PennantPark Floating Rate Capital Ltd.
Form 4
February 10, 2016

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

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(Print or Type Responses)

1. Name and Address of Reporting Person *
KATZ SAMUEL L

(Last) (First) (Middle)

C/O PENNANTPARK FLOATING RATE CAP. LTD, 590 MADISON AVENUE 15TH FLOOR

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PennantPark Floating Rate Capital Ltd. [PFLT]

3. Date of Earliest Transaction (Month/Day/Year)
02/09/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/09/2016		P		5,860	A	$ 10.5174	115,660	D	
Common Stock								300	I	Held by various related trusts

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KATZ SAMUEL L C/O PENNANTPARK FLOATING RATE CAP. LTD 590 MADISON AVENUE 15TH FLOOR NEW YORK, NY 10022	X			

Signatures

/s/ Samuel L. Katz	02/10/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

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Balance at September 27, 2008, including discontinued operations

29,792

4,288

—

	34,080
Charges to operations	
	3,222
	1,989
	644
	5,855
Charges utilized	
	(11,651)
	(2,587)
	(644)
	(14,882)
Reversal of accrual	
	(4,067)
	(44)
	—
	(4,111)
Balance at December 27, 2008	
	17,296
	3,646
	—
	20,942
Charges to operations	
	2,953

2,905

1,121

6,979

Charges utilized

(11,299
)

(2,839
)

(1,121
)

(15,259
)
Reversal of accrual

(89
)

—

—

(89
)
Balance at March 28, 2009

8,861

3,712

—

12,573

Charges to operations

1,944

925

819

3,688

Charges utilized

(3,673
)

(2,460
)

(819
)

(6,952
)
Reversal of accrual

—

(123
)

—

(123
)
Balance at June 27, 2009

$
7,132

$
2,054

$
—

$
9,186

During the three and nine months ended June 27, 2009, the Company recorded restructuring charges of $1.9 million and $4.0 million, respectively, for employee termination costs. These costs were provided for approximately 400 and 1,600 terminated employees for the three and nine months ended June 27, 2009, respectively. In connection with restructuring actions the Company has already implemented under these restructuring plans, the Company expects to pay remaining facilities related restructuring liabilities of $2.1 million through 2010 and the majority of severance costs of $7.1 million through the remainder of 2009.

All Restructuring Plans

In connection with all of the Company's restructuring plans, restructuring costs of $15.9 million were accrued as of June 27, 2009, of which $15.7 million was included in accrued liabilities and $0.2 million was included in other long-term liabilities on the condensed consolidated balance sheet.

Note 11. Business Segment, Geographic and Customer Information

SFAS No. 131, “Disclosure about Segments of an Enterprise and Related Information”, 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 that 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	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
	(In thousands)			
Net sales:				
Domestic	$ 308,925	$ 539,639	$ 1,026,544	$ 1,700,961
International	900,225	1,363,614	2,796,977	3,797,863
Total net sales	$ 1,209,150	$ 1,903,253	$ 3,823,521	$ 5,498,824
Operating Income:				
Domestic	$ (27,031)	$ 6,888	$ (74,454)	$ 20,241
International	25,884	32,850	62,077	37,700
Total operating income (loss)	$ (1,147)	$ 39,738	$ (12,377)	$ 57,941

Note 12. Financial Instruments

The Company partially adopted SFAS No. 157, “Fair Value Measurements”, at the beginning of 2009 for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Company has elected to defer the adoption related to non-financial assets and liabilities in accordance with FSP FAS 157-2, “Effective Date of FASB Statement No. 157”. The partial adoption of SFAS No. 157 did not have a material impact on the Company’s condensed consolidated financial statements as of and for the three or nine months ended June 27, 2009.

The Company adopted FSP FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” which provides guidance when determining whether there has been a significant decrease in the volume and level of activity in the market for an asset or liability as well as other factors to consider in identifying transactions that are not orderly. The adoption of FSP FAS 157-4 did not impact the Company’s financial position or results of operations.

The Company’s financial assets and financial liabilities subject to the requirements of SFAS No. 157 are as follows:

- Money market funds
- Mutual funds
- Time deposits
- Corporate bonds
- Foreign currency forward and option contracts
- Interest rate swaps

SFAS No. 157 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 or permitted 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 1 assets and liabilities consist of money market fund deposits, time deposits and marketable debt and equity instruments.

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: Inputs that are unobservable to the valuation methodology which are significant to the measurement of the fair value of assets or liabilities.

The following table presents information as of June 27, 2009 with respect to assets and liabilities measured at fair value on a recurring basis:

		Presentation in the Condensed 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	Other long-term liabilities
				(In thousands)		
Assets:						
Money Market Funds	Level 1	$ 370,274	$ —	$ —	$ —	$ —
Mutual Funds	Level 2	—	—	1,136	—	—
Time Deposits	Level 1	69,658	—	16,623	—	—
Corporate Bonds — Foreign Real Estate	Level 2	—	—	2,730	—	—
Derivatives not designated as hedging instruments under FAS 133: Foreign Currency Forward Contracts	Level 2	—	499	—	—	—
Total assets measured at fair value		$ 439,932	$ 499	$ 20,489	$ —	$ —
Liabilities:						
Derivatives designated as hedging instruments under FAS 133: Interest Rate Swaps	Level 2	$ —	$ —	$ —	$ —	$ (33,598)
Derivatives not designated as hedging instruments under FAS 133: Foreign Currency Forward Contracts	Level 2	—	—	—	(5,600)	—

Total liabilities measured at fair value	$	—$	—$	—$	(5,600)	$ (33,598)

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. These plans are accounted for in accordance with EITF Issue 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested". Assets and liabilities associated with these plans of approximately $8.5 million as of June 27, 2009 are recorded as other non-current assets and other long-term liabilities in the condensed consolidated balance sheet. The Company's results of operation are not affected by these plans since changes in the fair value of the assets are offset by 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.

The Company has elected to use the income approach to value derivatives, using 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 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. As of June 27, 2009, the fair value of the Company's interest rates swaps has been reduced by $5.3 million due to consideration of the Company's creditworthiness, as determined by credit default swap rates published by Bloomberg. The effect of nonperformance risk on the fair value of foreign currency forward contracts was not material as of June 27, 2009.

The Company adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" in the second quarter of 2009. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

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 issued $600 million of floating rate notes in 2007 and entered into interest rate swap agreements with two independent swap counterparties to partially hedge its interest rate exposure related to floating rate debt. The swap agreements, with an aggregate notional amount of $300 million and expiration dates in 2014, effectively convert a portion of the variable interest rate obligation to a fixed interest rate obligation and are accounted for as cash flow hedges under SFAS No. 133. 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 2014. The Company is required to maintain collateral, in the form of cash, under its interest rate swap agreements. As of June 27, 2009, $19.9 million of collateral had been pledged against these swaps and is included in other non-current assets on the condensed consolidated balance sheet.

Forward and/or option 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 and/or option 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 less than 12 months in duration and are accounted for as cash flow hedges under SFAS No. 133.

The Company also enters into short-term foreign currency forward contracts to hedge currency exposures associated with certain assets and liabilities denominated in foreign currencies. The Company typically has forward contracts on approximately 15 foreign currencies at each period end. These contracts have maturities of three months or less and are not designated as accounting hedges under SFAS No. 133. Accordingly, all outstanding foreign currency forward contracts not designated as accounting hedges are marked-to-market at the end of each period with unrealized gains and losses included in other income (expense), net, in the condensed consolidated statements of operations. 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.

As of June 27, 2009, the Company had the following outstanding foreign currency forward contracts that were entered into to hedge foreign currency exposures:

Foreign Currency Forward Contracts	Number of Contracts	Notional Amount (USD in thousands) Designated	Notional Amount (USD in thousands) Non-designated
Buy SGD	3	$ 3,165	$ 63,642
Buy MXN	2	4,612	10,677
Buy ILS	3	1,275	6,621
Buy CAD	2	—	3,408
Buy HKD	1	—	2,362
Buy JPY	2	—	8,766
Buy MYR	1	—	3,217
Buy HUF	2	—	5,044
Buy SEK	1	—	1,276
Buy THB	1	—	1,890
Sell MXN	1	—	9,935
Sell HUF	1	—	3,519
Sell BRL	1	—	11,038
Sell CNY	1	—	18,139
Sell EUR	2	—	241,129
Sell GBP	1	—	2,144
Sell INR	1	—	5,008
Total notional amount		$ 9,052	$ 397,815

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 nine months ended June 27, 2009. As of June 27, 2009, AOCI related to foreign currency forward contracts was not material and AOCI related to interest rate swaps was a loss of $33.4 million, of which $13.6 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 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) (In thousands)	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
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 June 27, 2009:

Explanation of Responses:

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) (In thousands)	Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	
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 13. Stock Repurchase Program

On October 27, 2008, the Company’s Board of Directors authorized the Company to spend up to approximately $35 million on share repurchases. Purchases of common shares shall be made at prevailing market prices or in privately negotiated transactions. The authorization is effective through December 2009. During the three and nine months ended June 27, 2009, the Company repurchased 16.6 million shares and 60.5 million shares, respectively, of its common stock for a total of $10 million and $29.2 million, respectively, including commissions.

Note 14. 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 allows the Company to sell accounts receivable. The maximum face amount of accounts receivable that may be outstanding at any time under this agreement is $250 million. The purchase price for receivables sold under this program ranges from 95% to 100% of the face amount. The Company pays LIBOR plus a spread for the period from the date a receivable is sold to the date the receivable is collected. Sold receivables are subject to certain limited recourse provisions. The Company continues to service, administer and collect sold receivables on behalf of the purchaser in exchange for a servicing fee.

The Global Receivables Program has a foreign component and a U.S. component. The foreign component is governed by a Revolving Trade Receivables Purchase Agreement ("Foreign Facility") dated June 26, 2008. The U.S. component is governed by a Credit and Security Agreement dated November 24, 2008 that requires the Company to make an absolute transfer of accounts receivable to a special purpose entity (Borrower) to ensure that such transferred receivables are unavailable to the Company's creditors and to ensure the interests of such transferred receivables are fully transferred to the Borrower and its agent. The Borrower is a qualifying special purpose entity as defined in SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”, and accordingly, the Company does not consolidate this entity pursuant to FASB Interpretation No. 46R, “Consolidation of Variable Interest Entities.” For the three and nine months ended June 27, 2009, the Company sold $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 June 27, 2009, $63.2 million of sold receivables were outstanding.

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

Note 15. Subsequent Events

On July 20, 2009, the Board of Directors of the Company authorized a reverse split of its common stock at a ratio of one for six, effective August 14, 2009. The Company's stockholders previously approved the reverse split in September 2008.

As a result of the reverse split, every six shares of common stock outstanding will be combined into one share of common stock. The total number of shares of common stock outstanding will be reduced from approximately 472 million shares to approximately 78 million shares and the number of authorized shares of common stock will also be concurrently reduced on a proportional basis. The reverse split will not affect the amount of equity the Company has nor will it affect the Company's market capitalization. However, the Company's previously reported earnings per share amounts will increase by a magnitude of six as a result of the reverse split. For example, for the three months ended June 27, 2009, the Company reported a net loss per share of $0.09. As a result of the reverse split, the net loss will be adjusted to $0.54 per share on a prospective basis. Likewise, the Company's reported diluted net income per share of $0.03 for the three months ended June 28, 2008 will be adjusted to $0.18 per share on a prospective basis. With the exception of certain amounts in this footnote, all share and per share amounts herein are presented on a pre-split basis.

In accordance with SFAS No. 165, "Subsequent Events", the Company evaluated subsequent events through August 3, 2009, the date at which the financial statements were issued.

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 future cash outlays for 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," "inter "may," "will," "should," "estimate," "predict," "potential," "continue" and similar expressions identify forward-looking statem 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.

Since the fall of 2008, the business environment has become challenging due to adverse global economic conditions. These conditions have slowed global economic growth and have resulted in recessions in many countries, including the U.S., Europe and certain countries in Asia. As a consequence, many of the industries to which we provide products have experienced significant financial difficulty, with some entities filing for bankruptcy. Such significant financial difficulty, if experienced by one or more of our customers, may 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 exited our PC and associated logistics services business ("PC Business") in 2008 and have reflected this business as a discontinued operation in the condensed consolidated statements of operations for all prior periods presented.

Unless otherwise noted, all references to our operating results in this Management's Discussion and Analysis of Financial Condition and Results of Operations pertain only to our continuing operations and all references to years refer to our fiscal years ending on the last Saturday of each year closest to September 30. Fiscal 2009 will be a 53 week year, with the additional week included in the fourth quarter.

A relatively small number of customers have historically generated a significant portion of our net sales. 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. Sales to our ten largest customers represented 48.5% and 48.3% of our net sales for the three and nine months ended June 28, 2008, respectively. No customer represented 10% or more of our net sales for any of these periods.

Explanation of Responses:

We typically generate a significant portion of our net sales from international operations. Sales from international operations during the three months ended June 27, 2009 and June 28, 2008 were 74.5% and 71.6%, respectively, of our total net sales. During the nine months ended June 27, 2009 and June 28, 2008, 73.2% and 69.1%, respectively, of our total net sales were derived from international 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, Latin America and Eastern Europe. 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.

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 key critical accounting policies and estimates, refer to our 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 24, 2008.

Results of Operations

Key operating results

	Three Months Ended		Nine Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
	(In thousands)			
Net sales	$ 1,209,150	$ 1,903,253	$ 3,823,521	$ 5,498,824
Gross profit	$ 75,760	$ 139,641	$ 228,148	$ 393,215
Operating income (loss)	$ (1,147)	$ 39,738	$ (12,377)	$ 57,941
Net income/(loss) from continuing operations	$ (41,126)	$ 11,969	$ (103,937)	$ (37,421)
Income from discontinued operations, net of tax	$ —	$ 3,359	$ —	$ 36,251
Net income/(loss)	$ (41,126)	$ 15,328	$ (103,937)	$ (1,170)

Net loss from continuing operations includes restructuring costs of $14.1 million and $13.3 million for the three months ended June 27, 2009 and June 28, 2008, respectively, and $38.9 million and $68.1 million for the nine months ended June 27, 2009 and June 28, 2008, respectively. Additionally, 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. Lastly, net loss for the nine months ended June 27, 2009 includes a gain on repurchase of debt of $13.5 million.

Key performance measures

	Three Months Ended			
	June 27, 2009	March 28, 2009	December 27, 2009	September 27, 2008
Days sales outstanding (1)	52	54	57	51
Inventory turns (2)	6.5	6.4	6.8	7.7
Accounts payable days (3)	57	55	53	52
Cash cycle days (4)	51	56	57	46

(1) Days sales outstanding, or DSO, is calculated as the ratio of ending accounts receivable, net, to average daily net sales for the quarter.
(2) Inventory turns (annualized) are calculated as the ratio of four times our cost of sales for the quarter to inventory at period end.
(3) Accounts payable days is calculated as the ratio of 365 days divided by accounts payable turns, in which accounts payable turns is calculated as the ratio of four times our cost of sales for the quarter to accounts payable at period end.
(4) Cash cycle days is calculated as the ratio of 365 days to inventory turns, plus days sales outstanding minus accounts payable days.

Net Sales

Net sales for the three months ended June 27, 2009 decreased 36.5%, from $1.9 billion in the third quarter of 2008 to $1.2 billion in the third quarter of 2009. The decrease was primarily the result of the weakening economy which reduced demand across all of our end markets. Due to the weakening economy, sales decreased $300 million in our communications end market, $161 million in our high-end computing end market, $120 million in our multi-media end market, $86 million in our automotive, defense and aerospace, and industrial and semiconductor capital equipment end markets, and $27 million in our medical end market.

Net sales for the nine months ended June 27, 2009 decreased by 30.5% to $3.8 billion, from $5.5 billion for the nine months ended June 28, 2008. The decrease was primarily the result of the weakening economy which reduced demand across all of our end markets. Due to the weakening economy, sales decreased $622 million in our communications end market, $408 million in our high-end computing end market, $350 million in our multi-media end market, $242 million in our automotive, defense and aerospace, and industrial and semiconductor capital equipment end markets, and $53 million in our medical end market.

Gross Margin

Gross margin decreased from 7.3% for the three months ended June 28, 2008 to 6.3% for the three months ended June 27, 2009, and from 7.2% for the nine months ended June 28, 2008 to 6.0% for the nine months ended June 27, 2009. The decreases for the three and nine month periods were primarily a result of significantly lower business volume in 2009, as discussed above, partially offset by improved margins as a result of cost reduction initiatives.

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, with EMS companies competing more aggressively on cost to obtain new or maintain existing business; 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 decreased $19.5 million, from $77.4 million, or 4.1% of net sales, for the three months ended June 28, 2008, to $57.9 million, or 4.8% of net sales, for the three months ended June 27, 2009. For the nine months ended June 27, 2009, selling, general and administrative expenses decreased to $177.9 million, or 4.7% of net sales, from $245.8 million, or 4.5% of net sales, for the nine months ended June 28, 2008. The decrease for both the three and nine month periods was attributable to cost reduction initiatives, primarily reductions in staffing related costs, across the Company.

Research and Development

Research and development expenses decreased $2.1 million, from $5.9 million, or 0.3% of net sales, in the third quarter of 2008, to $3.8 million, or 0.3% of net sales, in the third quarter of 2009. For the nine months ended June 27, 2009, research and development expenses decreased to $12.7 million from $14.7 million for the nine months ended June 28, 2008. The decrease for the three months and nine months ended June 27, 2009 was the result of cost reduction initiatives throughout the first nine months of 2009.

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”, or SFAS No. 112, “Employers’ Accounting for Postemployment Benefits”, as applicable. Pursuant to SFAS No. 112, 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, a liability is recognized in accordance with SFAS No. 146 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”.

2009 Restructuring Plan

During the first quarter of 2009, we initiated a restructuring plan as a result of the slowdown in the global electronics industry and worldwide economy. The plan is 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 are expected to include employee severance, costs related to owned and leased facilities and equipment that are no longer in use, and other costs associated with the exit of certain contractual arrangements due to facility closures. Actions under this plan are expected to be initiated during 2009 and total costs for this plan are expected to be in the range of $35 million to $40 million. We expect actions under this plan to increase our gross and operating margins and be cash flow positive over the next 12 to 24 months as cash outlays for severance and facility closures will be recovered by cost savings and asset sales resulting from actions under the plan. However, there can be no assurance that these benefits will be achieved due to changes in the restructuring plan that increase costs or any failure of anticipated asset sales to generate projected amounts. 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	Total
		(In thousands)		
Balance at September 27, 2008	$ —	$ —	$ —	$ —
Charges to operations	7,009	482	—	7,491
Charges utilized	(2,229)	(482)	—	(2,711)
Balance at December 27, 2008	4,780	—	—	4,780
Charges to operations	7,524	1,160	—	8,684
Charges utilized	(5,662)	(1,160)	—	(6,822)
Balance at March 28, 2009	6,642	—	—	6,642
Charges to operations	6,121	3,954	570	10,645
Charges utilized	(6,109)	(3,583)	(570)	(10,262)
Reversal of accrual	(321)	—	—	(321)
Balance at June 27, 2009	$ 6,333	$ 371	$ —	$ 6,704

During the three and nine months ended June 27, 2009, we recorded restructuring charges of $5.8 million and $20.3 million, respectively, for employee termination costs, of which $14.0 million has been utilized and $6.3 million is expected to be paid during the remainder of 2009. These costs were provided for approximately 1,200 and 3,000 terminated employees for the three and nine months ended June 27, 2009, respectively.

Restructuring Plans — Prior Years

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

	Employee Termination Severance and Related Benefits Cash	Leases and Facilities Shutdown and Consolidation Costs Cash	Impairment of Assets or Redundant Assets Non-Cash	Total
		(In thousands)		
Balance at September 30, 2006	$ 21,349	$ 9,804	$ —	$ 31,153
Charges (recovery) to operations	35,169	11,195	(831)	45,533
Charges recovered (utilized)	(47,873)	(12,132)	831	(59,174)
Reversal of accrual	(2,505)	(441)	—	(2,946)
Balance at September 29, 2007	6,140	8,426	—	14,566
Charges to operations	64,126	16,519	2,456	83,101
Charges utilized	(45,248)	(19,765)	(2,456)	(67,469)
Reversal of accrual	(833)	(892)	—	(1,725)
Balance at September 27, 2008	24,185	4,288	—	28,473
Discontinued operations	5,607	—	—	5,607
Balance at September 27, 2008, including discontinued operations	29,792	4,288	—	34,080
Charges to operations	3,222	1,989	644	5,855
Charges utilized	(11,651)	(2,587)	(644)	(14,882)
Reversal of accrual	(4,067)	(44)	—	(4,111)
Balance at December 27, 2008	17,296	3,646	—	20,942
Charges to operations	2,953	2,905	1,121	6,979
Charges utilized	(11,299)	(2,839)	(1,121)	(15,259)
Reversal of accrual	(89)	—	—	(89)
Balance at March 28, 2009	8,861	3,712	—	12,573
Charges to operations	1,944	925	819	3,688
Charges utilized	(3,673)	(2,460)	(819)	(6,952)
Reversal of accrual	—	(123)	—	(123)
Balance at June 27, 2009	$ 7,132	$ 2,054	$ —	$ 9,186

During the three and nine months ended June 27, 2009, we recorded restructuring charges of $1.9 million and $4.0 million, respectively, for employee termination costs. These costs were provided for approximately 400 and 1,600 terminated employees for the three and nine months ended June 27, 2009, respectively. In connection with restructuring actions we have already implemented under these restructuring plans, we expect to pay remaining facilities related restructuring liabilities of $2.1 million through 2010 and the majority of severance costs of $7.1 million through the remainder of 2009. 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 $15.9 million were accrued as of June 27, 2009, of which $15.7 million was included in accrued liabilities and $0.2 million was included in other long-term liabilities on the condensed consolidated balance sheet.

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

During the three months ended June 27, 2009 and June 28, 2008, we recorded impairment charges of zero and $1.7 million, respectively. During the nine months ended June 27, 2009 and June 28, 2008, we recorded impairment charges of $7.2 million and $1.7 million, respectively, which related primarily to a decline in the fair value of certain properties held for sale.

Interest Income and Expense

Interest income decreased from $3.6 million for the three months ended June 28, 2008 to $0.8 million for the three months ended June 27, 2009, and from $15.0 million for the nine months ended June 28, 2008 to $6.0 million for the nine months ended June 27, 2009. The decreases were primarily attributable to lower interest rates during 2009 as a result of weakening economic conditions and uncertainty and volatility in the financial markets.

Interest expense decreased to $29.4 million for the three months ended June 27, 2009, from $30.0 million for the three months ended June 28, 2008, and to $86.7 million for the nine months ended June 27, 2009 from $96.9 million for the nine months ended June 28, 2008. The decrease is related to a significant reduction in LIBOR during 2009 as a result of uncertainty and volatility in the financial markets, which reduced interest expense on our variable rate debt. In addition, our average debt balance was lower due to the repurchase of $33.7 million of debt in the second quarter of 2009.

The decrease for the nine month period was primarily attributable to the termination of our hedging relationships for our 6.75% Notes during the second quarter of 2009, which caused the interest rate on these notes to become fixed at 6.75%, which was lower than the variable rate in effect when the hedging relationships were in place. In addition, LIBOR was significantly lower in 2009 as a result of uncertainty and volatility in the financial markets, which reduced interest expense on our variable rate notes, and our average debt balance was lower due to debt repurchases, as noted above.

Other Income (Expense), net

Other income (expense), net was $2.7 million and $5.9 million for the three months ended June 27, 2009 and June 28, 2008, respectively, and $8.2 million and $5.5 million for the nine months ended June 27, 2009 and June 28, 2008, respectively. The following table presents the major components of other income (expense), net:

	Three Months Ended		Nine Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
	(In thousands)			
Foreign exchange gains (losses)	$ 1,916	$ 3,561	$ (6,990)	$ 6,692
Gain/(loss) on extinguishment of debt	—	—	13,490	(2,237)
Other, net	792	2,334	1,684	1,072
Total other income (expense), net	$ 2,708	$ 5,895	$ 8,184	$ 5,527

We reduce our exposure to currency fluctuations through the use of foreign currency hedging instruments; however, hedges are established based on forecasts of foreign currency transactions. To the extent actual amounts differ from forecasted amounts, we will have exposure to currency fluctuations, resulting in foreign exchange gains or losses.

During the second quarter of 2009, we repurchased $4.3 million and $29.4 million of our 2010 and 2014 Notes, respectively. Upon repurchase, holders of the notes received $19.6 million, including accrued interest of $0.3 million.

In connection with these repurchases, we recorded a gain of $13.5 million, net of unamortized debt issuance costs of $0.6 million that were expensed upon repurchase of the notes. During the first quarter of 2008, we redeemed $120 million of debt that was due in 2010. In connection with this redemption, $2.2 million of debt issuance costs were expensed.

On November 19, 2008, we terminated our revolving credit facility and entered into a new credit facility. In connection with the termination of the revolving credit facility, we also terminated an interest rate swap associated with our 6.75% Notes. As a result of terminating the swap, we were required to discontinue hedge accounting for the terminated swap and the remaining three swaps designated under SFAS No. 133 as hedges of the 6.75% Notes. During the period from November 22, 2008 through termination of the remaining swaps in January 2009 (period during which hedge accounting was discontinued), changes in the fair value of the swaps resulted in a $5.7 million gain. This gain was partially offset by a decrease of $1.3 million in the fair market value of our deferred compensation plan assets that resulted from volatile conditions in the financial markets and $3.7 million from the write-off of long-term investments during 2009. These items are reflected in “Other, net” in the table above.

Provision for Income Taxes

We estimate our annual effective tax rate at the end of each quarterly period. Our estimate takes into account the geographic mix of our pre-tax income/(loss), our expected annual pre-tax income (loss), implementation of tax planning strategies and possible outcomes of audits and other uncertain tax positions. To the extent there are fluctuations in any of these variables during a period, our provision for income taxes may vary. Our provision for income tax expense was $14.1 million and $19.1 million for the three and nine months ended June 27, 2009, compared to $7.3 million and $19.0 million for the three and nine months ended June 28, 2008.

During the three months ended June 27, 2009, we increased reserves for uncertain tax positions by $11.3 million for current year tax positions. It is reasonably possible that this amount could significantly increase or decrease within the next 12 months based on final determinations by the taxing authorities and resolution of any disputes by us.

Liquidity and Capital Resources

	Nine Months Ended	
	June 27, 2009	June 28, 2008
	(Unaudited) (In thousands)	
Net cash provided by (used in):		
Operating activities	$ 151,480	$ 197,518
Investing activities	(81,835)	(42,988)
Financing activities	(68,719)	(120,000)
Effect of exchange rate changes on cash and cash equivalents	6,886	13,610
Decrease in cash and cash equivalents	$ 7,812	$ 48,140

Cash and cash equivalents were $877.6 million at June 27, 2009 and $869.8 million at September 27, 2008. Our cash levels vary during any given quarter depending on the timing of collections from customers and payments to suppliers, the extent and timing of sales of accounts receivable, borrowings under credit facilities and other factors. Our working capital was $1.3 billion and $1.6 billion at June 27, 2009 and September 27, 2008, respectively.

Net cash provided by operating activities was $151.5 million and $197.5 million for the nine months ended June 27, 2009 and June 28, 2008, respectively. During the nine months ended June 27, 2009 we generated $176.6 million of cash from changes in net operating assets, which consist primarily of accounts receivable, inventories, and accounts payable. Cash generated from changes in net operating assets reflects our focused efforts to reduce the level of net operating assets required to fund our operations.

Explanation of Responses:

Although we were able to generate cash by reducing our net operating assets, the economic slowdown negatively affected our working capital metrics for accounts receivable and inventory. Our days sales outstanding ("DSO") (a measure of how quickly we collect our accounts receivable) increased from 51 days at September 27, 2008 to 52 days at June 27, 2009, as customers slowed their payment cycles. The DSO metrics at September 27, 2008 and June 27, 2009 reflect the receipt of $15 million and $61.5 million from the sales of accounts receivables, respectively. In absolute dollars, inventory decreased by $117.1 million, but due to lower sales levels our inventory turns decreased from 7.7 turns during the three months ended September 27, 2008 to 6.5 turns during the three months ended June 27, 2009. We expect to improve our inventory turns in the coming periods. Partially mitigating the change in working capital metrics for accounts receivable and inventory was our ability to increase our days payable outstanding (a measure of how quickly we pay our suppliers) to 57 days for the three months ended June 27, 2009 from 52 days for the three months ended September 27, 2008.

Net cash used in investing activities was $81.8 million and $43.0 million for the nine months ended June 27, 2009 and June 28, 2008, respectively. During the nine months ended June 27, 2009, we had $55.5 million of capital expenditures and acquired, net of cash, a business operation from JDSU for $29.7 million (refer to Note 4. Acquisition).

Net cash used in financing activities was $68.7 million and $120.0 million for the nine months ended June 27, 2009 and June 28, 2008, respectively. During the second quarter of 2009, we redeemed $33.7 million of our 2010 and 2014 Notes for $19.6 million and, during the first quarter of 2008, we redeemed $120.0 million of our 2010 Notes at par. During the nine months ended June 27, 2009, we repurchased 60.5 million shares of our common stock for a total of $29.2 million, including commissions, and we posted collateral of $19.9 million in the form of cash against certain of our collateralized obligations.

Sales of Accounts Receivable. Certain of our subsidiaries have entered into agreements that permit them to sell specified accounts receivable. Proceeds from accounts receivable sales under these agreements were $61.5 million and $101.7 million for the three and nine months ended June 27, 2009, respectively, and $292.3 million and $844.3 million for the three and nine month periods ended June 28, 2008, respectively. Sold receivables are subject to certain limited recourse provisions. Proceeds from sales of accounts receivable are included in cash flows from operating activities in the condensed consolidated statement of cash flows.

Other Liquidity Matters.

Current weak economic conditions and tightening of credit markets have increased the risk of delinquent or uncollectible accounts receivable. Additionally, such factors have negatively affected our sales, net income and operating cash flows. We expect this trend to continue in the near term.

On January 14, 2009, one of our customers, Nortel Networks, filed a petition for reorganization under bankruptcy law. As a result, we performed an analysis as of December 27, 2008 to quantify our potential exposure, considering factors such as which legal entities of the customer are included in the bankruptcy reorganization, future demand from Nortel Networks, and administrative and reclamation claim priority. As a result of the analysis, we determined that certain accounts receivable may not be collectible and therefore deferred recognition of revenue in the amount of $5.0 million for shipments made in the first quarter of 2009. Additionally, we determined that certain inventory balances may not be recoverable and provided a reserve for such inventories in the amount of $5.0 million in the first quarter of 2009. We updated our analysis at June 27, 2009 and determined that no additional reserves were necessary. Our estimates are subject to change as additional information becomes available.

In the ordinary course of business, we are or may become party to legal proceedings, claims and other contingencies, including environmental matters and examinations and investigations by government agencies. As of June 27, 2009, we had reserves of $28.8 million related to such matters. We may not be able to accurately predict the outcome of these matters or the amount or timing of cash flows that may be required to defend ourselves or to settle such matters. For further information regarding legal proceedings, see Part II, Item 1. Legal Proceedings.

As of June 27, 2009, we have a liability of $29.4 million for uncertain tax positions. Our estimate of our liability for uncertain tax positions is based on a number of subjective assessments, including the likelihood of a tax obligation being assessed, the amount of taxes (including interest and penalties), that would ultimately be payable, and our ability to settle any such obligations on favorable terms. Therefore, the amount of future cash flows associated with uncertain tax positions may be significantly higher or lower than our recorded liability.

We have entered into, and continue to enter into, various transactions that periodically require collateral. These obligations have historically arisen from customs, import/export, VAT, utility services, debt financing, foreign exchange contracts and interest rate swaps. We have collateralized, and may from time to time collateralize, such obligations as a result of counterparty requirements or for economic reasons. As of June 27, 2009, we had collateral of $19.9 million in the form of cash against certain of our collateralized obligations.

Our debt agreements currently contain a number of restrictive covenants, including prohibitions on incurring additional debt, making investments and other restricted payments, paying dividends and redeeming or repurchasing capital stock and debt, subject to certain exceptions. We were in compliance with these covenants as of June 27, 2009. However, we may be required to seek waivers or amendments to certain covenants for our debt instruments if we are unable to comply with the requirements of the covenants in the future. We may not be able to obtain such waivers or amendments on terms acceptable to us or at all, and, in such case, these covenants could materially adversely impact our ability to conduct our business or carry out our restructuring plans.

Our next debt maturity is in June 2010, at which time debt with a carrying amount of $175.7 million matures. Our next debt maturity thereafter is in 2013. We may, however, consider early redemptions of our debt in future periods, possibly using proceeds from additional debt or equity financings. In addition to our existing covenant requirements, future debt financing may require us to comply with financial ratios and covenants. Equity financing, if required, may result in dilution to existing stockholders.

We announced on October 27, 2008 that our Board of Directors had approved a stock repurchase program covering up to 10% of our shares based on our closing stock price on October 29, 2008, which equates to repurchases of approximately $35.0 million. Purchases under the program shall be made at prevailing market prices or in privately negotiated transactions. The program shall continue through December 31, 2009, unless otherwise determined by the Board of Directors. During the nine months ended June 27, 2009, we repurchased 60.5 million shares of our common stock for a total of $29.2 million, including commissions.

Our liquidity needs are largely dependent on changes in our working capital, including the extension of trade credit by our suppliers, investments in manufacturing inventory, facilities and equipment, and repayments of obligations under outstanding indebtedness. Our primary sources of liquidity include cash of $877.6 million, our $135 million credit facility, our $250 million accounts receivable sales program and cash generated from operations. As of June 27, 2009, we were eligible to borrow $79.7 million under our credit facility.

We believe our existing cash resources and other sources of liquidity, together with cash generated from operations and planned sales of assets, will be sufficient to meet our working capital requirements through at least the next 12 months. Should demand for our products decrease significantly over the next 12 months, the available cash provided by operations could be adversely impacted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our primary exposure to market risk for changes in interest rates relates to certain of our outstanding debt obligations. Currently, we do not use derivative financial instruments in our investment portfolio. As of June 27, 2009, we had no short-term investments.

As of June 27, 2009, we had $1.45 billion of debt, of which $1.0 billion bears interest at a fixed rate and $300 million of variable rate debt has been converted to fixed rate through the use of interest rate swaps. Accordingly, our exposure to interest rate changes is limited to variable rate debt of $145.0 million. The effect of an immediate 10% change in interest rates would not be material to our results of operations.

Foreign Currency Exchange Risk

We transact business in foreign countries. Our foreign exchange policy requires that we take certain steps to limit our foreign exchange exposures related to certain assets and liabilities and forecasted cash flows. However, such policy does not require us to hedge all foreign exchange exposures. Further, foreign currency hedges are based on forecasted transactions, the amount of which may differ from that actually incurred. As a result, we can experience foreign exchange gains and losses in our results of operations.

Our primary foreign currency cash flows are in certain Asian and European countries, Brazil and Mexico. We enter into short-term foreign currency forward contracts to hedge currency exposures associated with certain assets and liabilities denominated in foreign currencies. These contracts typically have maturities of three months or less and are not designated as part of a hedging relationship in accordance with SFAS No. 133. All outstanding foreign currency forward contracts are marked-to-market at the end of the period with unrealized gains and losses included in other income (expense), net, in the condensed consolidated statements of operations. At June 27, 2009, we had outstanding foreign currency forward contracts to exchange various foreign currencies for U.S. dollars in the aggregate notional amount of $397.8 million.

We also utilize foreign currency forward and option 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 less than 12 months in duration and are accounted for as cash flow hedges under SFAS No. 133, subject to periodic assessment of effectiveness. The effective portion of changes in the fair value of the contracts is recorded in stockholders’ equity as a separate component of accumulated other comprehensive income and is recognized in the condensed consolidated statement of operations when the hedged item affects earnings. We had forward and option contracts related to cash flow hedges in various foreign currencies in the aggregate notional amount of $9.1 million at June 27, 2009. The net impact of an immediate 10% change in exchange rates would not be material to our condensed consolidated financial statements, provided we are adequately hedged. However, if we are not adequately hedged, we could incur significant gains or losses.

Item 4. Controls and Procedures

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 27, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that their objectives are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits of disclosure controls and procedures must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of disclosure controls and procedures can provide absolute assurance that all disclosure control issues and instances of fraud, if any, within the Company have been detected. Nonetheless, our Chief Executive Officer and Principal Financial Officer have concluded that, as of June 27, 2009, (1) our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives, and (2) our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Principal Financial Officer, to allow timely decisions regarding its required disclosure.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As previously disclosed, we were subject to federal and state lawsuits, as well as investigations by the SEC and the Department of Justice (“DoJ”), in connection with certain of our historical stock option administration practices. Of these matters, only the DoJ investigation remains open, all other matters having been concluded.

Non-U.S. Proceedings

A non-U.S. governmental entity has made a claim for penalties against us asserting that we did not comply with bookkeeping rules in accordance with applicable tax regulations. We have provided documents that we believe demonstrate our compliance with these tax regulations. We have appealed the penalties in administrative court, and have not paid the penalties pending review by the court. The administrative court has not indicated when it will issue a decision. We believe we have a meritorious position in this matter and are contesting this claim vigorously.

Other Proceedings

We are also subject to other routine legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business. The ultimate outcome of any litigation is uncertain and unfavorable outcomes could have a negative impact on our results of operations and financial condition. Regardless of outcome, litigation can have an adverse impact on us as a result of incurrence of defense costs, diversion of management resources and other factors. We record liabilities for legal proceedings when a loss becomes probable and the amount of loss can be reasonably estimated.

Item 1A. Risk Factors Affecting Operating Results

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors Affecting Operating Results” in our Annual Report on Form 10-K for the fiscal year ended September 27, 2008 and in Part II, IA “Risk Factors Affecting Operating Results” in our Quarterly Reports on Form 10-Q for the fiscal quarters ended December 27, 2008 and March 29, 2009, which have not materially changed other than as set forth below.

Continued adverse market conditions in the electronics industry could reduce our future sales and earnings per share.

Recently, the business environment in the electronics industry has become challenging due to adverse worldwide economic conditions. There has been an erosion of global consumer confidence amidst concerns over declining asset values, inflation, volatility in energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability and solvency of financial institutions, financial markets, businesses, and sovereign nations. These concerns have slowed global economic growth and have resulted in recessions in many countries, including in the U.S., Europe and certain countries in Asia. The conditions have resulted, and may result in the future, in our customers delaying purchases of the products we manufacture for them and our customers placing purchase orders for lower volumes of products than previously experienced or anticipated. We cannot accurately predict future levels of demand for our customers’ electronics products. Consequently, our past operating results, earnings and cash flows may not be indicative of our future operating results, earnings and cash flows, which could be less than past results.

If these economic conditions continue to persist or worsen, in addition to our customers or potential customers reducing or delaying orders, a number of other negative effects on our business could result, including the insolvency of key suppliers, which could result in production delays, the inability of customers to obtain credit, and the insolvency of one or more customers. Any of these effects could impact our ability to effectively manage inventory levels and collect receivables, increase our need for cash, and decrease our net revenue and profitability.

Many of the industries to which we provide products have recently experienced significant financial difficulty, with some of the participants filing for bankruptcy. Such significant financial difficulty, if experienced by one or more of our customers, may negatively affect our business due to the decreased demand of these financially distressed customers, the potential inability of these companies to make full payment on amounts owed to us, or both. For example, one of our customers, Nortel Networks, has filed a petition for reorganization under bankruptcy law.

We may be unable to obtain sufficient financing to maintain or expand our operations, which may cause our stock price to fall and reduce the business our customers and vendors do with us.

In order to allow us to better manage our working capital requirements, we entered into a five-year $135 million credit facility in November 2008, of which approximately $79.7 million may be borrowed as of June 27, 2009. Should we need additional sources of liquidity above and beyond such facility, we cannot be certain that financing will be available on acceptable terms or at all. In addition, although we seek high quality counterparties for our financing arrangements, there can be no assurance that any such counterparty will be able to provide credit when and as required by our current or future financing arrangements. If additional financing, including an expansion of the existing credit facility, is not available when required, our ability to maintain or increase our rates of production, expand our manufacturing capacity or refinance our outstanding debt will be harmed, which could cause our stock price to fall and reduce our customers' and vendors' willingness to do business with us.

We rely on a relatively small number of customers for a substantial portion of our sales, and declines in sales to these customers would reduce our net sales and net income.

Although no single customer generates 10% or more of our sales, a significant portion of our sales is generated by a small number of customers. Sales to our ten largest customers represented 47.5% of our net sales during the third quarter of 2009. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our sales. Consolidation among our customers may further concentrate our business in a limited number of customers and expose us to increased risks related to dependence on a small number of customers. In addition, a significant reduction in sales to any of our large customers or significant pricing and margin pressures exerted by a customer would adversely affect our operating results. In the past, some of our large customers have significantly reduced or delayed the volume of manufacturing services ordered from us as a result of changes in their business, consolidations or divestitures or for other reasons. In particular, certain of our customers have from time to time entered into manufacturing divestiture transactions with other EMS companies, and such transactions could adversely affect our revenues with these customers. We cannot assure you that present or future large customers will not terminate their manufacturing arrangements with us or significantly change, reduce or delay the amount of manufacturing services ordered from us, any of which would reduce our net sales and net income.

Consolidation in the electronics industry may adversely affect our business by increasing competition or customer buying power and increasing prices we pay for components.

Consolidation in the electronics industry among our customers, our suppliers and/or our competitors may increase as companies combine to achieve further economies of scale and other synergies, especially in light of the worldwide economic downturn. Consolidation in the electronics industry could result in an increasing number of very large electronics companies offering products in multiple sectors of the electronics industry. The significant purchasing and market power of these large companies could increase competitive pressures on us. In addition, if one of our customers is acquired by another company that does not rely on us to provide EMS services and has its own production facilities or relies on another provider of similar services, we may lose that customer's business. There can be no assurance the new owner of these assets will continue to purchase products from us after the acquisition has been completed. In addition, consolidation in the electronics industry may also result in excess manufacturing capacity among EMS companies, which could drive down gross margins and therefore profitability. Similarly, consolidating among our suppliers could result in a sole or limited source for certain components used in our customers' products. Any such consolidation could cause us to be required to pay increased prices for such components, which would reduce our gross margin and profitability.

Our stock has been trading at less than $1.00 per share, which could cause our stock to be delisted from the NASDAQ Global Select Market.

Explanation of Responses:

Effective August 31, 2009, the rules of the NASDAQ Global Select Market will again require that listed companies maintain a minimum price of $1.00 per share, and will permit NASDAQ to delist companies whose stock price falls below $1.00 per share for 30 consecutive trading days. Our stock has traded at less than $1.00 per share for more than the last thirty days. To avoid possible delisting, as well as for other reasons, the Company has declared a reverse split of one-for-six effective August 14, 2009. However, the effect of a reverse split upon the market price of our common stock cannot be predicted with any certainty. The market price of our common stock is primarily driven by other factors unrelated to the number of shares outstanding, including our current and expected future performance, conditions in the EMS industry and stock market conditions generally. Therefore, it is possible that the per share price of our common stock after the reverse split will not rise in proportion to the reduction in the number of shares of our common stock outstanding resulting from the reverse stock split, in which case our stock could be delisted from the NASDAQ Global Select Market.

We are subject to risks arising from our international operations.

We conduct our international operations primarily in Asia, Latin America, Canada and Europe, and we continue to consider additional opportunities to make foreign acquisitions and construct new foreign facilities. We generated 74.5% of our net sales from non-U.S. operations during the third quarter of 2009, and a significant portion of our manufacturing material was provided by international suppliers during this period. As a result of our international operations, we are affected by economic and political conditions in foreign countries, including:

- the imposition of government controls;
- difficulties in obtaining or complying with export license requirements;
- political and economic instability, including armed conflicts;
- trade restrictions;
- changes in tariffs;
- labor unrest and difficulties in staffing;
- inflexible employee contracts in the event of business downturns;
- coordinating communications among and managing international operations;
- fluctuations in currency exchange rates;
- currency controls
- increases in duty and/or income tax rates;
- difficulties in obtaining export licenses;
- excess costs associated with reducing employment or shutting down facilities;
- misappropriation of intellectual property; and
- constraints on our ability to maintain or increase prices.

Our operations in certain foreign locations receive favorable income tax treatment in the form of tax holidays or other incentives. In the event that such tax holidays or other incentives are not extended, are repealed, or we no longer qualify for such programs, our taxes may increase, which would reduce our net income.

Additionally, certain foreign jurisdictions restrict the amount of cash that can be transferred to the United States of America or impose taxes and penalties on such transfers of cash. To the extent we have excess cash in foreign locations that could be used in, or is needed by, our U.S. operations, we may incur significant penalties and/or taxes to repatriate these funds.

To respond to competitive pressures and customer requirements, we may further expand internationally in lower cost locations, particularly in Asia, Eastern Europe and Latin America. As we pursue continued expansion in these locations, we may incur additional capital expenditures. In addition, the cost structure in certain countries that are now considered to be favorable may increase as economies develop or as such countries join multinational economic communities or organizations, causing local wages to rise. As a result, we may need to continue to seek out new locations with lower costs and the employee and infrastructure base to support electronics manufacturing. We cannot assure you that we will realize the anticipated strategic benefits of our international operations or that our international operations will contribute positively to our operating results.

We can experience losses due to foreign exchange rate fluctuations, which would reduce our net income.

Because we manufacture and sell a substantial portion of our products abroad, our operating costs are subject to fluctuations in foreign currency exchange rates. Specifically, if the U.S. dollar weakens against the foreign currencies in which we denominate certain of our trade accounts payable, fixed purchase obligations and other expenses, the U.S. dollar equivalent of such expenses would increase. We use financial instruments, primarily short-term foreign currency forward contracts, to hedge certain forecasted foreign currency commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations. Our foreign currency hedging activities depend largely upon the accuracy of our forecasts of future sales, expenses and monetary assets and liabilities. As such, our foreign currency forward contracts may exceed or not cover our full exposure to exchange rate fluctuations. If these hedging activities are not successful, we may experience significant unexpected expenses from fluctuations in exchange rates. Although we believe our foreign exchange hedging policies are reasonable and prudent under the circumstances, we can provide no assurances that we will not experience losses arising from unhedged currency fluctuations in the future, which could be significant.

We are subject to a continuing government investigation concerning our historical stock option practices, which could result in our liability for significant penalties and costs.

As a result of an investigation of our accounting for stock options, we filed a comprehensive Form 10-K for 2006 which restated our consolidated financial statements for prior years and which reduced our net income due to mispriced stock options granted in prior periods. Following this filing, we became subject to federal and state lawsuits, as well as investigations by the SEC and the Department of Justice (“DoJ”). Of these matters, only the DoJ investigation remains open, all other matters having been concluded. We cannot predict the final resolution of the DoJ investigation, which could result in the payment of significant penalties and costs to indemnify current or former officers and directors of the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth information regarding our repurchases of our common stock during the nine months ended June 27, 2009.

	TOTAL NUMBER OF SHARES PURCHASED		AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PROGRAMS		MAXIMUM DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PROGRAMS
Month #1						
September 28, 2008 through October 25, 2008	—	$	—	—	$	35,000,000
Month #2						
October 26, 2008 through November 22, 2008	21,006,503	$	0.54	21,006,503	$	23,621,000
Month #5						
January 25, 2009 through February 21, 2009	18,160,835	$	0.34	18,160,835	$	17,509,000
Month #6						
February 22, 2009 through March 28, 2009	4,821,914	$	0.29	4,821,914	$	16,114,000
Month #8						
April 26, 2009 through May 23, 2009	15,495,994	$	0.60	15,495,994	$	6,872,000
Month #9						
May 24, 2009 through June 27, 2009	1,059,130	$	0.64	1,059,130	$	6,197,000
Total	60,544,376	$	0.48	60,544,376		

(1) All months shown are our fiscal months. We did not repurchase any shares in months omitted from the above table.

On October 27, 2008, our Board of Directors authorized us to spend up to approximately $35 million on share repurchases. As of June 27, 2009, we had repurchased common stock for an aggregate purchase price of $29.2 million, including commissions, under the program. Purchases shall be made at prevailing market prices or in negotiated transactions off the market. The authorization is effective through December 31, 2009, unless otherwise determined by the Board of Directors.

Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1(1)	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2(1)	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

(1) This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

SANMINA-SCI CORPORATION

SIGNATURES

Pursuant to the Requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SANMINA-SCI CORPORATION
(Registrant)

By: /s/ JURE SOLA
Jure Sola
Chief Executive Officer

Date: August 3, 2009

By: /s/ TODD SCHULL
Todd Schull
Senior Vice President and
Corporate Controller (Principal Financial and
Accounting Officer)

Date: August 3, 2009

EXHIBIT INDEX

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