Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Operations	4
	Condensed Consolidated Statements of Cash Flows	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	36
Item 4.	Controls and Procedures	37
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	38
Item 1A.	Risk Factors Affecting Operating Results	39
Item 5.	Other Information	52
Item 6.	Exhibits	53
Signatures		54

SANMINA-SCI CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	April 3, 2010	October 3, 2009
	(Unaudited) (In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 672,962	$ 899,151
Accounts receivable, net of allowances of $15,239 and $13,422, respectively	819,359	668,474
Inventories	815,652	761,391
Prepaid expenses and other current assets	80,941	78,128
Assets held for sale	70,610	68,902
Total current assets	2,459,524	2,476,046
Property, plant and equipment, net	539,322	543,497
Other	84,882	104,354
Total assets	$ 3,083,728	$ 3,123,897
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 884,618	$ 780,876
Accrued liabilities	111,554	140,926
Accrued payroll and related benefits	107,805	98,408
Current portion of long-term debt	—	175,700
Total current liabilities	1,103,977	1,195,910
Long-term liabilities:		
Long-term debt	1,261,340	1,262,014
Other (1)	113,953	146,903
Total long-term liabilities	1,375,293	1,408,917
Commitments and contingencies (Note 5)		
Stockholders' equity (1)	604,458	519,070
Total liabilities and stockholders' equity	$ 3,083,728	$ 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		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
	(Unaudited) (In thousands, except per share data)			
Net sales	$ 1,527,451	$ 1,195,107	$ 3,005,753	$ 2,614,371
Cost of sales	1,409,974	1,126,517	2,778,589	2,461,983
Gross profit	117,477	68,590	227,164	152,388
Operating expenses:				
Selling, general and administrative	63,557	57,055	125,972	120,042
Research and development	3,252	4,720	6,350	8,912
Amortization of intangible assets	1,059	1,023	2,237	2,673
Restructuring and integration costs	3,871	15,574	7,209	24,809
Asset impairment	500	3,384	500	7,182
Total operating expenses	72,239	81,756	142,268	163,618
Operating income (loss)	45,238	(13,166)	84,896	(11,230)
Interest income	597	1,829	978	5,279
Interest expense	(26,580)	(28,112)	(53,357)	(57,295)
Other income, net	120	4,923	39,775	5,476
Interest and other income, net	(25,863)	(21,360)	(12,604)	(46,540)
Income (loss) before income taxes	19,375	(34,526)	72,292	(57,770)
Provision for income taxes (1)	9,284	3,412	2,819	5,841
Net income (loss)	$ 10,091	$ (37,938)	$ 69,473	$ (63,611)
Net income (loss) per share:				
Basic	$ 0.13	$ (0.45)	$ 0.88	$ (0.74)
Diluted	$ 0.12	$ (0.45)	$ 0.85	$ (0.74)
Weighted average shares used in computing per share amounts:				
Basic	79,001	83,453	78,808	85,410
Diluted	82,782	83,453	81,773	85,410

See accompanying notes.

(1) Amounts for the three and six months ended March 28, 2009 have been revised (see Note 1 to the condensed consolidated financial statements).

SANMINA-SCI CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	April 3, 2010	March 28, 2009
	(Unaudited) (In thousands)	
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income (loss) (1)	$ 69,473	$ (63,611)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	42,671	44,781
Stock-based compensation expense	10,004	8,488
Non-cash restructuring costs	1,725	1,770
Provision (benefit) for doubtful accounts, product returns and other net sales adjustments	737	(1,141)
Deferred income taxes	(173)	2,899
Asset impairment	500	8,182
(Gain) loss on extinguishment of debt	828	(13,490)
Other, net	(4,478)	(585)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(154,117)	266,942
Inventories	(54,966)	96,996
Prepaid expenses and other assets	7,819	26,785
Accounts payable	102,391	(209,319)
Accrued liabilities and other long-term liabilities (1)	(41,584)	(82,500)
Cash provided by (used in) operating activities	(19,170)	86,197
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Net purchases of long-term investments	—	(200)
Purchases of property, plant and equipment	(35,664)	(44,691)
Proceeds from sales of property, plant and equipment	779	588
Net cash paid in connection with business combinations	(2,293)	—
Cash used in investing activities	(37,178)	(44,303)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Change in restricted cash	2,784	(25,380)
Repayments of long-term debt	(175,700)	(19,597)
Proceeds from issuances of common stock, net	2,105	—
Repurchases of common stock	—	(19,196)
Cash used in financing activities	(170,811)	(64,173)
Effect of exchange rate changes	970	3,975
Decrease in cash and cash equivalents	(226,189)	(18,304)
Cash and cash equivalents at beginning of period	899,151	869,801
Cash and cash equivalents at end of period	$ 672,962	$ 851,497
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 48,693	$ 53,724
Income taxes (excludes refunds of $1.7 million and $1.8 million for the six months	$ 22,754	$ 16,575

ended April 3, 2010 and March 28, 2009, respectively)

See accompanying notes.

(1) Amounts for the six months ended March 28, 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 six months ended April 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.

Correction of an Immaterial Error

During the three months ended April 3, 2010, the Company corrected an error in the amount of $5.5 million to increase the estimated loss for certain product development design arrangements. The adjustment to estimated losses for these arrangements should have been recognized during the three months ended January 2, 2010. The impact of correcting the error resulted in an increase to cost of sales of $5.5 million, a reduction to gross margin of $5.5 million, and a reduction to net income of $4.5 million during the three months ended April 3, 2010. There was no impact for the six months ended April 3, 2010.

Based upon an evaluation of all relevant quantitative and qualitative factors, and after considering the provisions of Accounting Principles Board Opinion No. 28, "Interim Financial Reporting" (ASC 270, Accounting Changes in Interim Periods) and Statement of Financial Accounting Standard No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3" (ASC 250, Accounting Changes and Error Corrections), that incorporates SEC Staff Accounting Bulletin (SAB) No. 99, Materiality, and SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial

Statements, the Company does not believe the impact of this error is material to its financial statements for the three months ended January 2, 2010 or April 3, 2010. Additionally, there is no impact to the year to date 2010 consolidated financial results. As a result of this assessment, the error was corrected in the Company’s condensed consolidated financial statements during the second quarter of 2010.

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 six months ended March 28, 2009 was increased by $0.4 million and $0.8 million, respectively.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 166 (SFAS No. 166), "Accounting for Transfers of Financial Assets an amendment to FASB Statement No. 140" (ASC Topic 860, Transfer and Pricing). SFAS No. 166 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. SFAS No. 166 will be effective for the Company in the first quarter of 2011. The Company currently uses a QSPE in conjunction with sales of accounts receivable from customers in the United States. Upon adoption of SFAS No. 166, the Company will be required to consolidate the QSPE if it is still in existence. The Company plans to implement an accounts receivable sales program that does not require use of a QSPE prior to adoption of this standard.

Note 2. Inventories

Components of inventories were as follows:

	As of	
	April 3, 2010	October 3, 2009
	(In thousands)	
Raw materials	$ 541,144	$ 500,666
Work-in-process	131,442	118,531
Finished goods	143,066	142,194
Total	$ 815,652	$ 761,391

7

Note 3. 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 April 3, 2010, were as follows:

	Fair Value	Carrying Amount
	(In thousands)	
6.75% Senior Subordinated Notes due 2013 (“6.75% Notes”)	$ 398,000	$ 400,000
$300 Million Senior Floating Rate Notes due 2014 (“2014 Notes”)	$ 241,965	$ 257,410
8.125% Senior Subordinated Notes due 2016	$ 601,500	$ 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.

8

The following table presents information as of April 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	(1) Accrued liabilities	(1) Other long-term liabilities
				(In thousands)		
Assets:						
Money Market Funds	Level 1	$ 151,354	$ —	$ —	$ —	$ —
Time Deposits	Level 1	71,573	—	—	—	—
Derivatives not designated as hedging instruments under SFAS 133: Foreign Currency Forward Contracts	Level 2	—	2,546	—	—	—
Total assets measured at fair value		$ 222,927	$ 2,546	$ —	$ —	$ —
Liabilities:						
Derivatives designated as hedging instruments under SFAS 133: Interest Rate Swaps	Level 2	$ —	$ —	$ —	$ —	$ (31,094)
Derivatives not designated as hedging instruments under SFAS 133: Foreign Currency Forward Contracts	Level 2	—	—	—	(752)	—
Total liabilities measured at fair value		$ —	$ —	$ —	(752)	$ (31,094)

(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	(1) Accrued liabilities	(1) Other long-term liabilities
				(In thousands)		
Assets:						
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 not designated as hedging instruments under SFAS 133: Foreign Currency Forward Contracts	Level 2	—	2,970	—	—	—
Total assets measured at fair value		$ 543,021	$ 2,970	$ 4,120	$ —	$ —
Liabilities:						
Derivatives designated as hedging instruments under SFAS 133: Interest Rate Swaps	Level 2	$ —	$ —	$ —	$ —	$ (33,567)
Derivatives not designated as hedging instruments under SFAS 133: Foreign Currency Forward Contracts and interest rate swaps	Level 2	—	—	—	(5,829)	(6,071)
Total liabilities measured at fair value		$ —	$ —	$ —	(5,829)	$ (39,638)

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

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 $11.0 million as of April 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 has 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 April 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 April 3, 2010, a long-lived 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 in the current period.

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 April 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 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 entered into monthly 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 one month 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 one month 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, net, in the condensed consolidated statements of operations. For the three and six months ended April 3, 2010, the Company recorded gains of $11.3 million and $13.3 million, respectively, associated with these forward contracts, which substantially offset losses on the underlying hedged items. For the three and six months ended March 28, 2009, the Company recorded a loss of $5.5 million and a gain of $13.2 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 April 3, 2010			As of October 3, 2009		
	Number of	Notional Amount (USD in thousands)		Number of	Notional Amount (USD in thousands)	
Foreign Currency Forward Contracts	Contracts	Designated	Non-designated	Contracts	Designated	Non-designated
Buy MYR (Malaysian Ringgit)	3	$3,495	$ 2,299	3	$2,647	$ 1,964
Buy HUF (Hungarian Forint)	3	2,288	1,523	4	2,361	4,045
Buy THB (Thailand Baht)	1	—	2,584	2	1,675	831
Buy SGD (Singapore Dollar)	3	5,078	70,480	3	4,685	69,848
Buy MXN (Mexican Peso)	5	10,761	18,433	3	7,514	10,447
Buy ILS (Israel New Shekel)	6	6,529	9,635	5	5,465	7,241
Buy INR (Indian Rupee)	2	1,860	12,230	1	—	3,805
Buy CAD (Canadian Dollar)	2	—	2,061	2	—	2,702
Buy HKD (Hong Kong Dollar)	1	—	799	1	—	2,633
Buy JPY (Japanese Yen)	2	—	7,849	2	—	8,648
Buy SEK (Sweden Krona)	2	—	37,999	1	—	33,257
Sell EUR (Euro)	5	3,378	184,041	5	3,943	184,843
Sell HUF (Hungarian Forint)	1	—	4,198	1	—	5,031
Sell BRL (Brazilian Real)	1	—	8,183	1	—	8,524
Sell CNY (Chinese Renminbi)	1	—	16,408	2	3,780	8,643
Sell GBP (Great British Pound)	1	—	3,783	1	—	1,757
Sell CAD (Canadian Dollar)	1	—	22,381	—	—	—
Total notional amount		$33,389	$ 404,886		$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 the derivative representing hedge ineffectiveness are recognized in current earnings and were not material for the three or six months ended April 3, 2010. As of April 3, 2010, AOCI related to foreign currency forward contracts was not material and AOCI related to interest rate swaps was a loss of $30.6 million, of which $12.7 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 April 3, 2010:

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion) (In thousands)	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)
Interest rate swaps	$ (3,998)	Interest expense	$ (3,458)
Foreign currency forward contracts	378	Cost of sales	388
Total	$ (3,620)		$ (3,070)

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 March 28, 2009:

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion) (In thousands)	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)
Interest rate swaps	$ 12,848	Interest expense	$ (2,612)
Foreign currency forward contracts	(1,052)	Cost of sales	(981)
Total	$ 11,796		$ (3,593)

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

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion) (In thousands)	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)
Interest rate swaps	$ (3,461)	Interest expense	$ (6,585)
Foreign currency forward contracts	670	Cost of sales	783
Total	$ (2,791)		$ (5,802)

The following table presents the effect of cash flow hedging relationships on the Company's condensed consolidated statement of operations for the six months ended March 28, 2009:

Derivatives in SFAS 133 Cash Flow Hedging Relationship	Amount of Gain/(Loss) Recognized in OCI on Derivative (Effective Portion) (In thousands)	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)
Interest rate swaps	$ (18,340)	Interest expense	$ (4,605)
Foreign currency forward contracts	(5,739)	Cost of sales	(5,676)
Total	$ (24,079)		$ (10,281)

Note 4. Debt

Long-term debt consisted of the following:

	As of	
	April 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”)	400,000	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	3,930	4,604
Total	1,261,340	1,437,714
Less: current portion (2010 Notes)	—	(175,700)
Total long-term debt	$ 1,261,340	$ 1,262,014

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 April 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 which was terminated in the first quarter of 2009.

The Loan Agreement provides for a $135 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 $200 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 April 3, 2010, there were no loans and $26.5 million in letters of credit outstanding under the Loan Agreement. On April 6, 2010, commitments were received from two lending banks, increasing the facility to $235 million.

On April 15, 2010, one of the Company’s wholly owned subsidiaries in China entered into a $50 million unsecured working capital loan facility with a Chinese bank. 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 April 29, 2010, $20 million had been borrowed under this facility and was outstanding.

Note 5. Commitments and Contingencies

Litigation and other contingencies. From time to time, the Company is a party to litigation, claims and other contingencies, including environmental 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 April 3, 2010, the Company had reserves of $23.8 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 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, 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	
	April 3, 2010	March 28, 2009
	(In thousands)	
Beginning balance – end of prior year	$ 15,716	$ 18,974
Additions to accrual	9,071	6,237
Utilization of accrual	(7,025)	(8,752)
Ending balance – current quarter	$ 17,762	$ 16,459

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	$ 13,340
2011	22,264
2012	13,095
2013	8,250
2014	4,585
Thereafter	15,277
Total	$ 76,811

Note 6. 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.

16

As of April 3, 2010, the Company had a long-term liability of $45.6 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 six months ended April 3, 2010, the Company’s liability increased $2.3 million and $4.2 million, respectively, for current year positions and interest and decreased $0.9 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 April 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 7. Restructuring Costs

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.

2009 Restructuring Plan

During the first quarter of 2009, the Company initiated a restructuring plan as a result of a slowdown in the global electronics industry and worldwide economy. The plan was designed to improve capacity utilization levels and reduce costs by consolidating manufacturing and other activities in locations with higher efficiencies and lower costs. Costs associated with this plan include employee severance, costs related to facilities and equipment that are no longer in use, and other costs associated with the exit of certain contractual arrangements due to facility closures. All actions under this plan were initiated and substantially completed in 2009 and costs for this plan are expected to be in the range of $50 million to $55 million, of which $44 million had been incurred as of April 3, 2010. Below is a summary of restructuring costs associated with facility closures and other consolidation efforts implemented under this plan:

Employee Termination Severance and Related Benefits Cash	Leases and Facilities Shutdown and Consolidation Costs Cash	Impairment of Assets or Redundant Assets Non-Cash